Title: Monday, March 20, 1995 Designated Subcommittee
Date: 1995/03/20
[Chairman: Ms Calahasen]
Time: 8:02 a.m.

THE CHAIRMAN: Good morning. What we're going to do is we're going to start. I'd like to welcome everyone to the subcommittee of supply. It's Economic Development and Tourism this morning. We have a number of people who are going to present in the first 20 minutes.

Before we go on with that, however, I'd like to say that maybe we can go back and forth and get coffee and whatever you want to munch on. I would like to also indicate that for the first hour – I think there was an agreement that was made – 20 minutes will be for the minister and whomever he has designated to speak. Then we will go to one hour with the opposition members for questions and an hour with the government members and then an hour, again, with the opposition and an hour with the government members. If we can't finish, we certainly can end whenever we feel that we've done enough of the questioning.

First of all, I don't know if everybody knows everyone else, but I think that we should take some time to introduce ourselves, and we'll start with Corinne.

MRS. DACYSHYN: I'm Corinne Dacyshyn, the committee assistant.

MR. GERMAIN: I'm Adam Germain.

MR. VAN BINSBERGEN: Duco Van Binsbergen.

THE CHAIRMAN: Maybe you can tell where your constituency is.

MR. VAN BINSBERGEN: West Yellowhead: Jasper, Hinton, et cetera.

THE CHAIRMAN: Thank you.

MR. TOTH: Garry Toth, Alberta Motion Picture Development Corporation.

MR. PARSONS: Al Parsons, Alberta Tourism and Education Council.

MR. ANDERSON: Jim Anderson, Alberta Opportunity Company.

MR. CRERAR: Peter Crerar, Economic Development and Tourism.

MR. CRAIG: Al Craig, Economic Development and Tourism.

MR. SMITH: Murray Smith, Calgary-Varsity.

MRS. MIROSH: Dianne Mirosh, Calgary-Glenmore.

DR. BARGE: Brian Barge, Alberta Research Council.

MR. COUTTS: Dave Coutts, Pincher Creek-Macleod.

MR. FRIEDEL: Gary Friedel from Peace River.

MR. WOLOSHYN: Stan Woloshyn, Stony Plain.

THE CHAIRMAN: Pearl Calahasen.

We might as well go right through, because I think you might be asking them questions. Go ahead.

MR. RASMUSSON: Murray Rasmusson, Economic Development and Tourism.

MR. SIMON: Bill Simon, Environmental Protection.

MR. TRENERRY: Don Trenerry, Alberta Opportunity Company.

MR. ENGEL: Jim Engel, Economic Development and Tourism.

MR. WILLIAMS: Brian Williams, Economic Development and Tourism.

MR. SCHELLENBERGER: Stan Schellenberger, Economic Development and Tourism.

DR. FESSENDEN: Bob Fessenden, Alberta Research Council.

MS MORAN: Charlotte Moran, Economic Development and Tourism.

MS DYCK: Judith Dyck, Economic Development.

MR. PATTON: Mark Patton, Science and Research.

MR. NEUFELD: Tom Neufeld, ED and T.

THE CHAIRMAN: Thank you very much, and you know the lady and gentleman in the back who are our key people.

Before we go ahead, though, we need to pass one motion, and that's the agreement between the two parties. So if we can do that. You have your copy. I'll read it out: that each designated supply subcommittee consider the following procedural motion at their first meeting:

> Be it resolved that the designated supply subcommittee on Economic Development and Tourism allocate the four hours allotted to it pursuant to Standing Order 56(7)(b) as follows:
> (a) the minister responsible first addresses the subcommittee for a maximum of 20 minutes,
> (b) opposition subcommittee members and independent subcommittee members then have one hour for questions and answers,
> (c) government subcommittee members then have one hour for questions and answers,
> (d) opposition subcommittee members and independent subcommittee members then have one more hour for questions and answers,
> (e) government subcommittee members have the remainder of the four hours.

Could I have agreement on this, please? Could somebody move the motion?

MR. VAN BINSBERGEN: So moved.

THE CHAIRMAN: Duco. Can I have a show of hands in agreement, please? Thank you.

All right. Now we'll have the minister.

MR. SMITH: Well, thank you, Madam Chairman, and welcome everybody to this great Monday morning start. What I want to show you very briefly is an economic strategy that's been adopted by the department and that was put together prior to developing the business plan. It started December 22. We felt that a business plan is always more effective if it, in fact, supports a strategy. I just want to give you a short presentation on the strategy side that kind of talks from an economic background and indicates that we are not in the business of delivering prosperity. We can all too easily mess economies up. In fact, it's our job to create the environment that allows the private sector to prosper in this province.

The strategic direction is centred upon maximizing investment in Alberta. We feel that the two most effective ways of influencing economic strategy are, one, through taxation strategies and, secondly, through deregulation. A recent study by the OECD compared the United States and Europe in job creation in terms of knowledge jobs and in terms of well-paying jobs. They found that the United States exceeded Europe by at least 30 percent over the time period of the study. The prime difference between the two study groups was that of excess regulation in the European market. We want to continue to develop trade and export sales. Statistics Canada has indicated that for every billion dollars' worth of export trade that is generated, you create between 10,000 and 15,000 jobs. So it's clearly an important priority. Of course, the other component is that they're bringing trade in, promoting investment, and promoting business infrastructure and wealth creation in the province of Alberta.

Under the investment maximization strategy, the department has undertaken the target of a 20 percent increase in private annual nonenergy investment to $12 billion by 1997. This investment figure has been hovering at around $9 billion to $10 billion, $10.5 billion since 1989. We feel that there's a strong opportunity to increase private investment in Alberta by 20 percent over the period of the business plan. We've identified areas in manufacturing in the process where there's an additional or a potential $14 billion worth of additional new investment through to 1998. This is over and above the annual rates of about $10 billion to $10.5 billion now. The other areas where we anticipate growth to come from are the areas of trade, financial services, and commercial services.

The deregulation strategy is still alive. We will continue to reduce regulatory burden on business, improve the business and investment climate, which in turn, of course, supports job creation. The offshoot benefit of that of course is to reduce government cost and to speed up decisions with respect to the marketplace.

On the trade development and export sales strategy the department will continue to assist business in Alberta with new export initiatives. We will continue the international trade presence. The Alberta Economic Development Authority is providing us with recommendations as to the location and efficacy of our trade offices. The trade offices have dropped in operating costs from a high of $11 million a year down to just under 7 and a half million dollars now. Trade missions, in co-operation with the Alberta Economic Development Authority, will continue to play a key role in the development of export markets. I'm sure that everybody is aware that this week we'll be in Houston. The Premier has planned a trip to Israel this summer and subsequently Arab markets.

Of course, one of the best ways to sell is to get them on your own turf. That's why we're also keen on the incoming missions. In the short time that I've been here, I've met with three incoming Russian delegations and three from China. We find that it's an effective way to generate Alberta business. This – and I don't know if everybody can see this – gives you an idea of how we're doing on the trade side. We keep statistics on this. In fact, 38 percent of the gross domestic product, $78 billion in Alberta, is due to trade. Eleven percent of that is east-west trade within Canada; the other 27 percent is foreign trade, which amounts to just over $16 billion dollars.

Of course, it's very clear that the major market for Alberta is the United States; 80 percent of our trade is to the United States. California, Washington, and Texas are the three top markets in the United States. We will continue to sell the Alberta advantage. It's proved to be a very effective marketing weapon that we can use as a sales promotion strategy without encountering paid media programs. We have no paid media programs planned for the period of the business plan. We will continue to count on media coverage and informal coverage from the media based on what our activities are with respect to the Alberta advantage.

8:12

The Alberta economy continues to outperform that of Canada. We had a 5.1 percent growth in 1993. The 1994 growth forecast figures are actually in, and we are now at 4.5 percent. We continue to maintain a highly competitive tax climate. There are specific business taxes that we're undertaking a review of to be able to provide an even better tax environment for specific businesses. We continue to state that we have the lowest marginal personal income tax rate in the dominion, 46.1 percent. It's the only rate less than 50 percent.

Over 40 percent of the Alberta labour force has some sort of postsecondary degree or certificate. When Dow recently announced its doubling of its hydrogen peroxide plant, they indicated that one of the key components of their decision was the skilled workforce available in Alberta.

We continue to have the lowest gas and utility rates in North America. This will continue up until the time that the public utility income tax rebate is closed down, and then we will be at about this level, with Manitoba and British Columbia. So, you know, it was clearly a competitive hit when the federal government removed the recognition of the importance of private-sector utilities.

We continue to have the highest per capita science and technology spending in Canada. I'm sure that Dianne will want to deal with that. We have stated quite clearly that we are here to promote the economic climate which generates the jobs, which generates and creates the wealth which puts Albertans to work. We have the highest participation in the labour force in all of Canada. As you can see, this slide has been used before. The number now to the end of the fourth quarter of '94 is 89,000 jobs. We're moving towards the target of 110,000 jobs.

We continue to see that human infrastructure is an important component of the Alberta advantage and that continued emphasis is on the high quality of health services and the continued high priority on education, as you can see from it being the department that had the lowest reductions in spending of all departments, and again concentrating on the core business of emphasising a safe, secure society, probably with the exception of this room.

The investment sales promotion strategy: how are we going to go out there and promote this thing? We're going to use a concentrated marketing initiative. We're going to continue to sell the advantages. Basically, the job of government is to open the doors; the job of business is to seal the deals off, make the deals, and then continue forward. Again, I'd like to stress that there's no paid advertising program undertaken for promotion of this particular campaign. We're continuing to work with the national as well as the international business and investment communities and the Alberta business and financial communities.

We have targeted, as I said, a $12 billion nonenergy investment target. We have a targeted export goal of $25.2 billion by 1997. This is extrapolating the $24 billion target that we have for '96. We want to continue to target the private sector creating 110,000 jobs by 1997, and we've targeted $3.9 billion in tourism receipts by 1997. It's hopefully the creation of an Alberta tourist corporation, that both the hon. Member for West Yellowhead and the Member for St. Albert so ardently and stridently supported in Jasper last week. We thank you for that commitment.

Not everything is rosy. You always have to look at your externalities. You have to take a look at your threats. I think we're all noticeable of our financial position as a nation and in fact of the difficulty in attracting foreign investment, which has created pressure on our interest rates, which one could argue would be a de facto tax increase; the continued ability to borrow on foreign markets; the ever lurking threat of a carbon tax; higher taxation, as we saw in the last budget; again, more upward pressure on interest rates; the strength of the Canadian dollar. I just went through this yesterday with a couple of associates. In 1992 the Swiss franc was trading at 76 cents Canadian. It is now $1.23, which is about a 36 percent increase in strength over the last two to three years. The German mark is at $1.02. The guilder is at about 85 cents. So, in fact, as much as we continue to relate to the United States currency, it has been taking a beating on international markets. It's down 5 percent, and we're down 5 percent against the U.S. dollar in the last year. From an export standpoint that bodes well. It does make the attraction of capital fairly difficult. Of course, those who were in the House for estimates will realize that the Quebec issue lurks out there and that FIGA with its wide raft of assistant deputy ministers and deputy ministers is staffed adequately to handle that burning issue.

Have we got the tape on? I just want to see who's awake in here this morning, and who's not.

One of the things that we felt was very important to the department was to develop a vision statement. We've moved along with that. It's refined, and I think that for all those that can read it, it indicates the basis that the department's taking. It's a growing and vibrant entrepreneurial economy with a strong competitive advantage in which our activities contribute to the development of economic opportunities and lead to the creation of jobs and wealth for Albertans.

One of the things that I think everybody knows is that I'm a bit of a fan of *Reinventing Government*, and I think that this quote sums up the best the direction of the department:

> The word government is from a Greek word, which means `to steer'. The job of government is to steer, not to row the boat. Delivering services is rowing, and government is not very good at rowing.

So, in effect, what you'll see from the department is an emphasis on being a strategically focused, knowledge-based group that is actively removing itself from program delivery. The mission of the department is to create an environment in which the private sector can prosper, creating jobs for Albertans, investment opportunity, and promoting export sales. We've identified our key markets, our key businesses, and we intend to stick to those and not get into others. Those core businesses are investment maximization strategy, trade development, export sales strategy, and business infrastructure strategy.

The department has formed alliances with businesses, business associations. What we want to do is continue to execute strategies for economic growth, promote and sell the Alberta advantage as a partnership, and be a lead economic agency within government. We've benchmarked where we are, where we want to go, and how we are going to measure our progress. Those are in the areas of job creation, growth in identified industrial sectors, increased tourism revenues, and more business formations.

Keying on less regulations, no direct financial assistance to business – that will be reduced by just over 99 percent from 1988-89 – we have announced a 30 percent reduction in spending and a 40 percent reduction in staffing. So it will be clearly a smaller, more strategically group-driven department with internal measures and benchmarks. There again is the roll-up of the targets that we talked about earlier.

That's it, ladies and gentlemen. Hopefully, that would give you a perspective on the planning process that the department has undertaken and what we used as a base to develop this business plan. I look forward to questions. In fact, the importance of the department is indicated by the number of people here today that have the keen detail and the full disclosure that I know the opposition seeks on a daily basis.

Thank you.

THE CHAIRMAN: Thank you very much, Mr. Minister. I think that Dianne now has a presentation. Go ahead.

8:22

MRS. MIROSH: Thank you, Madam Chairman, colleagues. I don't have any colourful slides, so just bear with me. Just to give you a brief explanation, the actual budget for science and research falls under Executive Council. The Alberta Research Council has remained within Economic Development and Tourism since it's a job creator as well.

I'd just like to take a moment, Madam Chairman, to introduce Dr. Brian Barge, who is with me here – he's the chief executive officer of the Alberta Research Council – and Dr. Bob Fessenden, vice-president of operations for the corp. I think he's here. Oh, there he is. These gentlemen are both top-notch researchers and make everything happen within the Alberta Research Council. Dr. Lorne Taylor was unable to make it this morning. He is still in Medicine Hat, so we're holding the fort for him.

I'd like to just indicate that the Alberta Research Council is a provincial technology corporation, and it contributes, again, to the wealth of the Alberta economy. This is done through the application of technology and research of corporations and clients. The Alberta Research Council has been very successful in partnershipping with private-sector companies throughout Alberta. The Alberta Research Council performs applied research and provides expertise, technical information, and scientific infrastructure that is very important to the private sector. The clients and partners range from small start-up companies to large multinationals as well as municipal, provincial, and federal government departments. The Alberta Research Council's contract arrangements come in a variety of forms, and they include the fee-for-service joint ventures, consortiums, and even to some degree some royalty structures.

During the past year the Alberta Research Council has phased out a number of investments. The research budget has been reduced by 20 percent over three years and has in fact increased its wealth from private-sector investment. Phasing out areas that have really not belonged in Alberta research includes the Alberta geographical survey, the Alberta soil survey, the groundwater, surface water, air quality, and electronic testing. All those have just been phased out within the three-year plan.

The Alberta Research Council has refined its focus in order to concentrate on specific sectors where it can most effectively achieve its goal of wealth generation. Technology commercialization has proved itself in the markets that the Alberta Research Council has adopted in their strategies. The Alberta Research Council will concentrate in four sectors, and to fulfill its mandate, those sectors will be manufacturing, biotechnology, information technology, and natural resources. While the core funding level of the Alberta Research Council has been reduced, the plan is to maintain its level of contribution to the economy and to take further steps to steward technology and participate in royalty and licensing fees and to contribute a leverage of 1 to 4. So for every dollar that is put into the Alberta Research Council, there will be a $4 leverage. We hope that will continue to increase.

Madam Chairman, I'm making my comments quite brief because there are so many people here who can answer questions on a technical basis. So I'll stop there and take any questions.

THE CHAIRMAN: Thank you. You guys are excellent. Exactly 20 minutes, so I want to congratulate you on that.

Now, I want to toss a question over to the opposition. It's your hour. I'd like to know how you want to be able to carry it out. Do you want to take turns speaking, or do you want somebody to take the full 20 minutes up to a full hour? How would you like to carry this out?

MR. BRUSEKER: I think we just want to go with questions.

THE CHAIRMAN: Questions? Do you want to take turns? Do you want to rotate? Who's going to start?

MR. VAN BINSBERGEN: We'll just interrupt one another.

THE CHAIRMAN: Okay. We have to tie it to the estimates. If you want to do a policy question, then I have to see how it relates to the estimates, and I want you tie it into that. I know that's important. If you're talking about the three-year business plan, then let me know how it ties into the estimates, and I'll see how we go with the question at that point.

So if you want to start, Mr. Germain.

MR. GERMAIN: Okay. Mr. Smith, you indicated on national television some time ago that there were no bad people, just bad situations, and you were referring to this department. What aspect of this department did you sense was a bad situation?

THE CHAIRMAN: Could you tell me what you're tying that into?

MR. SMITH: I'll take that, Madam Chairman. The quote was actually that there is no such thing as bad people, only good people trapped in bad systems. In fact, what I meant by that was that the department had still structured itself reflective of its program delivery model of the late '80s. We wanted to change those systems to allow people to develop a business plan that gave objectives, strategies, and measurable results with benchmarks. In fact, we've made strong progress towards that.

MR. GERMAIN: Okay. Is it your sense, then, that the improvement in those areas will result in an obvious cost saving flow-through with the passage of time?

MR. SMITH: Well, that's correct. I'm sure that by your detailed study of the business plan, you'll note the 30 percent reduction in spending. In fact, we've stretched the performance targets, Adam, so in fact what we're doing is trimming the plant and increasing the capacity.

MR. GERMAIN: How much of that 30 percent spending is efficiency-driven spending, and how much of it is simply retracting what was previously done by this department?

MR. SMITH: Well, I've never looked at it specifically from those two points. If I had to estimate, I would estimate that about 50 percent is not doing what we previously did. For example, the Alberta Tourism Education Council is in its last year with the government. It is moving towards a full-scale privatization model. That will result in savings. We are sunsetting a number of provincial/federal agreements. That will result in savings by the department, insofar as we co-operated a joint expenditure with the feds. Also, we are making some other program delivery steps to move that to the private sector, which should both increase efficiency and reduce staff and associated spending with that.

MR. GERMAIN: Do you have within your department somebody that's capable of doing that analysis from that point of view: what percentage of the cuts are coming through the retraction of services versus efficiency of delivery.

MR. SMITH: Yeah, we can do that. Sure.

MR. GERMAIN: Who will actually be doing that in your department?

MR. SMITH: Peter Crerar, the assistant deputy minister of finance and policy development.

MR. GERMAIN: Okay. Do you mind if I ask Peter some questions then?

MR. SMITH: Go ahead.

MR. GERMAIN: Peter, welcome. Do you have a breakdown of this department by the full-time equivalents in each of the individual spending areas?

MR. CRERAR: Yes, we do.

MR. GERMAIN: Okay. Could you produce that for us in due course? Do you have a breakdown in this department of the number of salaries, not identified by person but generically, that are over $100,000?

MR. SMITH: Yeah, that's right.

MR. GERMAIN: Okay. You can produce that for us then.

MR. CRAIG: You're saying that it's just one.

MR. SMITH: That's right. It's a short list, Mr. Germain.

MR. GERMAIN: Well, then our eyes won't get sore reading it.

Do you have the breakdown of the number of salaries in the department that fall between $90,000 and $100,000?

MR. CRERAR: Yes.

MR. GERMAIN: You could produce that for us? And between $80,000 and $90,000, between $70,000 and $80,000, and all the way down the line?

MR. CRERAR: All the way down.

MR. GERMAIN: Okay.

MR. SMITH: I think that the hon. member has hit upon an important point, and what I've stressed in the business plan is that with the strategic focus and a knowledge-based department, in fact it's important to recognize that expertise that's resident in the department.

MR. GERMAIN: Do you have a breakdown of those same categories by virtue of formalized education as opposed to in-house learning and training?

MR. SMITH: I don't think that's required.

THE CHAIRMAN: Why would you want to know that? How are you tying it to the estimates at this point, Mr. Germain?

MR. GERMAIN: Well, I'm tying it to the estimates because probably 60 percent of this department is salary, and I want to find out a little more about the salaries, what people have to have as credentials to earn them, and how they earn them. I mean, I can't get any more economically driven than that.

THE CHAIRMAN: I don't know, but when you do advertise for positions, that usually indicates the requirement.

8:32

MR. SMITH: I think we can give you a perspective . . .

MR. GERMAIN: It could be just a little summary, a one-page chart.

MR. SMITH: . . . of what kind of town.

MR. GERMAIN: On a point of order here now, Madam Chairman. I didn't understand that this was going to be a refereed situation, where there would be an arbitrary referee as to whether a question could be asked or not. If the individual didn't want to answer it, I was assuming he'd just very politely say, "Get lost," and I'd move on to the next question.

THE CHAIRMAN: Thank you. I think that's what the chair is for: to see whether or not it can fit into the agreement as was stated. It's also dealing with the estimates of 1993. I think if we can stick to that, we certainly can, but I will allow certain questions to go ahead if the minister feels that he wants to answer them. Yes, that's what I'm here for as chair: as a referee.

MR. GERMAIN: I'm confused, then, Madam Chairman. I thought we were dealing with the current estimates for '95-96.

THE CHAIRMAN: Oh, 1995-96. Sorry; it's my fault.

MR. GERMAIN: Do you have plans to expand the staff within the department this year at any of the branches?

MR. CRAIG: No.

MR. GERMAIN: If there were resignations within the staff motivated by the staff member as opposed to the department's approach, then would you have to fill those, or would you shrink elsewhere and fill from within?

MR. CRAIG: We would probably do a combination of both. We have had requests for people to leave the department that we've accepted. For the most part, those jobs will remain vacant. In certain instances, where we have support staff, we have to fill them, so we adjust around.

MR. GERMAIN: Were that to happen, how would you fill the staff? Would you have open competitions?

MR. CRAIG: Firstly, we'd look within the department to see if we can't re-employ people. So the first premise would be to see if you can't fill it within your own department. If that were possible, then that would be the system; if not, then we would look elsewhere in government.

MR. GERMAIN: Mr. Smith, do you mind if I ask Jim Anderson from Alberta Opportunity Company some questions now? Or did you have bigger bulks of staff that you wanted to release here as quickly as possible?

MR. SMITH: What I'd suggest: if you want to go through each group and then release them, that's fine. Whatever works best for your group.

MR. GERMAIN: Which are the groups that are most heavily represented here today?

MR. SMITH: Well, everybody is here. We have the Alberta Motion Picture Development Corporation, the Alberta Tourism Education Council, the Alberta Opportunity Company, the executive from the department, as well as the Alberta Research Council.

THE CHAIRMAN: Adam, if you want to look, you've got a list in front of you as to who is here. That's basically, I think, almost everybody.

MR. SMITH: We have one from each agency, so whatever works for you.

MR. GERMAIN: There seems to be some enthusiasm over here to move at this time to AOC for a bit. That's not to say that anybody is excluded or that we won't come back.

THE CHAIRMAN: Yeah. Go ahead, Frank.

MR. BRUSEKER: Yeah. I'd just like to start with AOC. Jim and I haven't chatted for a while on AOC. I guess it's time again. First of all, I'm a little puzzled as to why you call it a nonbudgetary disbursement of the $27 million. Because if you add the nonbudgetary disbursements to the gross estimates, then actually your total expenditures for this department for this year, Mr. Smith, are actually greater than they were for the 1993-94 year by some $7 million. I wonder how you can claim that this is in fact a reduction.

MR. SMITH: In fact, Frank, what it does is recognize the inconsistency in the borrowing policies of the Alberta Opportunity Company over the last five years. In fact, they would borrow from the heritage trust fund and then lend it out at a lower rate. Also, the spread time of the repayment versus the spread of the term of the loan was inconsistent. So, in fact, we had a one-shot $27 million disbursement that covered those inconsistencies of about the last – three years, four years?

MR. ANDERSON: Longer than that. A longer period.

MR. SMITH: Five years?

MR. ANDERSON: Over five.

MR. SMITH: Seven years?

MR. ANDERSON: Yeah.

MR. SMITH: That's the issue, and I'll let Jim expand on that for you, Frank.

MR. BRUSEKER: Okay. The question, then, on the $27 million. As I recall, the accumulated deficit for the Alberta Opportunity Company was $34 million. Then there's a nonbudgetary disbursement of $27 million. Is there still a shortfall? Is there still a deficit of, ballpark, $7 million? Am I correct in that?

MR. ANDERSON: No. The $27 million is what will in fact, as of the numbers we had at the time, take us to zero. We made some gains last year. That's the reason. We've reduced the deficit in fact.

MR. BRUSEKER: Okay. Being the cynic that I am, I guess I'd like to hear some assurances that a deficit won't be incurred again, because it seemed to me that that deficit was fairly consistent in its growth over a number of years.

MR. ANDERSON: Well, I'm not sure that "fairly consistent" is really totally fair. Certainly we've made some really significant adjustments in being able to avoid that situation, and as the minister has mentioned, through negotiations with Treasury we can borrow on a more rational basis in terms of matching our debt to our lending. They extended us some flexibility in terms of repaying our debt when we are in fact paid out by our borrowers, which has been a major problem in the past. We would borrow the money and relend it. Then we'd get paid out and wouldn't be able to reduce that, the money we owed, so that we continued to incur the cost without having the revenue. So that's going to help in a major way as well.

We've also increased somewhat our overall weighted average lending rate, which will cut into what has always been our historic inability to meet full costs. We've put in place fees for applications; we've put in place prepayment penalties where the borrower pays out ahead of the contract. All of these things will help us to avoid incurring those losses.

The one thing that can't be totally removed is the fact that we have to borrow the money and then we have to lend it into the market. It's not impossible to get caught on the wrong side of the curve, but our situation as far as being able to avoid those kinds of traps in the future is a lot better than it was, and I'm confident we will be able to do so at least the majority of the time.

MR. SMITH: Can I just add to that, too, Frank? In effect, as well, the change in the lending policy, where we have lent at rates underneath the market and underneath in fact what the Alberta Opportunity Company was borrowing from the trust fund end – that's been changed. We are in fact a market-based lender now, and it does have more recognition of the risk involved. The other thing, of course, is the inconsistency in the interest rates over the last year and a half.

What you'll also notice under operating expenditure, program 3, is that the direct-grant financial assistance to the Alberta Opportunity Company for 1995-96 is $9.05 million compared to $13.4 million. So in fact not only has the structure changed in the lending, but the actual operating costs have been reduced 40 percent as well.

MR. BRUSEKER: Now, mind you, that's a figure that historically has bounced all over the map as well. I think it's been as low as $8 million, if I recall, and the operating grant has been as high as $26 million. It's been all over the place. So I guess I'll be more of a believer maybe next year.

I'd like to continue, though, with respect to the source of funds, then, for AOC. Will AOC still go to the heritage savings trust fund for its loan capital, then?

MR. ANDERSON: Well, at this precise moment we are unable to borrow from the trust fund because of the review that's under way, so I can't answer that. I don't know.

MR. BRUSEKER: Well, if you can't borrow from the heritage savings trust fund, where are you going to get your money from?

MR. ANDERSON: Well, we have borrowed from the general revenue fund. You may recall that in fact when we started, 20-odd years ago, we borrowed from the general revenue fund. At the moment we're at that stage. That's where we borrowed this year's requirements.

MR. BRUSEKER: From the general revenue fund?

MR. ANDERSON: From the general revenue fund.

8:42

MR. BRUSEKER: Okay. The total loan portfolio of AOC is about $90 million or so. I understand there's a provision for loss of about 10 percent of that, a little over 9 and a half million dollars or so. That to me seems pretty high. What are you doing to address that loss ratio?

MR. ANDERSON: In fact, I guess 10 percent, if we were a bank or a commercial lender, obviously would not only be high; it would be unacceptable. That, in fact, is the historic level that we've registered over 22 years. Our current loss ratio is in fact somewhat below that. I think we were down probably to about 8 and a half percent.

The real determinant of that is the economy. Way back before the NEP and the big recession in the early '80s, we in fact kept our losses at under 5 percent. When things really turned bad, that number increased steadily to something like 11 and a half or 12 percent. As it has stabilized, we've reduced that. While we, as I say, have been I think at about 8 and a half percent in the last year or two, we are right now facing the real likelihood that the economy is going to slip somewhat. We at least fear it might, with interest rates rising. Given the market that we lend to, all of those small businesses whom nobody else will make a loan to, we think that it's okay to have it as a target, but to plan over the long term to achieve a loss ratio of much less than that is probably unrealistic as long as it's our intent to continue to meet the needs of that segment of the small business community, which is high risk.

MR. SMITH: I think, Frank, the policy issue there, as you know, is that any loan considered by the Alberta Opportunity Company has to be turned down by two chartered banks or two lending institutions. I know both Adam and Duco know the difficulty in rural Alberta of lending funds and of working with banks in terms of mortgage and real property, in terms of transferring small businesses, in terms of selling small businesses. So you have to ask the fundamental policy question: do we want to use the Alberta Opportunity Company as a rural development initiative? That's, I think, the overarching policy question.

MR. BRUSEKER: That's, I guess, where we differ in philosophical viewpoint.

I'd just like to ask one more question, Adam, and then you can jump back in. I just wanted to ask about the export loan guarantee program which is administered through the Alberta Opportunity Company. I understand there was a $5 million total chunk of money that was set aside. I wonder if you could just give me an update on how that's going. How much of that total has been accessed by exporters? Where is it going, and how is it doing?

MR. ANDERSON: Right at the moment we've got, I think, about $2.7 million out on the export guarantees. It hasn't been taken up as quickly as I had anticipated it would be. Certainly it's there. It hasn't been a problem. It's working well, what we've done.

MR. BRUSEKER: Any losses yet under that program?

MR. ANDERSON: No. We have had no losses and have none on the horizon, as a matter of fact. I'm hopeful that we will be able to do somewhat more in that area, because I continue to believe that there are smaller exporters who need help. It's part of our program in conjunction with the department to make sure that exporters, especially new ones trying to start up, know that assistance is there if they meet the requirements. It's very small at the moment.

MR. GERMAIN: Mr. Anderson, you were here earlier when I asked another department to provide their salary grid, the number of FTE equivalents, and the rough summary of the educational background driving that salary grid. Would you do the same, please, for your department?

MR. ANDERSON: To make sure I understand it properly, you want the salary by $10,000 increments; right? That was what you asked for?

MR. GERMAIN: Correct.

MR. ANDERSON: And what's the net salary?

MR. GERMAIN: Yes.

MR. SMITH: Actually, that's a good point for the Alberta Opportunity Company, because with the uptake in the economy it's been difficult to attract some of the talent necessary in the lending field. In fact, we are losing staff as well as seeing staff going over to be schedulized in the chart.

MR. GERMAIN: All right. Mr. Anderson, without putting you on the hot seat here, which of course we all want to do, if you had to pick three quick strategies in your department that would save the department money and still provide your economic mandate of loans to businesses, what three would they be?

MR. ANDERSON: To save the department money?

MR. GERMAIN: Yes.

THE CHAIRMAN: Mr. Minister, I think that was a policy issue that we deal with as a government rather than the agency. If you feel there is some answer that you want to give, you can. Otherwise, I think I would like to rule it out of order, especially referring to an agency other than to the minister.

MR. SMITH: I think that question has probably been prompted by the dramatic savings estimated by the AOC in the '95-96 estimates, going from $13.5 million down to $9 million. In fact, those strategies have been undertaken in terms of efficiency in lending, more scrutiny towards collections; secondly, in working more closely with our small business counseling, because generally when you have a small business loan, there are two reasons why they fail in the first year: undercapitalization and a poor level of management expertise. So in fact we see a closer liaison between our business counseling group and the Alberta Opportunity Company. In fact, in part of our right-sizing initiatives, Madam Chairman, we are looking at maybe putting some of the canceling right directly in the Alberta Opportunity Company. The strategies work basically, one, to ensure that your lending's on stream, and secondly, to reduce your default rate from 11 percent down to an acceptable figure.

MR. GERMAIN: Okay. Well, Mr. Anderson, do you have any plans to close any of the regional offices that Alberta Opportunity has?

MR. ANDERSON: At this point in time I'm hoping we can avoid that. We did have to close one branch. Certainly we have to watch it. If the benefits we think we have in being in that location don't outweigh the costs of being there, then we have to look at pulling back and trying to service the area from somewhere else in order to save some overhead. Right at the moment we think we have a good balance, but the business does shift from area to area over time. We certainly aren't anxious to abandon or even to be seen to abandon a given area because it's perhaps in a bit of a slump, but if, given a reasonable length of time and looking at their future down the road, there doesn't appear to be any basis for us to stay there and continue to expend that overhead, then we have to readjust and service it from other places.

MR. SMITH: Also, if you combine that with other initiatives the department has, there may be some regional rationalization. We're not moving in a great hurry for that. We've already heard from MLAs out in some of these areas on the importance of having a business or investment presence. In some cases there are duplications. In some cases there may not be enough. So from a departmental perspective, we're going to look at the whole thing.

MR. GERMAIN: Okay. Do you feel that the head office in Ponoka is a little bit overlavish for the size of your financial institution?

MR. ANDERSON: Well, I'm not sure how we'd define elaborate. We probably have a little bit of surplus space at the moment, because we have downsized significantly. There isn't a big market for our surplus space in Ponoka, and we haven't had a lot of success negotiating lower rental rates with our landlord. Our premises are not, in the sense of our having to rent space somewhere, elaborate, really, in any way. The building is not a building that I would build, but certainly our space could fairly be called almost spartan.

8:52

MR. GERMAIN: Are you working on any initiatives to do outreach through the numerous branch system of the Treasury Branch?

MR. ANDERSON: I'm not sure what you would have in mind there. Our people in the branches – and regardless, I suppose, of the impression, there aren't very many of them – are extremely busy in contacting existing clients, potential clients, all the bankers in the area there, the business professionals that all small businesses have to deal with in order to stay in contact with their local business communities. We wouldn't have the manpower capability to do more than we are now in terms of an outreach program in any case.

MR. GERMAIN: What about the flip side of that, utilizing the Treasury Branch on contract to take loan applications and the like?

THE CHAIRMAN: Maybe we can have the minister answer that, because I don't think that's directed to the right person. Go ahead.

MR. SMITH: I think you're hitting on a more efficient rationalization, utilization of resources out there, and I would suggest that that's not restricted just to Treasury Branches. In fact, we could look at other banking presence in smaller communities throughout Alberta and perhaps structure a different way of doing business that may be more efficient to the taxpayers of Alberta.

MR. VAN BINSBERGEN: Can I get some questions in here . . .

THE CHAIRMAN: Sure. Go ahead, Duco.

MR. VAN BINSBERGEN: . . . on the tourism sector particularly?

MR. BRUSEKER: Can I ask two questions more on AOC? Then we can let Jim off the hook here.

I want to go back to the business plan: $690 million worth of loans, 6,800 loans. Can you tell me how many jobs that created? By jobs, I'm talking about new jobs, jobs that did not exist before. A guy had a little business or a gal had a little business – male, female; I really don't care what gender – had five employees, all of a sudden got a loan, and now he's got 10 employees. I'm talking about the growth in new positions. Can you give me the number there?

MR. ANDERSON: Well, we do have a number. I would hope you'd appreciate that over 22 years our record keeping back in the beginning may not have been perfect.

MR. BRUSEKER: Well, even for the last five years, let's say.

MR. ANDERSON: The number of newly created jobs that I have up to about two years ago was I think 15,000.

MR. BRUSEKER: Fifteen thousand new jobs?

MR. ANDERSON: Yeah, that's new. It runs about 20 percent new jobs and then another 75 percent what we call secured jobs that there's a good possibility would have been lost if the business didn't get its financing.

MR. BRUSEKER: Okay. Now, you've eliminated the venture and the seed funding department, and my question there is with respect to the losses, the 10 or 11 percent over the average. What percent of the losses that you were incurring came as a result of loans from venture and seed funding as compared to other loans?

MR. ANDERSON: I can't give you that in a percentage, but the loss experienced was much, much higher on the venture and seed side, particularly on the venture side.

MR. BRUSEKER: Which was part of the reason for the elimination of that section then, I take it?

MR. ANDERSON: Well, I think that's probably a fair comment. There were a number of inputs into that. I think our board of directors concluded that we probably didn't need to be or shouldn't be in that area, and the government agreed, I think, that we didn't need to be or shouldn't be in that area. We started off by simply pulling back and saying: we're not going to grow in that area anymore. We've proceeded over a rather short period to in fact dispose of our portfolio as the opportunities have arisen.

MR. SMITH: I think, Frank, you'd be safe to say that that was a program that had been implemented by a previous government, and when we looked at what it does, where it's being delivered, and what its effects were, it was discontinued.

MR. BRUSEKER: Okay. One last question. The Alberta Opportunity fund regulations were changed last year so that you can have more user fees, effectively; you can pass more costs directly on to the borrower. Is there a plan, a long-term plan – and I'm not sure whether the minister or the president of AOC would like to answer this – to eventually reduce the AOC grant to zero so that basically it's almost self-funding in terms of the operating grant?

MR. SMITH: One of the issues at hand in fact is: what is an acceptable price that government wants to undertake to facilitate job creation, wealth creation, and the movement of business opportunities in rural Alberta? That discussion is under way. I think the philosophy of the government to reflect costs directly associated with those who use the service is more appropriate than what other governments may view as a tax. So that, in fact, will be undertaken.

MR. BRUSEKER: You're trying to figure out where the saw-off is, I take it.

MR. SMITH: That's correct. I mean, ideally you want to say – firstly, you ask yourself the question: do you want to be in the business of doing this? That's the first question. Then, if in fact you answer that in the affirmative, you have a number of other options to pursue. One is: what can you do at best cost? What do you want to do that doesn't create an onerous front-end cost on a potential borrower? What is your net cost of job creation in working with the private sector on this, and so on and so forth? Personally, I want to have the discussion about where the AOC fits in the mix of government programs.

MR. VAN BINSBERGEN: One more question to Jim, if I could, on the AOC. You're talking about creating 15,000 jobs. Are those permanent jobs? Do you know whether any of them will peter out after a while, or how does that work? Do you track that?

MR. ANDERSON: A lot of jobs are petering out these days, certainly around me.

MR. GERMAIN: We're all going to sit farther away.

MR. ANDERSON: Al will relate to that very well.

Some of our businesses, obviously, fail. The jobs that were created when that business started up then obviously go away.

You might be interested to know that we've just done a very recent survey of our activities for I think it was the month of February. We've learned as we've gone along, and our statistical tracking is getting better. In a period of one month our loans created 58 what we call full-time temporary positions. In other words, they're seasonal jobs, or if we wanted to really boil them down, I think we probably could have called them something like .4 of an FTE, because they were for specified period amounts. That was in one month. There were also in that number 80-odd jobs which we rated as secured or protected, because they existed in the people we loaned to, and another 55 which were full-time jobs that were created.

I mean, we have to be realistic. We're talking about lending to small business, and for the most part it's very small business: 80 percent of our loans are under $100,000. So the jobs that are created, most of them, are not $80,000 jobs, Adam. They're $25,000 or $30,000 or so jobs, and some of them don't last forever. The payroll, for example, of the loans that are outstanding on our books right now, today, is $128 million a year. You know, the taxes that come out of that, it's not only on a positive side, but there are all those people that aren't having to draw from unemployment insurance or welfare or whatever. So the impacts, while we're working in the bottom end I guess of the business world, are pretty significant when you add them together. Our costs, as you can see, are going down.

9:02

MR. VAN BINSBERGEN: Some on tourism here.

MR. SMITH: Can I then, Madam Chairman, with your permission and the permission of the opposition, release the good services of the Alberta Opportunity Company so they can go out and pursue growth opportunities in Alberta?

MR. GERMAIN: What about your own people?

MR. SMITH: Oh, okay. Do you guys have more on AOC?

MR. HLADY: In an hour or so.

MR. SMITH: Okay. All right.

THE CHAIRMAN: Looks like you can, so go ahead.

MR. SMITH: Then you would have specific AOC questions? Then we'll keep them.

THE CHAIRMAN: Okay. Thank you. Go ahead.

MR. SMITH: Just proving that we didn't seed the question. That's why I had to ask.

MR. VAN BINSBERGEN: Murray, it's the Alberta tourism corporation again. I suppose that in the last week you haven't discovered a way to get that accepted and adopted.

MR. SMITH: Actually, it's going to the standing policy committee this week, and we're looking for a policy statement from the government to continue. It has already been to the standing policy committee once, and it received the approval to develop an appropriate business plan that, one, has the consensus of the tourism operators; two, actively demonstrates leverage; and three, has accountability measures to government. Those accountability measures had subsequently been developed in terms of approval of the business plan: production of accurate, unaudited financial statements on a quarterly basis, an audited financial statement annually, and a report tabled to the Legislature. So we're moving with due process and speed. The speed is important because of the tourism cycle that we're already in right now.

MR. VAN BINSBERGEN: But there hasn't yet been, from my impressions . . .

THE CHAIRMAN: It hasn't passed yet, so I think it's a policy issue that's still being dealt with at this point.

MR. SMITH: I don't mind talking about it, though, Madam Chairman.

THE CHAIRMAN: Okay; go ahead.

MR. VAN BINSBERGEN: From my reading of the tourist operators, there is not yet universal acceptance of the way the ATC is being proposed now.

MR. SMITH: That was as of last week. There have been further meetings with that. I've met with the northern Alberta mayors' caucus. We've continued to ask industry. It's important to note that this is an industry-driven model that they are presenting to government, and we've continued to ensure that the industry is acting on a more unified basis. I think the time spent at the tourism industry of Alberta's annual conference was time well spent. It was my feeling that consensus was building, because I think the biggest problem was: what happens to what we have? That was explained at the conference: in fact the zones that continue to be successful will continue. I'm thinking of Chinook Country. They will continue to work within the framework.

What you see from the Alberta tourism corporation is essentially a base program plus a buffet table. It's kind of structured on a menu-select basis. The individual tourism destination regions or those groups within those regions that want to access the programs can access the programs without being formally involved with a TDR, as it's called. So that cleared up a lot of the confusion at what we'll call the base level.

MR. VAN BINSBERGEN: So there's no consideration given to a split approach, whereby the ATC looks after the offshore market and perhaps the department itself looks after the regional market?

MR. SMITH: No. We have recognized that the resident Alberta program in terms of influencing what is called in the trade "rubber tire traffic" is important. We'll see what we can do to examine initiatives on that side.

The process that I see, Duco, is that the Alberta tourism corporation would come to the standing policy committee with consensus from the industry, with leverage, with accountability, and then we would make the transition over a period of time so that we can be vigilant from a management perspective. So you're scissoring out areas that would be delivered to the corporation, evaluating that success and that progress, then scissoring out other areas so that the transition is done in a slow and responsible manner so we can ensure that things are being done right.

MR. VAN BINSBERGEN: How about the money? Has that been settled? The amount of money?

MR. SMITH: Well, the estimated money is $10 million, and that transfer would take place over a 12- to 18-month period.

THE CHAIRMAN: There hasn't been a decision, though. I think I have to make that pretty clear. There has been no decision. The standing policy committee makes that decision at this point and I think a recommendation at least that would come from the standing policy committee. So I think we should indicate that it is still in the deciding factor.

MR. SMITH: We're speculating on the future.

MR. VAN BINSBERGEN: Is there any thought given to eventually phasing that out, that $10 million, or will it always remain there?

THE CHAIRMAN: It's such a tough one, because there's been no recommendation that has come forth at this point in time. That's an issue regarding dollars and cents, and I think we should leave that off the table at this point. Maybe you can find another question that you'd like on some other point there.

MR. BRUSEKER: I'd like to just jump in and ask one question right there. I'm not sure I understand how the zones will continue. You said the zones that are successful will continue, but the TAZAP funding that they have been getting will end 11 days from now, on the 31st of March. So how will they continue? It won't have any funding. This budget doesn't allow for that. The last budget is going to end in 11 days, and we don't have a new structure put in place to replace it.

MR. SMITH: Well, in fact that would be part of the proposal, Frank, that would be going to the standing policy committee to deal with blending those administrations together so that in fact what you're doing is getting more dollars towards advertising and promotion in the marketplace as opposed to administration.

MR. BRUSEKER: Okay. But the zones themselves – I mean, right now we have 14 zones, and the ATC proposal talks about six zones. How do you get over the hurdle in between?

THE CHAIRMAN: I want to take this off the table at the moment. It just is not fair because there has been no recommendation that has come forward.

MR. BRUSEKER: Okay. What's going to happen to 14 tourism zones at the end of this month?

MR. VAN BINSBERGEN: Which is pretty urgent.

MR. BRUSEKER: Which is pretty urgent. I mean, I know it's the current fiscal year, but there's no addressing of the tourism zones in this budget. So what happens to the 14 tourism zones?

MR. SMITH: That decision will be contingent upon the standing policy committee recommendation.

THE CHAIRMAN: Thank you.

MR. BRUSEKER: Which will occur when?

MR. SMITH: Shortly.

MRS. MIROSH: Today.

MR. SMITH: This week.

MRS. MIROSH: Do you want to come on the government side?

MR. BRUSEKER: No.

THE CHAIRMAN: Okay. Go ahead, Duco.

MR. VAN BINSBERGEN: So, Murray, I could tell, for instance, the operators in my area that their problems will be solved within 14 days?

MR. SMITH: Well, the zone funding does have one more year to go at $237,000, so in fact the transition will be there. Tourism is one of the four key industries in this province, and I think it's very safe to say that the government will be recognizing the importance of that industry.

MR. VAN BINSBERGEN: How about any reduction within the Department of Economic Development and Tourism, in the tourism section of it?

MR. SMITH: Well, speculating on whether the standing policy committee approval is granted, it would identify what is being spent in tourism, would allocate it, and then that would be the subject of transition funding to the corporation. In fact, I think the importance, Duco, is not so much that departmental spending is reduced as the fact that it's properly allocated so that it gets the most leverage from the private sector and demonstrates the most benefit for the industry. What has happened is that there will be a phaseout of a number of the tourism programs. That was one of the reasons for confusion with the industry in their development of their proposal. In fact, at one point they felt it was as high as $32 million. It will not be.

9:12

MR. VAN BINSBERGEN: I just want to make sure that this is heard officially. MLAs will be able to address the minister of Economic Development and Tourism on matters pertaining to the ATC in the House? In other words, he will be deemed to be responsible.

MR. SMITH: It's my understanding that the cabinet of this government remains continually accountable for the dollars it spends and is pleased to remain so.

MR. VAN BINSBERGEN: That's an important consideration.
A question on the Alberta Tourism Education Council, since Allan's here.

MR. SMITH: Can I just put in a plug before you ask that question? The Alberta Tourism Education Council has an Alberta Best program. There was a junior achievement dinner last Wednesday night. The ATEC on its volition trained all the junior achievement volunteers who served as waiters at that dinner and, I thought, did just an excellent and outstanding job there.

MR. VAN BINSBERGEN: I'm full of praise for the junior achievement program because I used to work with it as a high school administrator. I really liked it.

Now, this council is going to continue; is it not, Al? Or will it be phased out under the proposed model which will be discussed and decided upon soon?

MR. SMITH: They're divorced issues. ATEC is onstream towards its own private model and is completely separate from the Alberta tourism corporation proposal. Al, you may wish to elaborate on what your plans are over the next year.

MR. PARSONS: The mandate will continue for tourism education and training but under a privatized body. The government, or the department, will continue to fund it through the next year to the tune of $600,000. But the model carries on. It's a three-year rolling business plan that we have. We're alive and well and will continue to stay that way in a private way.

MR. VAN BINSBERGEN: How many employees do you have?

MR. PARSONS: Government employees: we have four FTEs. All the rest, of which there are about 20, are on a contract basis. Those four FTEs will also be phased out this year.

MR. VAN BINSBERGEN: Is it not the idea that the council become self-sufficient?

MR. PARSONS: That's correct.

MR. VAN BINSBERGEN: So that $600,000 will disappear?

MR. PARSONS: Yes.

MR. VAN BINSBERGEN: So you're going to charge for your services.

MR. PARSONS: Yes, and we always have. It's been on a break-even basis for some of the programs, but the Alberta Tourism Education Council was originally set up that it would become self-sufficient. So we're on track in terms of that original goal and objective for the organization. Now that the government funding is decreasing in a transitional way over three years, the products that we have will be sold within Alberta and across Canada. I think it's important to note that what the government of Alberta has done in terms of supporting this absolutely essential initiative has given us the opportunity now, when we go private, to be able to generate the revenues required to invest in the human resources of Alberta's tourism industry.

MR. VAN BINSBERGEN: Now, when you trained the waiters there for the junior achievement dinner with President Bush, whom did you charge for that, for instance?

MR. PARSONS: We did that as part of our own sponsorship, but the trainers, who are licensed distributors, came in and did it for us at a minimal charge. It was an internal charge. We did that in a promotional way. We were one of the sponsors of the junior achievement dinner, and our sponsorship was really a contra for all the publicity that we did get, such as what we're hearing right now.

MR. VAN BINSBERGEN: I'm curious. Why would the Alberta Tourism Education Council want to sponsor that dinner?

MR. SMITH: You might want to look at where your labour pool comes from.

Go ahead, Al.

MR. PARSONS: I was just going to say that certainly as part of marketing, one of your objectives is to have more and more people understand and realize what the programs are. We are moving towards the private sector. We have to promote what we have to sell. There were 1,400 people in that room, most of them the movers and shakers of northern Alberta. With all these people with the Alberta Best logos on their aprons, people are going to say: "Boy, this is great service. I want to find out more about Alberta Best." Talk to me and we'll get your organizations involved in the Alberta Best program and standards and certification, which are two core programs that are going to allow us to continue to serve the mandate.

MR. VAN BINSBERGEN: Are you at all communicating or doing anything with high schools?

MR. PARSONS: Yes. The Alberta Best program is a very core component of the tourism 10, 20, 30 stream within a vocational educational stream called career and technology studies. A person who takes the tourism 10, 20, 30 model in the high schools will in fact also graduate out of that program with an Alberta Best certificate, which is recognized in industry as a training program that will give them the core fundamentals of service excellence. So we are working very closely with them.

We're also working with a great volunteer base of industry presenters who go around to all of the schools in the province on a request basis talking about the opportunities in tourism.

MR. GERMAIN: I think our first hour is just about up; isn't it?

THE CHAIRMAN: It's just about up. You've got about five minutes. Unless you want us to go on with the government members, and then we can toss it over to you. You could go ahead.

MR. GERMAIN: They can start their hour now.

THE CHAIRMAN: You've got five minutes.

MR. BRUSEKER: Well, I have a question. I hate to waste the five minutes.

THE CHAIRMAN: Go ahead.

MR. BRUSEKER: I'm looking at page 81 of the budget, Mr. Minister. One of my other pet peeves is foreign offices, and I notice that this is one of the few that is actually increasing its budget. I want to ask a question that I've asked before, which is: do you do any kind of value-for-money audit to ensure that we actually get some value out of these offices? I mean, we're going to spend nearly 4 million bucks. What do we get for it?

MR. SMITH: The foreign offices have been under review. Frank, I know you've had a keen interest in it over the short time that I've been here. We've asked a couple of things of the foreign offices. I'll let Murray Rasmusson add on after I'm finished. That's always been a concern of mine too: the accountability function that rests in a foreign office.

By development of a trade business plan we've started to identify the key market sectors that we want to be involved in, and that's China, Hong Kong, Korea, and Japan, and we've made a two-pronged approach with Mexico. The importance of identifying the market sectors can then determine what it is that they're going to do. I mean, clearly they're not going to take the wide range of all the industrial products and try to move that in that marketplace.

Take a look at what's happening in Japan right now with the Kobe earthquake. I'll just give you an example. The agent general over there, Jeff Kucharski, has been working closely with Alberta industry. Sprung Structures has been already in there doing temporary structure business. ATCO is on the alternate list. He has identified that that's a key market sector. He can then come back to Alberta with that industrial sector and match the industrial sector with the market. We've asked every foreign office to identify their key industrial sectors and then to match those with their marketplace and determine what it is that they will influence over the next 12-month, 24-month, and 36-month periods, so in fact those benchmarks are being established. They'll come back to us, and I'll be able to report and say: "Okay, we've taken this industrial sector and matched it into this marketplace. This is what we've seen happen over this measurable period." So we are in fact determining some of the value.

We've also worked with the Alberta Economic Development Authority and asked them as users of the system to comment on the offices that we have resident now: what's working for them as spokespeople for industry, where the rationalization should occur if any, and where the changes should occur if any. We're looking forward to their response. That response has not been tabled with us yet.

The key part of the business plan emphasizing the importance of the $24 billion and subsequent $25.2 billion in exports indicates the importance of trade. When you look at the total expenditure in foreign office representation, I think it demonstrates value right there in terms of total cash commitment, but more than that, we want to move towards specific measurement of performance.

9:22

MR. RASMUSSON: Just to add, Mr. Bruseker, to what Mr. Smith was saying. Three years ago you'll recall the Oldring and Anderson report looked fairly carefully at all the foreign offices. It recommended $1.84 million in reductions. We've been able to achieve $2.4 million in reductions, so we've been able to bring the cost down. We've also changed them over the last two years from more diplomatic functions to a real business orientation.

As Mr. Smith indicated, as part of the three-year plan we've asked each of the foreign offices for three-year plans too. They're really under the microscope, and they have been for about three years now. Every company that visits a foreign office comes back and doesn't hesitate to write the minister or write their MLA or write us about what their experience was with the foreign office also. So we get that constant feedback from companies that are visiting our foreign offices. Either that or verbal: they phone me or phone one of the managing directors.

We also get monthly reports from each of the foreign offices. We've got a common format now for each of the foreign offices that analyzes what contracts they were involved in, who visited their office, and what they actually did in that particular post. Mr. Smith has also asked us to start something called project reports. If there's a new pipeline, say, in Russia that our office in Tyumen is involved in, he fills out a format on that pipeline project and sends that in to us as part of his monthly report.

I don't think there's any activity of government that I can think of that is more closely tracked than our trade statistics internationally too. For every country in the world Stats Canada gives us monthly feedback on what our trade is with that country, so we can tell monthly what's happening in Hong Kong, where we have a very significant foreign office, or in Tokyo or in Seoul or in Beijing. There's a fairly close tracking by Stats Canada of Alberta's trade with each of those outposts as well. Overall I'd say that the monitoring is much tighter and much more accurate and that we do have a pretty good handle on what's happening in each of the foreign offices.

MR. BRUSEKER: Do we have time?

THE CHAIRMAN: We've got 45 seconds left.

MR. BRUSEKER: Just one quick supplementary then. I asked the same kind of question of an official from Idaho when I was on the Pacific Northwest Economic Region. The answer he gave me – and I forget the figure – was: "We spend X number of dollars on our foreign offices. We've tracked it, and we feel that as a result of that, we get Y number of dollars of direct benefit from our offices." So is there a plan to go to a direct benefit measuring? They followed up with people that had been in there. They said, "How much impact did you really have?" They got a phenomenal return on their investment. I've never seen that in the six years that I've been following this since I got elected six years ago today in fact. I'm wondering: are we going to get to that?

MR. SMITH: Well, firstly, congratulations on your sixth anniversary, knowing that you covered in fact a place where I lived.

MR. BRUSEKER: Yes.

MR. SMITH: That's exactly what we want to do with the industrial sector into the marketplace: to be able to deliver that information to the House. We intend to do that starting next year. It's in place and on the roll, and it's exactly that kind of definitive measurement that you need.

MR. BRUSEKER: I'll look forward to it.

MR. SMITH: Well, you'll still be here.

THE CHAIRMAN: Thank you. We've run out of the first hour for the opposition members. Now it's time for the government members. Thanks, Mr. Rasmusson.

Before I go ahead, do you want to have a break, or are you okay to keep going?

MR. SMITH: No. I'm fine.

THE CHAIRMAN: We can just go out as we need to for the necessities.

We'll go ahead with Mr. Hlady.

MR. HLADY: Well, thank you, Madam Chairman. I'll ask my questions of Jim first. I don't know if anyone else has any. Then we could maybe free him up after. The main question I have is in regards to AOC right now being a cost to government. The main question coming back is whether government should be in the business of lending money and competing, I guess, with the private sector. I guess that was the first main question that I had, if you want to address that.

MR. ANDERSON: Sure. The question is: should we be competing? I think that's the question.

MR. HLADY: Or are we?

MR. ANDERSON: Well, the answer is that we are not, and in fact we never have. I guess I will take advantage of the opportunity to expand on some of the other things. One of the reasons we haven't been able to operate at a breakeven or a profit is because we don't compete. We don't go out and take business from other lenders that they're prepared to do. Of course, that means that the business we could earn a profit on we just don't get very much of, because we're not allowed to take it. So we do not in fact compete with the commercial lenders. In fact, in recent years in particular we're finding more and more that the commercial lenders are very happy to have us around. It gives them somebody to refer people to that they cannot help, sometimes even though they would like to. We don't have a problem in the area of competing. We're not competing with anybody in that area.

MR. SMITH: Can I just add to that? One of the things that you have to ask yourself is: are the banks defaulting to the AOC? Are we in fact by government intervention occupying a niche in the marketplace that we may decide we shouldn't be in? In fact, if we went out of it, would the commercial banks or some form of banking institution occupy that market niche? I don't think we've answered that question yet, but we're in pursuit of that. Sorry.

MR. ANDERSON: That's fine. I could answer the question, but I'm sure that my assertions wouldn't be taken at face value.

I can guarantee that certainly 90 percent of the time if we abandoned the niche, if you use the term, you can bet that the commercial lenders would not leap in there for a number of reasons.

MR. SMITH: The other thing we do by taking that risk is that we do generate a certain amount of cash flow for the banks and for commercial lending, for fee for service, for current account, for any kind of term lending: that kind of thing. So, you know, that's part and parcel of the roll up.

MR. HLADY: I guess you sort of answered my supplemental on that, which was options for if we were out, or: what would be the position? I guess you sort of answered that already. I don't know if you want to expand on it. What if AOC were not inside government? Is there an option for it to be outside of government? You've sort of answered it a little bit by saying that there just wasn't the ability.

THE CHAIRMAN: Are you talking about not as an agency? Are you talking about in the private sector?

MR. HLADY: Not as an agency of government. If it went into the private sector.

MR. ANDERSON: Mark, Mr. Minister, I'd like to answer that. I generally get put into this position, and the reality is that as long as our objective and our mandate is to provide that loan assistance to the community that we deal with, other than for short bursts of huge economic activity where the streets are paved with gold like we saw in 1979, we cannot make money. We probably cannot break even. We deal with small loans that are very expensive to analyze and assess, to research, to put security in place, to administer, and to collect. In fact, the loans are getting smaller and smaller. Our ability to make the larger ones which help to offset that has been largely removed in the last two years. The real concern is: well, couldn't we cut down the risk? Well, our approach is that we do everything we think has a reasonable chance to succeed. If we stop doing that in order to reduce our losses to, say, 5 percent, my estimation is that we would have to stop making in excess of 50 percent of the loans we currently make, which means that (a) we'd be abandoning our mandate and (b) we'd lose the critical mass of getting the money out, because the record is that 90 percent of those loans that we would stop making are in fact good. So we'd be not doing that which we've been put here to do.

So, again, as the minister says, it's back to the basic question. The government has to decide whether or not this is an activity that should be done and whether the cost of it as set out here is value for the taxpayers for what it generates in economic activity.

9:32

THE CHAIRMAN: Are you done with AOC?

MR. HLADY: Yes.

THE CHAIRMAN: Any of our members on AOC? Go ahead, Gary.

MR. FRIEDEL: Just one question. You talked earlier about implementing some user-pay philosophy. I was wondering: can you give us some examples of where that is going to actually impact the borrower or whoever else is involved?

MR. ANDERSON: Well, it's pretty well all in place. We now have an application fee. It's a minimum of $100. Every applicant has to provide his application and his business plan along with a $100 cheque for us to launch into the thing. As I mentioned earlier, the prepayment penalties which we are now able to put in place on our new contracts will in the long term be very helpful. Obviously, almost all the loans currently in place don't have that in there because we were only able to do that this winter.

Our consulting operation, which you will notice has shrunk considerably, is now on a fee-for-service basis. So if we're asked to go and do an implementation of a computer system for a small business, he has to pay us on an hourly basis to put that in place if he wants us to do it.

MR. SMITH: Jim, you might also add the fact that you've privatized some of the consulting activity within your shop as well.

MR. ANDERSON: Well, yeah, we have moved some of our consultants out. That's one way to put it. They're not our consultants anymore. That situation appears on the basis of most recent information to be not yet quite complete apparently. We'll probably be doing more. I mean, we have to make the thing pay, and if it isn't paying, then we have to stop doing it when we can't offset the cost anymore.

There are fees for changing security and that sort of thing. They're basically in line with what happens out in the commercial sector. Some of them are lower. I don't think any of them are significantly higher. The good news is that for the most part, certainly in the lending operation, we haven't had a negative reaction to that sort of user-pay philosophy.

MR. FRIEDEL: Thank you.

THE CHAIRMAN: Gary, are you done with AOC?

MR. FRIEDEL: With AOC stuff.

MR. COUTTS: Just to add to that, Jim, while you're still here. When contracting services out, do you have any liaison with the Community Futures program, using the services that they provide for Albertans also?

MR. ANDERSON: Well, we stay in contact with all of the people that are in the communities offering these kinds of services. I think it would be fair to say that we haven't found that the Community Futures and us have very much of an overlap, although it may be that their being there has weakened our market somewhat, but I think that generally speaking their clientele would not likely be able to afford to hire our consultants anyway.

As the minister mentioned, we also work as much as we can with the people from the department in the same area of counseling, and it's all sort of just drawing together in a focus. In simple terms, we've had to stop providing it for nothing, and unfortunately some of the people, as we knew, who really need it and should have it will simply balk at having to spend any money to get it and do without, which is unfortunate.

MR. COUTTS: But Community Futures will offer that program for some businesses that want to set up and maybe can't afford it.

MR. ANDERSON: Yeah. That's right. They do offer business counseling, at least in terms of helping with a business plan.

MR. COUTTS: I guess that's why I was wondering if there was a liaison there.

MR. ANDERSON: We work with every business that comes.

MR. COUTTS: Thank you.

THE CHAIRMAN: Are you done?

MR. COUTTS: Yeah.

THE CHAIRMAN: Do you need to go back to AOC at some point in time? You're okay? Can we have unanimous agreement to allow Mr. Anderson to exit? Agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Thank you. Does anybody disagree? No. Thank you very much.

MR. ANDERSON: Thank you.

THE CHAIRMAN: Okay. We now have Mr. Hlady. Go ahead.

MR. HLADY: Thank you, Madam Chairman. In regards to competition for investment – and I guess I refer to policy development, 2.4. We certainly see this government heading in a different direction than some other provinces. There's going to be some competition for businesses inside Canada and abroad as well. I'm curious as to how the minister thinks he is going to be able to compete with Saskatchewan and Newfoundland. We had the Premier from there out here trying to attract businesses east. So how do you see us being able to be competitive?

MR. SMITH: Well, you're always aware of what your competition is doing. That's the first thing. We've continued to monitor what initiatives are being taken for business development within various provinces. Certainly the maritimes have used some of the redistribution of transfer payments to attract industry into their own backyard. Recently the Saskatchewan budget announced an investment tax credit. They lowered their corporate income tax. They've also started a science and research initiative. So you can see that the competition still uses some of the traditional types for attracting business.

In Alberta we have not reached the tax levels that other provinces have, so our base case is still in many cases better than what the other provinces have to offer. They're just picking on specific areas.

I guess the big key, Mark, is the review of taxation strategies as they pertain to business. One that certainly interests this department is the machinery and equipment tax, which stands out as a disincentive to capital investment and is put in with all the mix. So that part is being reviewed.

The other side is partly what we're developing in terms of critical mass. I go back to the earlier example of the hydrogen peroxide expansion by Dow. One of the big users of H_2O_2 is the forestry industry, and the growth of that industry has created its own demand. In fact we have the feed stocks here in Alberta. So we're starting to build a critical mass and being able to satisfy growth in our own marketplace.

One other thing, of course, is the transportation infrastructure. What will happen in terms of value-added agricultural processing, which is approaching a billion dollars a year now, is that with the federal adjustment in the Crow rate offset we're going to have to look at our own taxation strategy, specifically M and E, to see what we have to do to continue to attract value-added agriculture into this province. There's going to be more incentive now to manufacture and remanufacture in your own area. That then puts other demands on your system.

I think the real test will be towards the year 2000, when economic growth will probably diminish from the rates that they are at now, and whichever government is here in the year 2000 is going to have to make some very, very tough decisions about deploying the resources to continue to build industry development in Alberta. Certainly with the advantages that we have now – the Alberta advantage, as we've discussed, is working as a stronger attraction than some of the other alternatives.

Important as well is the government's predisposition to letting the private sector generate the jobs and the wealth. Simply getting out of the business of being in business is an important advantage that you see business reacting to. When Normerica homes, for example, relocated to Alberta, the president's quote was in fact: we like the environment for business, wealth creation that sits in Alberta.

9:42

I think it's important to stress as well that it's one thing to have the private sector create jobs, but it's another thing to create wealth. Wealth that's generated from small business, from home-based business is wealth that stays in the province. It isn't jobs that are created by a major multinational where the profit is export. In fact, that becomes a key pillar of the strategy.

MR. CRAIG: Madam Chairperson, let me just add one comment to what Murray has said. It's not just other provinces. I mean, we need to be mindful of what the various states are doing. I don't know whether you want to augment that, Murray.

MR. SMITH: Yeah. Please.

MR. CRAIG: Our competitors are not just the other provinces. Our competitors are the state of Washington, the state of Texas, the state of Oklahoma, on and on and on. So we need to have a very firm understanding about what industrial development techniques are used in North America, because it impacts Alberta.

MR. SMITH: And when you take a look at the petrochemical investment, as one example, the competition for that investment as they now enter a new cycle of investment, it's Sarnia; it's Louisiana, the Gulf Coast; it's Italy. We are now competing in a global marketplace, and we're going to have to continue to be apprised of the competitive strengths that are out there, the policies of other jurisdictions and be able to respond to that to attract global investment and also to stimulate global sales.

MR. HLADY: I think the cities of Calgary and Edmonton have both identified the M and E as a problem for them, and they have removed it, but the small municipalities depend heavily on that as a revenue for them to be able to do everything that they want to do inside their municipalities. What can you do for them, or what is possible?

MR. SMITH: What has evolved is that some of the municipalities, the forward thinking municipalities who are looking for opportunities for growth, have in fact started to exempt industry from machinery and equipment. The city of Medicine Hat is making that move over a five-year period. The county of Red Deer is making that move over an even shorter period.

In fact, we want to continue to work with AUMA to identify this issue. It's come out strongly in the Tax Reform Commission as something that has to be addressed. Certainly it's an issue up in Fort McMurray. I know that there's a large machinery and equipment tax structure in place up there. The program for investment that Syncrude has outlined with Suncor over the next 20 years, which could be as high as $21 billion in new investment and is related to bitumen technology and in fact synthetic crude replacing only declining conventional reserves, will depend to a large extent on a stable and receptive tax regime. So it indicates that there is some structural examination being required, not only from a provincial standpoint but also from the municipal standpoint.

MR. HLADY: Okay. Thank you.

THE CHAIRMAN: Are you done?

MR. HLADY: Actually I have a few more questions.

THE CHAIRMAN: Go ahead. Do you want to finish your questions, and then we'll go on to the next individual?

MR. HLADY: Sure. Okay. Under 2.5, business finance, given the withdrawal of the government from financial assistance to business, how will the business finance development change this year?

MR. SMITH: Well, firstly, you notice that there's a drop in costs. One of the things that we've continued to do is remove ourselves from the business of being in business. If you look at page 57 of Budget '95, you'll see that the guarantees and the direct assistance is being reduced dramatically. We've gotten out of the riverboat business. We'll soon be out of the magnesium business. We've made directions to get out of that in a hurry. There's also a number of accounts that we've worked with since, I guess, the previous government in 1986 and that we're involved in. It's our position that we want to continue to reduce that and then take the business finance group and continue to work with the Alberta Economic Development Authority to turn them more into a strategic position where in fact they're examining the things that are so necessary for economic development, which are access to capital, are there better ways to deal with banking structures, can we work with the banks to provide access to capital for small businesses, for those who want to pursue debt-financing alternatives, also for them to work with the Alberta Securities Exchange, the stock market in Calgary. That's been an important equity institution. The junior capital pools have been very successful. But we would like the department to focus more on those types of strategic opportunities.

MR. HLADY: Well, I guess just in regards to that promotion for the operating even inside the private sector: how is the economic development going to help instill that? Is there anything specific that you can give us in regards to how you're [inaudible] a little bit in regards to seeing that there is more investment through the stock exchange? I don't know how you as a department are going to make that happen.

MR. SMITH: You know, if you're in the business to create an environment that allows the private sector to capitalize on these opportunities, you take a very passive role in directing either funds or directing financial institutions into co-operative relationships. I'm a strong believer in letting the marketplace under a responsive regulatory environment continue to determine who stands the litmus test of financing, who stands the litmus test of equity financing, and being able to generate sufficient financing for these ventures here in Alberta.

MR. HLADY: I'll come back to that one later.

THE CHAIRMAN: Okay.

Go ahead, Gary.

MR. FRIEDEL: Thank you. I noticed in your opening remarks, Murray, that you describe the word "government" as being derived from the Greek word "steer." I hope that down there they were a little more specific about their meanings, because in English it also could mean a neutered bull.

On the issue of trade missions, right now we are still quite involved in those. We are, I think, leaning more towards private industry emissaries rather than government getting involved in these. I understand that this is also a user pay; in other words, the business that is attending with government officials pays their own way. We should be helping to set these up but certainly play a lesser role in the actual travel. Can you maybe elaborate a little bit on, you know, the percentage of government staff and government officials that attend relative to the total numbers of people that go on these missions?

MR. SMITH: Actually, what I'd like to do is just make a couple of comments on it and then ask Murray to speak specific to trade missions.

One is the ongoing involvement of the Alberta Economic Development Authority to assist the department and government in identifying key areas where trade missions should be undertaken. The purpose of government's role in there is basically to open the doors and get the right parties around the table so that business can then start to capitalize on the market opportunities, not dissimilar to the Team Canada approach to China and what will be our approach this week in Houston as well, so a continued diminution of government direct involvement. The private sector attendance has been on their own hook and will continue to be on their own hook. In fact, we'll continue to take direction from the private sector as to where in fact they should go.

Some of the areas where we don't go are just simply because they're not part of the key market identification. You look at investing so much of your resources in new and emerging markets and so much of your resources, a lesser degree, in your stable markets. Now, we have a very mature market in the United States which accounts for 80 percent of our export trade. In fact, on the business side it's very comfortable doing business in that marketplace, so there are not a great deal of missions into that marketplace.

9:52

We have defined Mexico as an emerging market. We're concerned about the current peso crunch, so that will affect some of our decisions. Certainly what you see happening in Argentina, with Chauvco Resources, Alberta Energy resources, Norcen Energy Resources being involved in that marketplace, indicates that they are comfortable doing business with Canadian service companies. We have worldwide expertise in the oilfield service sector, and we would want to make sure that our service sector is down there being exposed to the Argentinean partners so that the concession holders, the producers, can in fact draft the Canadian service sector down into that area of the world.

Murray, do you just want to just outline briefly how a trade mission goes from a concept to on the plane?

THE CHAIRMAN: Good idea.

MR. RASMUSSON: Sure. How a trade mission usually works is we're in close touch with industry sectors. How we put them together last year and this year is through a document called the Global Business Plan, where we in the department work closely with 17 to 20 different industry sectors. What you'll see in the '95-96 international trade strategy for Alberta under each one of those industry sectors is anywhere from a recommended five to 25 trade missions in a particular sector.

So we have our planning process for trade missions mostly tied to industry sectors. For instance, in the oil and gas industry Russia is still a very important producer of oil and gas, the world's largest producer. So the industry tells us, the service sector, that it's still an important place to take trade missions to. The Russians are used to dealing government to government, so it's usually a very productive event to take a trade mission in a particular segment of the oil and gas industry, say pipelining, to Russia. Our trade director for Russia would do a mail-out to the companies that have indicated an interest in working in Russia. They're either there now or are interested in going to Russia. We put together a complementary group of 10 to 20 companies on a mission led by a trade director, and it would go to Russia. The post in Moscow would help us organize all our itinerary and introductions to all the Russian decision-makers. Usually, it would go out to the field, up in the northern Tyumen, where 80 percent of Russia's oil is produced. The producer associations in Russia, then, would meet with our suppliers and hopefully sign some deals. That's essentially what a trade mission is.

Now, we've been putting an awful lot more emphasis in the last few years on what we call reverse trade missions, which would be bringing the Russians to Alberta to the National Petroleum Show or to the Calgary oil and gas show, which is going to take place this June. The reason we like reverse trade missions is that once we get the Russians here in Alberta, we can take them around and show them an awful lot more of our technology here than we can on a trade mission, by taking 10 or 20 companies over to Russia. So we're putting a lot more emphasis on the reverse concept.

MR. SMITH: Could you just spend a couple of minutes, Murray, on how you evaluate the success of a trade mission?

MR. RASMUSSON: Sure. Each one of those companies that participates in the mission on completion of the mission is actually sent a letter by Mr. Smith, an evaluation form of that mission, and is asked to fill out the form and send it back to him. It evaluates every aspect of the mission, from the organization to whether they found it productive to whether they found it useful for new contacts or from a sales point of view. So we've got a pretty good tracking system in place now to evaluate each one of the trade missions that takes place.

MR. VAN BINSBERGEN: May I ask just one thing?

THE CHAIRMAN: It is up to the government members. It's their time. Is that okay?

MR. FRIEDEL: Well, we can cut in on theirs, then, too.

THE CHAIRMAN: As long as they can cut into yours, obviously.

MR. VAN BINSBERGEN: I just have a quick question here. When you invite people from Russia, say, to come here, a mission, who pays the cost?

MR. RASMUSSON: They normally pay themselves. Sometimes if we find that it's really a key buyer in Russia, we'll look within our own budget or we'll ask the federal people if they would pay their way. Now, to the National Petroleum Show, which happens every two years in Calgary, the federal government actually has an incoming buyer program. For some of the incoming travelers, they'd set up a budget. One hundred of the international buyers would have a ticket purchased for them by the federal government to the National Petroleum Show; 400 of them, though, would be on their own ticket.

MR. FRIEDEL: Kind of on the same line. We've got trade centres, or whatever they might be called, located permanently in a number of out-of-province centres. Is there a possibility we might not get more bang for the buck if, rather than locating these in specific centres, we had something of a roving system? I know we had spoken about this briefly earlier. For example, a specialist could be located here at home, in Alberta, and take more of his time in organizing missions to these various countries, rather than having all our eggs in one basket. I appreciate that they are in areas where we have very extensive markets, but taking more advantage of opportunities in all areas outside of the province rather than a handful.

MR. SMITH: Well, that's a good question because it identifies the maturity of the marketplace: what can you do from back here now that this marketplace has developed a certain level of sophistication and knowledge that you can't do from being there? Or, of course, conversely the same question. That's one of the questions we've asked the Alberta Economic Development Authority: come back to us and identify areas where in fact maybe we shouldn't be in with such a strong presence. You know, some of the more mature offices are London and New York.

The other weapon, I guess, we have in our bag is the employment of industry-related consultants. For example, in the United States we'll use consultants in specific market areas with specific industrial sectors, primarily tourism in certain parts of the States.

That part is subject to the scrutiny of the success of our market penetration.

MR. FRIEDEL: It's interesting you made that last comment because that tied into my next question. I know that some governments want to deal directly government to government because that opens particular doors which might not be available to the private sector. But are there opportunities for more, sort of, privatization of our services? No. I'll take that back. I don't mean privatization of our services but marketing our services on a fee basis. I have a feeling that a demand that would be sufficient for industry to pay for this service might ensure that we concentrate our efforts on where the need is. I guess fee for service would be one of the ways. Are we looking at some of that?

MR. SMITH: We're examining a number of different perspectives or scenarios. One thing, the Swedish government employees effectively are their honourary council. They have over 434 honourary councils throughout the world. Basically, what these individuals are tasked with is representing in a trade scenario the government of Sweden and making trade inroads into those marketplaces, and they do that at no cost to the Swedish government. So there is that type of an expansion of the Alberta presence with little or no added cost. As the level of market sophistication increases, for example, in value-added agriculture or the forestry sector, in fact, the private sector is starting to assume some of its own trade responsibilities as it gets more involved in that particular marketplace. We'll continue to provide a door opening presence, being able to identify opportunities for them, as well.

10:02

MR. FRIEDEL: In terms of direct funding to businesses – now, this might be stretching it slightly, but there's a recent example. The Alberta Craft Council is presently attempting to . . .

THE CHAIRMAN: Could you speak up, Gary. We can't hear you over here.

MR. FRIEDEL: I guess it's because I'm turning in one direction.

The Alberta Craft Council is presently soliciting funding, I understand, through economic development. They're budgeting for an assortment of programs. They have a $150,000 total budget for these programs, and they are applying for five different government grants, not all Alberta, some federal, for the entire amount. They're promoting on the basis that they are going to support craft-related businesses. But I don't see anything in there at all where the businesses themselves contribute. I see this as just an indirect way of putting money into these businesses. I also understand that the council itself has other services that it provides. I guess I question why some of these so-called cultural industries are any different from other businesses if they can't wing it on their own. In other words, if there isn't a demand for the services they supply, maybe there's a message in there that it isn't needed enough that we should be putting money into it. I wonder if you maybe want to make an observation or two on that kind of thing.

THE CHAIRMAN: Is that something that's in the future, or are we talking about something within the estimates?

MR. SMITH: Well, actually, the department sponsored the Alberta Craft Council gift show recently, on which we spent just under $85,000 and generated over a million dollars in sales. So in fact, when you look at our investment, how we invest, if you will, in emerging businesses or business infrastructure in Alberta, which is consistent with our business plan, we look for two things: one is what we get in terms of payback from an industry; also, demonstrated leverage from the players in that particular association. Some associations have been formed just for the purpose of lobbying, but other associations are formed for the purpose of forwarding the industry. The Craft Council would be one example of a developing industry. There's also out of the University of Alberta a home-based business association that is developing. There's some discussion about our involvement in that side.

I would personally rather see our co-operation, which we spend money on, take place from an association standpoint as opposed to a business-specific standpoint. That allows two things to happen: one, we want the businesses to lever into the government kick start, if you will, or government support of industry initiatives, but in terms of fully sponsoring an association that doesn't have any demonstrable benefit to either the industry players themselves or in fact are not related to the key business of the business plan, I would doubt that we do. We've in fact turned those down today already.

MR. FRIEDEL: I should make it clear that I wasn't picking on the Craft Council.

MR. SMITH: No, and I just wanted to give you an example of how well they did from the show that was organized. It's an emerging business in Alberta. Certainly in Mr. Coutts' riding you can see a number of people who generally make their living off the craft business, which is tied in secondarily to the tourist trade.

MR. FRIEDEL: The point I was making there was that there are a number of examples where an organization will go around to various government departments, get all their money, call it leveraging, and in fact, they're . . .

MR. SMITH: They're leveraging government money against other government money.

MR. FRIEDEL: Yeah, and there's no industry money in it whatsoever.

In economic development, I'm a little concerned about the possibility of some duplication among the departments. For example, Alberta agriculture certainly and Energy maybe to a lesser extent do a certain amount of their own marketing and promotion. Is there any possibility that these efforts could be combined in any way so that economic development becomes a government issue, not necessarily a department issue?

MR. SMITH: Well, that's exactly what we want to try to do. Part of those joint marketing initiatives have been put forward by the Alberta Economic Development Authority that will work with agriculture, with Energy, and with the department. It's an ongoing concern that we have at the departmental level because it's an overarching department that has a lot of interaction with value-added agricultural processing, for example. So we stay in touch with agriculture and with Energy and try to ensure that we eliminate duplication and overlap where it exists or in fact work together where we realize a joint effort is involved. The Singapore oil show would be an example of where Energy and economic development would come together. More and more what we're seeing is that Energy takes on a regulatory role and we take on a trade development role.

Al, do you want to add anything to that?

MR. CRAIG: It's just that I think it's probably more a function of co-operation than it is overlap. Obviously, agriculture is promoting and marketing the agricultural commodities from Alberta. Our ministry is not doing that, but we do get together with them. They're an important part of the international business plan that Murray was speaking about. Technically, you could say we're in marketing and they're in marketing. Well, that's true, but they're marketing an industry and an industry sector. There have been discussions about merging all this together, but it ebbs and flows, so I don't think there's anything very current in that regard. Certainly there are any number of examples where we are joining with agriculture on a joint trade mission, and there have been a number of those in Mexico very recently, where our interests and agriculture's come together on the same mission.

MR. SMITH: But you won't see guys bumping over each other in foreign locales.

MR. FRIEDEL: One last point.

THE CHAIRMAN: Okay; otherwise, what's-his-name won't have time. Go ahead.

MR. COUTTS: I'm quick.

THE CHAIRMAN: Okay.

MR. FRIEDEL: This again gets into the issue of getting out of our involvement in direct grants to businesses. On page 88 of the estimates, the western economic partnership agreements, it says,

> Financial support is provided via grants and other financing instruments, pursuant to six separate Western Economic Partnership Agreements.

I'm wondering if our involvement with any of these agreements and the fact that we are giving grants puts us in contravention of our own policy of direct involvement or direct payment of grants to business.

MR. SMITH: I'm going to let Peter answer that because he looks after these economic partnership agreements. It's something that I know the opposition has flagged in a couple of instances. I'm thinking back to the Canadian agricultural partnership agreement and sometimes how that development works.

Peter.

MR. CRERAR: There are actually about seven western economic partnership agreements that we signed about three, four, five years ago with the federal government in a variety of different areas. All policy change, sort of getting out of business and direct financial assistance to business – it was a conscious decision to phase those grants out fairly quickly rather than just cut them. What is happening right now is that many of these programs will end in this coming year, and what we're doing at the moment is honouring previous contracts that we had with different business sectors, and they will flow through during the '95-96 year. So in some regards, rather than just ending them, it was a matter of living up to our contracts or obligations and just phasing them out. Most of the agreements – we did not expand the original planned amounts that we'd agreed to with the federal government in partnership. I'd look at it as not necessarily in total contravention of our policy but more of an honouring of a commitment that was made.

10:12

MR. CRAIG: We have no indication that the federal government wishes to renegotiate a new agreement, so I believe that at the end of this forthcoming fiscal year, that will be the end of the western economic partnership agreement. We have no indication that they wish to continue it.

MR. FRIEDEL: Thank you.

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

I'm sorry; I have to apologize, Mr. Coutts. You're not what's-his-name; you are Mr. Coutts. So go ahead.

MR. COUTTS: Well, thank you very much. How much time do I have now?

THE CHAIRMAN: You've got lots of time.

MR. COUTTS: All right. Madam Chairman, I have a few questions for Mr. Parsons. I'm wondering if we might do the same thing here. We'll get that over, said and done with, and then if there are no further questions for the Alberta Tourism Education Council, maybe we can do the same thing we did for Mr. Anderson, let him go, if that's okay. Unless you guys have anything more for him.

Mr. Parsons, I'm going to go back a long time, when the industry didn't have any standards or certification and we certainly were all lobbying government to help us with our training program. That over the years has been successfully developed. Standards in certification for certain is one of those things that the industry really enjoys and needs and is taking part in. But I think the most important thing is that the Alberta Best training program is widely respected by the industry and that it is renowned almost across western Canada. It would be a shame to see that particular program lost. When I say that, I fear for that program and others that have been developed because of the time and the energy that have been put into it, not only by industry but by your council. With the council not having as much direct government funding, do you see ATEC still remaining viable in the future?

MR. PARSONS: Yes, I do. As you alluded to earlier, industry started in about 1982 formally in terms of suggesting that there needed to be specific programs customized for the tourism industry for frontline education and training. It evolved into a major study in 1987 that ultimately created the Alberta Tourism Education Council. Industry itself said it had to be a partnership, first and foremost, with industry; secondly, with the education sector; and thirdly, with government. The government was to provide seed funding over a period of time. It was never specifically set out in terms of whether it was five years, 10 years, or whatever. We are now in the eighth year of existence of the Alberta Tourism Education Council. The seed funding, if you will, has turned into some tremendous programs, not the least of which is the Alberta Best program.

At this point in time, given the past year when the organization has had to deal with the government cuts, pretty dramatic ones, I don't have a whole lot of sympathy for people taking 14 percent cuts and 7 percent cuts when we took a 50 percent cut last year. The message has gone out to industry that in fact industry now has to do what it said it would do, starting back in 1982. We have no reason to doubt that, from what the industry has suggested this year. Last spring, when we were presenting our budgets to our council, which in essence is an industry-driven board of directors, they said these are pretty optimistic figures in terms of revenue. In fact, specifically in the Alberta Best program those revenue projections have been met, and the expenditure side, in terms of delivering the Alberta Best program, has decreased dramatically. We can say that we are one hundred percent ahead of those projections in terms of total bottom line. The industry understands what its responsibility is now. The organization, the Alberta Tourism Education Council, and the government through the Department of Economic Development and Tourism has clearly said: this is where you have to go. They're there, and we're getting there, and I see no reason over the next period of time that ATEC will not remain viable. Clearly, that's going to be a huge question. Industry understands it, and industry has to come forward.

MR. COUTTS: Given that performance, then, as you outlined and your confidence in that financial forecast, can you give me some specifics on what ATEC has done to become more self-sufficient? I guess I'm particularly thinking of some of the contracting that you might do, even some projections into the future, maybe even with the tourism corporation as we heard here earlier. Would you be looking at any international possibilities? I know that you've done some liaison with British Columbia and some of our other prairie provinces. Could you expand on that and be a little more clear on that for me?

MR. PARSONS: The Alberta Tourism Education Council and the Alberta government are very key players in an initiative that's shared between the four western provinces and the western diversification office. We are into phase 2 of a $5.8 million project to develop and implement standards and certification across western Canada. We now have occupational standards for 40 occupations that have been validated. Those standards that apply in Alberta for frontline occupations are also accepted and recognized in the four western Canadian provinces through that project. Alberta Tourism Education Council is the project manager of that project.

We're also involved on the national scene in a number of different projects jointly funded by the tourism education councils and the provincial governments across Canada to implement certification and standards across Canada. Alberta Tourism Education Council as the leader, the one that started first, has the copyrights on all of those certification programs and shared copyrights and shared trademarks on all of the standards as well as the Alberta Best program. As the other provinces are catching up and realizing the importance of human resource development, ATEC is going to benefit from royalties accrued from the sale of those products in other provinces across Canada.

You asked internationally: we are not proactively addressing that issue as such. Simply, it's a resource issue. Our mandate is here in Alberta, and all that we do is in order to support the industry in Alberta. However, in a reactive way we are responding to inquiries from as far away as Sri Lanka, Malaysia, Macao, and in the United States a couple of states are looking at the Alberta Tourism Education Council programs.

MR. COUTTS: Is Montana one of those?

MR. PARSONS: No, not currently, but there are other PNWER states that are.

MR. COUTTS: They're on their list; are they?

MR. PARSONS: You betcha. But I think it's really important that the industry in Alberta recognized a need of their own, that they were not addressing human resource development issues like other industries. I think the industry did a very big job of pulling together the partnership between government, education, and industry. Alberta is very, very much a leader, continues to maintain that leadership across Canada and internationally, and has won international awards for developing standards and certification and one of the best service excellence programs. That reputation that we have is going to lead to dollars and cents in terms of export revenue that we are going to be able to receive, which in turn will subsidize the human resource development programs here in Alberta in the tourism industry so that we can develop the Alberta advantage. In the tourism industry, as I'm sure you all know, the people are the most part of it; it's a very labour intensive industry. We go because we like the hotel and whatever; we come back because of the service. That's so very important, and we're going to cash in on selling our products abroad in order to fund it in Alberta.

MR. COUTTS: Thank you, sir, very much. That's all I have for Mr. Parsons, unless anybody else here has . . .

THE CHAIRMAN: Have you got any further questions of Mr. Parsons? Okay. Before we go ahead, maybe we'll go with Gary.

Mr. Friedel, you had some other questions, not with Mr. Parsons.

MR. FRIEDEL: No. I was finished.

THE CHAIRMAN: You're finished. How about you, Mr. Hlady? You said you wanted to keep going.

10:22

MR. HLADY: How much time do we have? I thought we were just going to switch over.

THE CHAIRMAN: You have eight minutes.

MR. HLADY: We have eight minutes left? Actually, I had a couple of questions on science and research.

For the minister with the new department here, the history of research hasn't really provided for accountability . . .

THE CHAIRMAN: We need to ask the committee for a motion to let you go ahead, Mark.

MR. HLADY: Do you want to do that?

THE CHAIRMAN: We'll finish this first.

MR. HLADY: Are you sure? Okay.

Anyway, based on the history of research, we haven't seen a lot of accountability in research dollars in the past. My question is, I guess, on two ends, and accountability at both ends: one on the evaluation of determining the project for financing, and on the other end, the outcome, the success of the research. What have you been doing in regards to determining that so we can determine whether we're going to be successful in our research in the future?

MRS. MIROSH: Thanks, Mark, for that question. The science and research budget is actually under Executive Council, but we as an authority, the authority that I set up, the management authority, will be setting out an accountability process as well as a priorities process for all departments, not just the Alberta Research Council. That is just being done currently. We will be introducing legislation with regards to that, hopefully this week. With regards to the Alberta Research Council, they have their own board of directors with our colleague as the chair and have a process they have set up internally with regards to accountability.

Perhaps Brian can talk about that process within the Alberta Research Council.

DR. BARGE: Thank you, Madam Minister. It turns out that the Alberta Research Council has been a leader in Canada in establishing accountability measures. The board has taken steps to include in our financial statements – this will be happening now, beginning in April – an additional page which establishes the measures of accountability, not just financial but output measures, and there are some 12 of them that get into the details of the Alberta Research Council operation. Those are a subset of the larger output measures that show how much we actually increase the wealth of the economy, which is about $100 million a year, a factor of four or five over the amount invested in the ARC.

With respect to your question of accountability up front, the business planning process, which is based upon market research, determines which general programs we get into. Then the actual projects themselves are established, typically in joint venture relationships with private-sector companies. So in fact the market determines what projects are undertaken. Once the project is started, then there's a milestone type of system which either makes them keep going or stop.

MRS. MIROSH: The accountability is that these businesses won't partnership with us if they aren't able to take their research into commercialization. One example I like to talk about and brag about is that biotech research in hamburger disease within pharmaceutical areas. Alberta research researched this particular product for – what? – two years, and there was a small business created as a result of that specific drug, which is now in the fourth stage of testing throughout the hospitals. If, in fact, it works – and it looks like it will – this particular company, Synsorb Biotech from Calgary, will be putting this on the stock market. It is a drug that we feel will have a great value for that business then to take over and make some money. So when that happens, that itself is self-explanatory for accountability.

THE CHAIRMAN: Thank you. We've just one minute left for the government members, but at this point maybe what we could do – is the opposition comfortable with allowing Mr. Parsons to make his exit?

Okay. Thank you very much, Mr. Parsons.

MR. PARSONS: Thank you very much.

MRS. MIROSH: We'd like to have the same opportunity, Madam Chairman, if we may.

THE CHAIRMAN: Yes. As we're done with some of the groups and agencies, yes, we certainly will allow them to go.

So with that, I think we'll just move over to the . . . [interjection] Do you have another question? Okay. We'll move over to you again. Go ahead.

MR. BRUSEKER: Well, Dr. Barge, let's continue.

THE CHAIRMAN: We'll start with them, and then we'll finish with them.

MRS. MIROSH: That would be great. If you would, that would be great, Madam Chairman.

THE CHAIRMAN: Sure.

MR. BRUSEKER: The 4.4, the – what do you call it? – mission effectiveness.

DR. BARGE: Yes, indeed.

MR. BRUSEKER: The 4.4 to 1, how do you measure that?

DR. BARGE: That's based upon actual validation by the companies that are our partners or clients. Each company that we have worked with, we go back to and ask them how they have increased their revenues as a consequence of work with us as well as how they've increased the number of jobs. So it's a validation by the companies themselves.

MR. BRUSEKER: Okay. Now, I see that your plan is to increase that to 5.6 to 1.

DR. BARGE: That's correct.

MR. BRUSEKER: Could you tell us how you are going to do that?

DR. BARGE: Well, what we've done over the course of the last couple of years is we've developed a greater focus in our programs towards those that will give us the greatest impact, the greatest leverage, if you will. When the minister spoke earlier, she talked about four areas. Those are four areas of greatest impact. Other areas, as a consequence of the focus we achieved, we've shut down. So that's one of the reasons, the focus. That's really an effectiveness issue, if you will. On the other hand, we're improving, as a consequence of improved efficiencies inside the Alberta Research Council. We've undertaken a number of management steps, not the least of which is to significantly improve our marketing capability to engage with clients so that we can actually develop the best projects. Other matters, total quality management and things like that, are well under way, which is causing us to maintain our same impact in terms of wealth generation while in fact we've decreased the size of the corporation.

MR. BRUSEKER: So what you're saying, then, is by – it's about 100 positions you're looking at reducing, I understand.

DR. BARGE: We've gone from 610 employees in 1992 to 375 beginning fiscal year '95-96.

MR. BRUSEKER: Yeah, but the business plan talks about 100 reductions. So the people that you're letting go are the people who were more in management positions as opposed to direct revenue-generating kinds of positions?

DR. BARGE: We've scaled down the corporation overall, both people that are, let's say, technical people as well as management people. No, Frank. We've taken out a number of programs where there was less direct connection with the private sector. Some of the surveying activities, some of the testing activities which weren't performing at such a high level are gone as compared to looking at it from a technical or management perspective.

MR. BRUSEKER: Okay. I notice the business plan says you're still going to maintain the office in Calgary?

DR. BARGE: Yes, indeed.

MR. BRUSEKER: Okay; so that's going to continue on.

DR. BARGE: That, in fact, is an area that is one of our principle information technologies foursome. That's where that's driven. In fact, the demand on that activity is high. It's more likely to grow than to diminish in size as a consequence of private-sector engagements.

MR. BRUSEKER: Now, you're looking at increasing your private-sector revenue as a result, in part, of being forced to do so as a result of decreasing government revenue. Can you elaborate on where you're going? Where do you see the growth potential?

DR. BARGE: In the four areas – in fact, let me just back up a little bit and describe from 1992 to 1995, because the corporation we were in 1992 is much different than what we are now. First of all, the focus of our programs provides us with a high grading, if you will, of the partnerships and joint ventures that are possible with the private sector. Particularly in the energy area we've restructured significantly to focus on specifically heavy oil production and upgrading as well as energy-related technologies that lead into technologies for use in the energy sector that are environmentally friendly, if you will. So the restructuring, the new program focus, gives us significant growth potential in the energy and natural resources areas. The areas of information in biotechnology themselves are taking on much greater activity in the economy, and as we move closer and closer through the information age and into an age of biotechnology, so to speak, there's significant growth occurring there. The other one is manufacturing, which has been on a constant increase in our organization for the last five to 10 years.

10:32

MR. BRUSEKER: Can you give some indication of the companies in the private sector that you're working with? I'm not sure what definition you use, but how many of them are sort of small businesses versus big business? I know that you did some work with Standen springs, for example, in robotics and so on, but I would consider that more of a medium-sized business. Can you break it down a little bit there?

DR. BARGE: I can answer your question in two ways. We work with about 10,000 to 12,000 clients each year. Many of them are very, very small. They just call up asking some question on technology, looking to be directed towards an answer. Of that total, we enter into significant contract relationships with about a thousand. So that gives you a general answer.

Specifically, when we look at the contract activity with the Alberta Research Council, we have two to three – it depends on how you look at the numbers – that are in the million dollars and over category. There are about five that are in the $500,000 to a million in terms of contract relationships, and the rest are all less than $500,000. So in fact the bias is very much towards the small- and medium-sized enterprises, which in fact is where most of the jobs are created.

MR. BRUSEKER: Okay. If I look at the vote itself, program 6, and if I look at your proposed budget for '95-96, I see the plan says $21,800,000, but on the page itself it talks about $20,300,000. So it seems like there's about a million and a half dollars worth of government revenue that doesn't quite jibe with the business plan and this figure in here, and I wondered if you could explain that to me.

DR. BARGE: I don't have exactly those numbers in front of me, but I see $21,800,000 as the total amount of revenue provided by the provincial government to the Alberta Research Council; $20,300,000 – my numbers – are provided as a grant, and for '95-96, $1,500,000 is contract research that we carry out on behalf of other government departments and agencies. You might be interested to know that that $1.5 million, contracts carried out on behalf of other government departments and agencies, in about 1986 was $15 million. So that's just another marker for you.

MR. BRUSEKER: Okay. Then my next question to the minister. In the vote it talks about technology and research grants, $9.8 million in total, and I'm assuming, perhaps incorrectly, that out of the $9.8 million comes the $1.5 million to the Alberta Research Council. Can you advise me where and who gets the balance of that $9.8 million?

MRS. MIROSH: In revenues?

MR. BRUSEKER: In revenues. Where is that money going, the $8.3 million or so? There's a gross expenditure for technology research grants of $9.8 million. Apparently 1 and a half million dollars of that is going to go to the ARC. So there's $8.3 million left over in research grants, and I'm wondering who gets the $8.3 million?

MRS. MIROSH: I don't have those numbers in front of me. I'm not too sure. I'm guessing – it's Westaim; is it? Economic development has given some grants to Westaim; Telecommunications Research Labs, TRLabs; the Alberta Laser Institute; the network of centres of excellence; the High Performance Computing area; and the Alberta Microelectronic Centre.

MR. BRUSEKER: Could we get a breakdown of exactly who's getting what out of that $8.3 million?

MRS. MIROSH: Do you want me to give that to you in writing, or do you want me to just tell you?

MR. BRUSEKER: If you've got it right now, that'd be fine too.

MRS. MIROSH: The Alberta Microelectronic Centre is $1.6 million. The telecommunications lab is $900,000. Alberta Laser Institute is $700,000. Network of centres of excellence is $400,000. High Performance Computing Centre is $2.2 million. Westaim is $4 million.

I'd like to just tell you that this is a partnership arrangement that is quite unique to all of them. For instance, TRLabs is a partnership with the University of Alberta and the private sector and government. The private sector, like Northern Telecom, will provide a secondment of staff. Northern Telecom provides staff. AGT provides dollars. The University of Manitoba has provided dollars, and one other university has provided dollars to this. As well, the University of Alberta provides staffing by professors, and the graduate students go there to do all their research in telecommunications. They're telling that about 3,000 jobs will be spinning off as a result of the research done here, and Northern Telecom can attest to those figures. They use this lab for research in telecommunications for their manufacturing plant in Calgary. The Alberta Microelectronic Centre, as well, is a partnership with the university, ourselves, and the private sector.

All of them would invite any of you to tour any of these places. I've had the opportunity, and it's really fantastic.

Westaim, which is a new $4 million that we've just added, is in about their fifth year of research. It takes anywhere from five to eight years to develop the research. They're now ready to move into commercialization. Only last week the Science and Research Authority along with Alberta economic authority members were evaluating on the basis of accountability to see if in fact this $4 million should have gone forward. They gave it high marks and feel that the research that is being conducted there, when it moves into the commercialization – this is where the Alberta Economic Development Authority takes over – will create yet another 1,500 jobs within the next two years.

MR. BRUSEKER: How much longer is our commitment to Westaim?

MRS. MIROSH: I'm not sure.

MR. SMITH: Do you want me to pick that up?

MRS. MIROSH: Yeah.

MR. SMITH: Westaim actually ran at $1.4 million last year. We lapsed the $4 million and are allocating it into this year's budget. That is the end of the first agreement. They are pursuing partnership tie-ins now with Sherritt Gordon, with the private sector, with the federal government, and with us with a view to leveraging a gross of $60 million over the next agreement period. So that decision will have to be made this year, Frank.

MR. BRUSEKER: Okay. Let's shift down to Calgary to the High Performance Computing expenditure, $2.2 million. Is that being accessed well by the clientele it was designed to serve, which I understand was primarily the seismic industry for analysis, for persons that didn't have it themselves?

MR. SMITH: Correct. The High Performance Computing Centre was set up, as you know, as a joint investment between the private sector and the public sector. They had allocated to them $1.2 million in operating over a three-year period. What we elected to do was shave some of the final two years of the funding, which would have been a gross of $2.4 million, net it down to its present value of $2.2 million, advance them that in this current operating year, and go to work on a specific business plan to identify key markets where they in fact could stand on their loan to also identify what has to be done to make this thing better. Some of that has to be, in fact, T3 linkups to the HPC so that they can start getting access into all parts of Alberta, also to work with AGT for a common broadband rate across Alberta, and thirdly, because the United States' educational institutions cannot purchase Japanese equipment and this works off a Fujitsu mainframe, to open up linkages so we can provide access in the educational market of the United States. Their accountability to us is based on their quarterly financial statements plus a business plan over the next two years that demonstrates where in fact they're going to deploy this asset. It's an area unique to Canada. It has a tremendous amount of positive benefits, and it's now up to the private sector to demonstrate their utility.

10:42

MR. BRUSEKER: That's all the questions I have on this area, Madam Chairman, unless some of my colleagues want to continue.

THE CHAIRMAN: Thank you.

I just have been notified that there are some people being bothered by the smoke. So if we can cut down on the smoking.

MR. SMITH: Am I the only guy that smokes? Was it you? Did you notify her?

MR. CRAIG: I put my hand up, yes. I'm being bothered.

THE CHAIRMAN: So if we could just cut down on the inhaling there and the smoke that comes to the rest.

MR. BRUSEKER: I don't mind if he inhales. Just as long as he doesn't exhale.

THE CHAIRMAN: Yes. Don't exhale. It does get a little heavy in here. It makes it very uncomfortable. So if we could, I'd appreciate that. Thank you.

MR. SMITH: We're looking forward to discussion on the private member's Bill on smoking.

MR. GERMAIN: Mr. Smith, would you prefer to tackle loan guarantees now or . . .

MRS. MIROSH: Excuse me. Are you finished? Can we just wrap up ARC, if you don't mind? Then we can go.

THE CHAIRMAN: Okay. Go ahead. Why don't we do that? Then we'll send them off.

MR. VAN BINSBERGEN: I have some difficulty with the place of science and research. I understand the authority has now been transferred to Executive Council. I'd like to know: why is that happening? Perhaps you and/or Murray could also talk about the relationship between Economic Development and Tourism and the Science and Research Authority. I'm a little fuzzy on that.

MRS. MIROSH: It's a good question. The authority has been transferred to Exec Council. The legislation that I will be tabling in the House this week will be examining research in all departments: agriculture, energy, environment, and so on. The Alberta Research Council is under my ministry. It remains in economic development at this time because it is really driving economic development as well. It's an addendum of economic development with regards to job creation and wealth creation in this province. So there are, in fact, two separate areas.

The board of management that I have created, with Dr. Church as the chair, is working with the Alberta Economic Development Authority. We have two members from our authority that sit on the Alberta Economic Development Authority. The two chairs meet on a regular basis. The Science and Research Authority is specific to basic and applied research. When it is time to take that basic and applied research – some of it is short term and some, long term; normally it's between five and eight years before you start seeing the commercialization of that research – we want to examine the research productivity on the basis of not just nationally but internationally. So I'll be setting up an international committee of peer review for research in this province so that we can take this research and move it into commercialization so that we can see even a better leverage of our $1 investment, to as high as $8.

A good example of success in that is the Alberta Heritage Foundation for Medical Research, where we have invested $300 million from the heritage trust fund, which just sits there as a trust fund. It has now created a leverage of $640 million. We feel that the success is based not only on the quality of administration but because of the international peer review.

So when we take that research, including medical research, into the commercialization partnership with pharmaceutical companies and others, then the Alberta Economic Development Authority moves that through Murray Rasmusson's trade missions in awareness and in marketing and what have you so that there is an international awareness of what we're doing. It is my plan as minister to make research top notch in this province. We have, first of all, the brainpower to do it. We have a highly educated population as well as a youthful population and workforce, and we have a dynamic atmosphere for economic development. So with Alberta Economic Development Authority marketing we have to produce the product at the other end, and that is the research. We have infrastructure as well to support it. They're separate because we want to focus on top-notch research. In the past, really, there have been grants given out and even loans given out where we haven't had a hold on the accountability of where these grants and loans have fallen. Alberta Research Council has been excellent, but in some areas across government this is not so. So we want to know where all those dollars are invested.

MR. VAN BINSBERGEN: It looks to me like it's a bit confusing, though, that somehow Executive Council and then your department and economic development are all sort of meddling in the same general area.

MRS. MIROSH: No, we're not meddling in the same areas at all. These areas that we listed to Frank Bruseker with regards to funding are in economic development currently because there was no science or research. We're still in the process of developing. I mean, the authority was just in place in December, so we're still just developing our plan. Our business plan has not been completed yet. It will be probably within the next three weeks.

MR. VAN BINSBERGEN: Okay. That was another question: where is your business plan?

THE CHAIRMAN: That's coming forward, as she said.

MR. VAN BINSBERGEN: Yeah.

MRS. MIROSH: Well, you know that the research dollars across all government are in all the departmental business plans. Every one of them has identified where those research dollars are in every single business plan in the department. So they are in fact there, and we're just trying to pull them together under one area.

MR. VAN BINSBERGEN: Now, the economic authority has also announced that it's going to establish a task force on technology. How does that jive with your department?

MRS. MIROSH: Well, they're in the business of commercialization of technology, just the commercialization. We take the research and move it out. We examine the research based on the commercialization down the road. When it comes time to commercialize, Alberta Economic Development then takes it over.

MR. VAN BINSBERGEN: Okay.

MRS. MIROSH: There are cross-linkages there, sure, but there are in all the departments. I mean, it's the same with agriculture, Energy, and Treasury. You know, when you talk about taxation, that's Treasury. So there are cross-linkages in all the departments.

MR. VAN BINSBERGEN: I think that's all I have.

THE CHAIRMAN: Are you done? How about you, Mr. Germain?

MRS. MIROSH: How come you didn't ask how much we invested in Syncrude?

THE CHAIRMAN: I guess they're not interested. Mr. Germain does not want to ask that question.

Can I have consent, then, from the committee that Mrs. Mirosh and Dr. Barge can go?

MR. BRUSEKER: Sure.

THE CHAIRMAN: Thank you. Anybody disagree? Thanks.

Okay. So you are ready now for whatever level. Does anybody have any questions for Mr. Toth?

MR. BRUSEKER: I'm ready to move into it right now.

THE CHAIRMAN: Oh, you are. Okay, well, let's deal with that, then.

MR. BRUSEKER: I just thought that since he was here, we would want to take advantage of that.

MR. SMITH: That's why we wanted to have him here.

MR. BRUSEKER: I felt that, so I appreciate that, Mr. Minister, sir.

Garry, welcome. I guess the first question I have to ask is about the $10 million. This is a nonbudgetary item, a disbursement for – can you find the right page? – support to AMPDC. Can you tell me what that's going towards?

MR. TOTH: At Treasury's request when the fund was established in 1981 and then amended in 1988, it moved the total financing of the corporation as received over the last 14 years to $10 million. At that time we were a rare Crown corporation that was able to retain our revenues as opposed to repaying government. So, in essence, what we've done is we've taken the $10 million over the last 14 years, and through revenues off that $10 million we will at the day's end, when the $10 million is gone, have rolled back into the industry about $16 million. This is essentially, as I understand it, an accounting procedure for Treasury to be able to deal with that money from an accounting sense. We're not receiving a new $10 million.

10:52

MR. BRUSEKER: I'm sure you would love to receive a $10 million cheque. Maybe the minister, then, can explain to me why this has to happen. As I read through the business plan of the AMPDC, it says that between 1988 and 1994 we've got an investment of $9.7 million in Alberta-made films and television programs, yet here's another $10 million allocated apparently on page 82 of the budget. Mr. Minister, I don't understand what's happening with this accounting procedure. Could you explain it to me?

MR. SMITH: Well, what we're trying to do, Frank, is basically develop a model that demonstrates the accountability of the investment back to the taxpayer, to the voter of Alberta. So that's one side of it. What we've done is identified the balance of the funding that can be invested this year. This is a year of decision-making as to whether the standing policy committee would agree to a further investment in the industry through this vehicle for the next three- or five-year period.

MR. BRUSEKER: Am I led to understand that there's a potential that the AMPDC could end this year?

MR. SMITH: Well, that's part of the reality of what we're undertaking, an investigation of all programs that have to demonstrate their worth back to the taxpayer, back to the voter of Alberta. So they're in the process of developing with industry a three-year business plan with accountability measures, with benchmark measures in a way to leverage the most money they can from the private sector and to continue to build the critical mass of this industry in Alberta.

MR. BRUSEKER: Garry, then, are you looking at creating ultimately a private-sector corporation, much like Al Parsons is attempting to do with ATEC? Is that the future direction?

MR. TOTH: Well, in the sense that we're helping build the private-sector infrastructure and the infrastructure required by the industry. We've come a long, long way over the last 15 years. I'm pleased that we'll have done domestically about $24 million worth of production between April and December of this year, and sitting on our desks for review actually in the next couple of days is another $24 million worth of production. So that will give us our best year ever at somewhere around $50 million. If you look back to fiscal year '91-92, we were sitting at about $11 million.

Also, when you add to that that over the past five years AMPDC's share in the financing with the private sector of these projects has consistently dropped, what we're really looking at doing is giving the government the option at the end of that of saying, "Yes, you're generating revenues for government; we'd like to keep you around," or giving the option to let us back out of the industry but maintain the industry here. So we're doing that in a number of different ways. We're working with industry in terms of models and the new three-year business plan. We're working very closely with broadcasters and other private funds to encourage them to invest in Alberta and Alberta companies. Essentially, as opposed to looking at necessarily a privatized model, which is one option, we may simply be able just to back ourselves out.

MR. BRUSEKER: Out of involvement with government.

Can you tell me a little bit about how your corporation liaises with groups like the Calgary Economic Development Authority, which within it has a branch that deals with the Motion Picture Industries Association as well?

MR. TOTH: Well, that's actually something that we work very closely with the film commissioner's office on. That's within the department itself. The film commissioner's office is responsible for attracting foreign production to the province, principally. *Legends of the Fall* is probably the most recent. What we do and how we work with them to maximize when a *Legends of the Fall* comes here is that the dollars that they spend, the more Albertans that they can hire, the more Alberta services that they are able to use means that they are going to leave more dollars here in the province.

Through home office development, which is principally what we're concerned with – we're concerned with the domestic market here – we are able to provide an infrastructure, that infrastructure being really specialized, trained individuals that work in this industry, and the facilities and services like labs and postproduction edit suites, sound recording studios, and things like that. When *Legends* comes here, instead of bringing a whole bunch of crew over the border where none of the economic impact happens, it means that we have trained crews. So you end up with people like Jan Blackie working with Clint Eastwood in props and art direction and then getting nominated for an Academy award, plus her salary, which is substantial, stays in the province.

MR. BRUSEKER: Does the AMPDC – and I'm not sure who wants to answer this question – offer any suggestions to government with respect to making changes in government policy to promote investment within the motion picture industry?

THE CHAIRMAN: I think that's a policy issue, so we'll get the minister.

MR. SMITH: That's right. That's exactly what we've asked the corporation itself as well as industry spokesmen through AMPIA, Alberta Motion Picture Industries Association. We've asked them to work together to bring up those investment models, to talk about increased leverage, to talk about self-sustaining funding, and for them to work together. Coincidental to that, mentioning Calgary Economic Development Authority and the Edmonton Economic Development Authority, we amount to about this much in the total marketplace of TV series, syndicates, and also foreign films. So what we're trying to do, Frank, is actually take the office of the film commissioner, the development corporation, and the economic development authorities in Calgary and Edmonton, which have small budgets, and start to provide some linkage that gets us developing a critical mass that allows us to maximize some market penetration.

MR. BRUSEKER: Okay. As I understand it, other provinces have more favourable tax breaks than Alberta has for promoting the film industry. I mean, there is a bit of a link here because of the scenery, because of the tourism potential. I've spoken to some people in the motion picture industry. They like the fact that within a fairly short geographical space you can go from prairies to mountains to foothills to a whole variety of scenes.

MR. SMITH: Yeah. That's one of the things we look forward to: the development corporation and the private sector coming back to us in terms of specific investment-driven vehicles. I'm prepared to do something that I would think would be uniquely Albertan as opposed to just responding to competitive forces. So stay tuned on that from the development corporation standpoint. We've asked for that to come forward in the next three to six months so that we could now put in place a three-year business plan, you know, carrying us into the year 2000 that demonstrates, again, leverage, maximum market penetration, and maximum return to Albertans.

MR. BRUSEKER: Okay. Those are all the questions I had. I don't know if any of my colleagues have any questions.

THE CHAIRMAN: Are there any other questions for Mr. Toth? No? Can I have consent, then, so that he can exit? Are we in agreement? Well, we'll just have the minister then. Thank you very much.

MR. SMITH: Just while Garry's leaving, I think it's important to note that Garry and his group have done a lot of work in developing economic impact models that demonstrate, firstly, how good an investment a particular investment in a motion picture or a TV-based series is, what kind of paybacks they can expect, and also a demand economic impact model in co-operation with the department that determines what economic impact will result from their investment. So they're moving strongly towards accountability.

MR. BRUSEKER: Just on that point too. I've had the opportunity to tour the Bragg Creek *North of 60* set. It's absolutely fascinating. It's a real eye-opening experience. You start talking to some of the actors and the production folks behind the scene. There's obviously a huge impact on the Bragg Creek economy.

MR. TOTH: Well, just before I leave. We've gone up another rung on the ladder. There is a domestic production shooting right now – you may have read about it in the papers – called *Song Spinner*. It's a children/family made-for-TV movie. The idea came from an Edmonton performer about, oh, five years ago. We helped in an R and D sense to develop the script. Over the years it's gone – most recently, the Alberta company, which is Bradshaw, MacLeod, which produces *North of 60*, has linked with a Quebec company. It's our first Quebec/Alberta co-production, Productions La Fete. The most important thing about it is that the show's been sold to Showtime, which is one of the large, large cable companies in the States, and we'll see revenue back, from our point of view, as soon as they deliver the product. So we're quite pleased.

11:02

THE CHAIRMAN: Thank you.

MR. BRUSEKER: Great. Thanks.

MR. GERMAIN: I suspect that one of the gentlemen we have left with us is Jim Engel.

THE CHAIRMAN: And the minister too.

MR. GERMAIN: Mr. Engel, I take it that you administer and manage the part of this department that comes under the heading of 2.1 in the budget. Do I have that correct?

MR. ENGEL: Small business and tourism development, yes.

MR. GERMAIN: Okay. Can you tell me, Mr. Engel, why the business management component of that budget was obliged to increase this year over last?

MR. ENGEL: You're talking about the $3,000?

MR. GERMAIN: Correct.

MR. ENGEL: Actually, the situation there is that in the previous fiscal year we estimated for a 5 percent reduction in salaries. As it turned out, after the estimates were approved, the reductions were not actually 5 percent because the government decided that a portion of that would be in terms of unpaid leave. Consequently that portion that we estimated as a reduction had to be reinstated, and that's what it was.

MR. GERMAIN: Okay. Has anything changed there in terms of staffing or office space? Any significant changes in that component?

MR. ENGEL: No, there haven't been any changes there, except for a move from the Sterling Place building to Commerce Place, where we currently are. The actual space has been consolidated a bit, so we have less space now than we had before, but that's also partly because there will be some upcoming reductions in staff as well.

MR. GERMAIN: Okay. Are the costs of the move factored in that $390,000, or did public works do that?

MR. ENGEL: No, they're not.

MR. GERMAIN: Okay. How much did the move cost?

MR. ENGEL: I can't tell you that. Peter, do you have an idea as to what the move costs are?

MR. CRERAR: I'm not clear on the exact amount. We can get that figure from public works. It was budgeted at about $60,000, but I could get public works to give us the numbers.

MR. GERMAIN: I'm not familiar with those two buildings. Did you move out of a private-enterprise building into a private-enterprise building, or did you move from private enterprise to a government building?

MR. ENGEL: No, it's from a private-sector building to a private-sector building.

MR. GERMAIN: Mr. Engel, in reality we're looking only at bottom lines here. Although the bottom lines are broken down, they're still only bottom lines. I have some difficulty getting a handle on the division management in your department and the division management under 2.3, tourism, trade, and investment. Is Murray Rasmusson here as well?

[Mr. Woloshyn in the Chair]

MR. ENGEL: Yes. Right next . . .

MR. GERMAIN: Right next door. Okay.

Mr. Engel, can you tell me what steps could be taken, if any, that you see to further amalgamate some of the management components of these two departments, which seem to shadow each other a little bit?

MR. ENGEL: Well, they're quite different programs actually. Murray is involved in the marketing and promotion side of it, and I'm involved in the physical capital development of tourism, which relates to attractions, facilities, events, that kind of thing. Murray is involved in the promotions end of it. That happened when tourism was a stand-alone program and then brought across to economic development. The marketing portion of tourism was integrated with the trade promotions area. So we have one marketing sales staff, but we are involved in the capital side of tourism, not in the marketing side.

MR. GERMAIN: Moving down the line of your department, Mr. Engel; for example, 2.1.2, development services. There was rather a minuscule cut. Are you satisfied that all of the fat has been squeezed out of that particular component of the department that you administer?

MR. ENGEL: Well, we could always, I suppose, improve and do better. Going back to 1992-93 our total budget in our division was $19 million, and it's now down to $7.7 million. So that's a fair reduction. Now, that includes $6 million worth of reduction in the community tourism action program. It includes a $3 million reduction in the Canada/Alberta business partnership agreement. It includes a $2 million reduction in the grants program that we had for tourism product development, and several other smaller areas. We are still looking at several items, and they are linked into the matter of the ATC as well, so there may be some additional reactions that may still be to come.

MR. GERMAIN: Do you have any feelings that any of the departments that you administer have now got to the point where the amount that you have in terms of resources make the operation no longer effective?

MR. ENGEL: Well, we're reviewing a couple of areas. One of them is the business counseling area, and that was in our three-year business plan last year already because we believe that there perhaps are enough private-sector suppliers of business counseling services out there, including some of the things that Jim Anderson does. So we're taking a look at those. There are to our knowledge about 140 of them out in the private sector, ranging in terms of costing from several hours of free counseling services to a couple of hundred dollars an hour.

Now, we have to be a little careful because the Economic Development Authority task force is looking at that as well. So we'll await the outcome of some of those results to determine whether or not some additional changes or reductions should be made. But we believe that in the business counseling area perhaps there are additional reductions that could be handled from the standpoint of transferring some of that to the private sector.

MR. SMITH: Adam, I'd just like to add to that too. One of the things the department has done well over a 20-year period is build the critical mass in the marketplace in small business counseling and in fact probably opened the marketplace up some 20 years ago. They have continued to move in that direction. It's my opinion that they have done a good job developing a lot of that market expertise that is resident out there.

Also with the change in the marketplace structure, the importance of small business being the absolute only net generator in terms of new jobs in the marketplace, it has created a tremendous expansion in small business education, small business training, and there's really a new marketplace out there.

So it's taking into account the changes in the marketplace, the growth in the marketplace that we're doing that evaluation now. Also accepting the fact that, you know, this is a large province, and that Fort McMurray, once you get past that 200 miles from Wandering River up there, should have access to reasonable business counseling without in fact interfering with the private sector.

MR. GERMAIN: Is Stan Schellenberger here? Hello. Sir, can you tell me why you were only able to chop a thousand bucks off your divisional management this year?

MR. SCHELLENBERGER: What we were able to do this year is lower it substantially but then add back to it by diminishing a branch that we had called the distribution and warehousing branch. It was a group of five people that assisted businesses in Alberta with their transportation, getting goods from Alberta to wherever they are sold in the world. Also we monitored the ports. Because about 40 percent of what goes through Prince Rupert and Vancouver comes from Alberta, we're constantly working with the ports to make sure they provide adequate access and service to us.

So we had five individuals working in that area and a support staff. I reduced that to two and added those two to the administrative side to continue to help us monitor the ports and transportation but to do less work. We privatized one individual who provided programs to the private sector to assist them directly with their warehousing costs. The two other individuals: we will now seek the statistics and services that we require from the policy division rather than have them resident in my division.

[Ms Calahasen in the Chair]

MR. GERMAIN: If you hadn't amalgamated that department, how far would your divisional management have dropped this year?

MR. SCHELLENBERGER: By the salaries of two individuals, which would have been about $100,000.

MR. GERMAIN: Now, certain aspects of our trade and commerce involving forestry also fall within your department. Correct? Now, we've seen some concerns and some initiatives about the amount of forestry product that's leaving the province and creating jobs elsewhere, and a recent task force was established for that. Are you funding the task force out of this budget?

11:12

MR. SMITH: No, we're not. In fact, there are no additional resources allocated to that task force throughout government.

MR. GERMAIN: Okay. We still, in Alberta, bring seedlings in to plant in this province from other provinces. Have you some initiatives on the go to stop that practice?

MR. SCHELLENBERGER: There is a separation in the forestry area between Environmental Protection and Economic Development and Tourism. Environmental Protection looks after the forest and seedlings and the management of the actual forest. We take it from that point and look after the development portion of our forests. So I'm not able to answer regarding seedlings. You'd have to go to the department of the environment for that.

MR. GERMAIN: So you don't have a development concern about the creation of seedling jobs here in Alberta?

MR. SCHELLENBERGER: Absolutely. I would expect – and I'm speculating – that as we move from the government of Alberta providing seedlings for the forestry companies to the forestry companies now being responsible for providing their own seedlings, the private sector will determine what the best rate for seedlings is. So it would be a private-sector-driven operation rather than, as in the past, coming from government.

MR. SMITH: In fact, Adam, that's already starting. Medicine Hat becomes an integral part of the forest industry in that the greenhouses down there produce over 14 million seedlings per year to be supplied to industry, and participation by the Alberta forestry research in the seedling plant is diminishing. They are finding that they are having greater success with Alberta bred and born seedlings. Also, they're experimenting with a program of using second-year seedlings as opposed to first-year seedlings.

MR. GERMAIN: Okay. So the development of the seedling industry, then, would come under your department.

MR. SCHELLENBERGER: Yes. We will work with private-sector companies to encourage them to buy whatever we can in

Alberta, and we're intending to step that up. As you know, the forestry industry ranges from the very large companies, about 10 or 11, down to 300 or 400 smaller forestry operators. They purchase in the neighbourhood of maybe $100 million worth of goods a year for a large forestry plant down to a few thousand dollars. If you add that all up, that's a major project in Alberta every year.

We want to work very closely with companies to try and find ways that they can purchase more of what they need to keep their plants operating in Alberta rather than the way they may have been doing business, buying some of their products outside our borders. So import replacement into Alberta is key for our division, and we're going to be spending a lot more time focusing on that in the future.

MR. SMITH: Actually, there are a couple of strategies that are already up and running on that. One is the Alberta industrial benefit strategy, which talks about nonregulatory moral suasion type of import replacement. In the recent construction of the Ainsworth facility in Grande Prairie work done to date is 57 percent Albertan, which is one of the highest ratios of Alberta purchase to any former major project undertaken in the forestry industry.

The private sector has also formed an association called the Forest Industry Suppliers Association of Alberta. That membership has gone from 80 members to over 250 now, and they are doing a great deal of lobbying and in fact influencing the Alberta-first, Alberta-made products in the forestry industry. A lot of them are evolving from our service sectors in the petrochemical and oil patch side, where they're realizing that a valve that's used in Syncrude can also be a valve that's used in Al-Pac. So there's good industry movement on that side as well.

MR. GERMAIN: Have any of your departments now fallen below the critical mass of funding for which you can no longer effectively function?

MR. SCHELLENBERGER: No, that wouldn't be the case. We are, in the forestry area particularly, running flat out because the growth in the industry is substantial in Alberta. But, no, I wouldn't say that would be the case.

MR. GERMAIN: Okay. Mr. Rasmusson, what if any steps can you take to cut your division management down any further?

MR. RASMUSSON: In the coming year we'll be looking at other ways in addition to what you see this year, Mr. Germain: the $26,000 cut. The reason it's up as high as $725,000 is because it includes administration of the trade marketing, tourism marketing, investment marketing, foreign offices, and the business immigration. On a percentage basis it's about 3.6 percent of the total budget, you know. If ATC proceeds, what it'll essentially do is take just over $7 million of that $20 million budget, so you'd have probably a commensurate reduction in that administration budget next year if that occurs.

MR. GERMAIN: Okay. I want to focus you on the individual trade initiatives that are reflected there; for example, picking at random, Africa, the Middle East, and India going up from $789,000 to $900,000. What explanation do you have for that kind of increase, sir?

MR. RASMUSSON: The reason that went up was threefold. We have an office in New Delhi that we set up two years ago at a cost of about $100,000 a year. It was cost shared with the city of Calgary, who were putting in about $40,000 a year to help pay for the director at that office, who is on secondment from the city of Calgary. They made a decision as of this coming July '95 to not fund that office anymore. We looked carefully at it and decided it's an important enough growth market for the future that we should pick up the slack that Calgary has left off, so we're increasing our cost in New Delhi by about $50,000.

With the Premier's mission to the Middle East this June we're really targeting that part of the world. It's only accounting for about 1 percent of Alberta's trade now, but it accounts for, oh, somewhere between 40 and 50 percent of the world's oil and gas production. We know we're really underachieving in the Middle East, and we'd like to take a lot more focused, hard-nosed look at the Middle East. We know we're missing opportunities there now, but we think leading off with the Premier's mission this June, we'll really be able to increase our trade in the Middle East. So we're putting some additional resources into that part of the world.

In addition, the Prime Minister is planning on leading a team Canada mission to India this January. As we saw in China a year ago, we can see a lot more emphasis going into that part of the world in the coming year. So that's where we've decided to shift our focus a bit in this coming year.

MR. SMITH: One of the things that I just want to add – Gary, I think it goes back to your question of an hour or so ago – is that rather than establish a full capital-intensive operation in the Indian market, we've undertaken this consultative arrangement, given it a three-year commitment. We'll be able to define specifically: he's concentrating on oil and gas opportunities, working with ONGC, and also with environmental opportunities, which seem to be the two big marketplaces. Just as an example of what he does, he's gone over to the Hyatt hotel in New Delhi and said: "Look; we'll be bringing a lot of people in here to do try and do business with India. How about you setting me up with an office at no cost, and we'll try to deliver a couple of 300 room-nights a year?" So in fact the hotel has gone with that arrangement, and we don't have a capital cost for office space.

MR. GERMAIN: Tell me, sir, what the explanation is for the increase in the Asia Pacific item there.

MR. RASMUSSON: That's primarily inflation. We found inflation in that part of the world running at 8 percent per year, and we've had to provide some increases for some of our locally engaged staff or we would lose them. In our international office we have 24 locally engaged people, and part of it accounts for their increases. The rest is essentially the cost of doing business in that part of the world and the falling Canadian dollar.

MR. GERMAIN: Okay. In here somewhere I think there's some talk about a trade office being opened in Mexico. Is that correct? That comes under your department; does it, sir?

MR. RASMUSSON: Yes.

MR. GERMAIN: Okay. Is that still the plan with what has happened to the peso in the last little while?

11:22

MR. RASMUSSON: Perhaps I'll turn that one over to our minister.

MR. GERMAIN: Then why don't we defer that one? I know he will have something to say on that, and I want to ask a few more of these dollars-and-cents questions if you don't mind.

In any event, you should be able to run the trade centre in Mexico, if it goes ahead, cheaper because of the peso being devalued; shouldn't you? Or do you see that it's going to be the other way around?

MR. RASMUSSON: The cost of doing business in Mexico would be lower as a result of the falling peso, yes.

MR. SMITH: I think much of that is going to be done in American dollars anyway, Adam, and I think the relative positions of the currencies is not going to be as important as our currency against the U.S. dollar.

MR. GERMAIN: Just to assist me a little bit, this eastern region and western region, 2.3.4 and 2.3.5. We're talking about regions of Canada; are we?

MR. RASMUSSON: Regions of North America. The eastern region is everything east of the Mississippi River and east of Manitoba, and the western region is everything in Canada west of Manitoba but bordering on the U.S. border.

THE CHAIRMAN: Four minutes left.

MR. GERMAIN: I've got a palace revolt here, so I'll have to defer now.

MR. BRUSEKER: I want to go back to industry, technology, and forestry development. Now, I look at the first four votes – division management, industry development, forest industry development, and technology development – and I look at the descriptions that go with it: "technology commercialization" and so on. It seems to me that there's a lot of that going on in the ARC. When you read the business plan of the ARC, you see words like "technology commercialization," technology transfer: the same buzzwords. The question, then, is: how much liaison goes on between this division and ARC?

MR. SCHELLENBERGER: Well, a substantial liaison between the business that we do with ARC as a branch and their business. We do business with more research centres than ARC. We do work with ARC when there is an area where they would like us to work with them or an area where we think we should be transferring some information on a very close basis. We meet directly as management every second month, and we have direct lines from our officers back and forth as we work together.

MR. BRUSEKER: Well, you touched on the word "management," and I want to pursue that a little bit further. Although I can't find it in here, I'm sure that some of that $21.8 million AOC gets from provincial funding certainly must go towards management. We've got almost half a million dollars going towards division management here, and under Executive Council we have another half a million dollars going towards management of a science and research secretariat. So my question is: which one or which ones of those are redundant and can be eliminated?

MR. SMITH: Well, I don't think your numbers are correct, Frank, on the AOC management side, what's being delivered on that side.

MR. BRUSEKER: No. I'm saying that their total budget was $21.8 million. Some of that must go towards management, is what I'm saying.

MR. SMITH: Yeah. I think that Adam's earlier investigative questioning will reveal what we're paying in management salaries, and that will be put forth.

The side, too, that we're waiting to see is the development of the science and research business plan, which will probably more clearly delineate the areas in which they will be responsible. The paradigm shift I think you have to make here is that the ASRA is more of a lateral, knowledge-based organization and will not work in the traditional stovepipe mentalities of ministries: you know, this is our turf; this is your turf. It's going to be more broad, overarching interests in directing research towards technological commercialization, which is where the Department of Economic Development and Tourism then picks it up. Certainly from our standpoint and what we're doing in Economic Development and Tourism, the movement is towards more knowledge-based, a more strategic focus. We will look at those salaries that are in the management and the direction side of delivering technology to the marketplace and getting out of the specific program delivery side.

MR. SCHELLENBERGER: If I might comment. Technology transfers, for example: we search the world and Canada and Alberta for the best technologies and make that information available to Alberta-based business so that they can remain competitive. We used to do some technology transfer work directly with institutes and universities across the world. We've backed out of that this year because we weren't getting the payback we thought we should. We are getting good payback in transferring technologies from Canada and the world into businesses here in Alberta to maintain our competitiveness.

For example, the minister mentioned Ainsworth. By working with Dieffenbacher in Germany – presses which are only made in Germany and by one company in the United States – we were able to get the German people to come and use a company here in Edmonton to build part of that press here in Canada. They did that for two reasons: one, to compete more in the market for the Ainsworth facility, and secondly, because they believe they're now more competitive with a U.S. firm in North America. So by getting the best presses in the world for our company here, they are now able to compete in that market.

MR. CRAIG: If I might add to it, and maybe you could help me, Stan. One of the things that we haven't done particularly well, and we must do better, is this whole question of commercialization of research. That includes all of the various research agencies and the universities. We spend a lot of money in research in Alberta. I think the amount of money that's spent on pure research will be a matter of concern for Minister Mirosh's authority. The whole question of commercialization of that: we have not done as good a job as we can. I don't think, Stan, we're going to be the only ministry involved in that. There are going to be a lot of players in the whole question of commercialization of research, including the universities, the medical research authority, ARC. We're going to be challenged to make sure we're all on the same page and we're all talking to each other. But we're not going to be the only agency that's involved in commercialization of research. I mean, all of the research agencies will be in it to some degree.

THE CHAIRMAN: Thank you. I want to thank you for supplementing the answer to that question. The time has run out for the hour. As a matter of fact, I was a little generous in allowing the member to answer.

So we are now to the government's questions. Have you got any questions, government members? No questions? According to the agreement, we now can adjourn if we have no more questions from the government members, because it's your time. The agreement states that once each one has their two hours, then it's the decision of the committee. I'd like to know whether or not I can get the committee to adjourn. Oh, we need to move a motion. So can I go ahead with that, committee members?

MR. GERMAIN: Well, Madam Chairman, with respect, we're all here, and we still have 20 more minutes. I think the questions have been quite useful, and I'd like to get the government members' permission for me to ask some questions in their time.

MR. COUTTS: I've got some questions.

MR. GERMAIN: He's got questions anyway.

MR. COUTTS: Some of them have been answered. I could expound on them, but it's not that critical.

THE CHAIRMAN: It's up to the government members. It is your time according to the agreement that was signed. The opposition gets two hours and government members get two hours. Each one has their limit. If they want to adjourn at that time, it's up to you. So I put the question to the committee, then, as to whether or not you want to ask any questions.

MR. FRIEDEL: I would suggest that we finish the resolution and adjourn.

THE CHAIRMAN: Are we in agreement with that?

MR. GERMAIN: Can I speak to that for a moment?

THE CHAIRMAN: Sure.

MR. GERMAIN: The fundamental rule here was that there were going to be four hours for budget estimates on this topic. That's the fundamental rule. The rest of it was all the mechanics of dividing the time between various individuals who might want to ask questions. I think that if we don't have four hours, we haven't completed the estimates.

MR. HLADY: Madam Chairman, can I just go through the points that we have here?

THE CHAIRMAN: Sure. Go ahead.

11:32

MR. HLADY: On page 2 of the agreement signed by both the House leader and the opposition leader, we have

> (a) the minister responsible . . . addresses the subcommittee for . . . 20 minutes,
> (b) opposition . . . members and independent subcommittee members . . . have one hour for questions and answers,
> (c) government . . . members then have one hour for questions and answers.

The opposition has one hour after that, coming to three, and if there's any remainder, that is up to the government members to choose. We've chosen to go for the vote rather than continue.

THE CHAIRMAN: Yeah. We can go to the vote, because basically we need unanimous consent if we are to continue with the questions.

MR. BRUSEKER: No. We need unanimous consent to end before four hours.

THE CHAIRMAN: To end before four hours; pardon me. Go ahead.

MR. VAN BINSBERGEN: Madam Chair, I have a question here. If government members don't have any questions, which they don't appear to have, why don't they just allow us to use the rest of the time and they can leave if they wish? Considering that the minister and all his people are here and are counting on four hours, I don't know about my colleagues, but I have a few short snappers left here that I'd like to pose.

THE CHAIRMAN: Government members, do you want to ask some questions?

MR. HLADY: So defining it, where we're at is we need unanimous consent to end the four hours.

MR. BRUSEKER: End before four hours.

THE CHAIRMAN: Before the four hours. If we can read the Standing Orders.

MRS. DACYSHYN: Okay. Standing Order 56(7)(a) says:

> A Designated Supply Subcommittee shall not consider the estimates referred to it for less than four hours except with the unanimous consent of the subcommittee.

THE CHAIRMAN: So if you want, you can ask questions.

MR. HLADY: Sure. We'll consent. We'll continue.

THE CHAIRMAN: Then we'll continue. If they run out, then we can let you . . .

MR. VAN BINSBERGEN: Well, I thought they had no questions.

THE CHAIRMAN: Well, they've decided they've changed their minds. So go ahead. Who would like to go first?

MR. COUTTS: Well, I could continue on . . .

THE CHAIRMAN: Okay. Go ahead, Mr. Coutts.

MR. COUTTS: Thank you. To continue on the line of western and eastern regions as was brought out in the opposition's time here just preceding, I notice that with the increased globalization, as the minister pointed out in his first remarks, of business and competition, we've come up with a very aggressive plan of $25.2 billion in exports by 1997, plus looking at an increase of $12 billion by the private sector, particularly in non energy investments for that particular same year. This would appear to me to spell out opportunity for Alberta businesses. You've mentioned that we've been involved in trade missions, and we've identified that we've got to develop and evaluate the value of those trade missions. Again I just wonder: if given that opportunity, are Alberta businesses ready for that opportunity? The western region market, as you identified, was from the Mississippi west, and it's North America?

MR. RASMUSSON: North America and the border states, everything from Minneapolis west through Oregon, bordering on the Canada-U.S. border.

MR. COUTTS: I wonder if you could identify, then, maybe some markets that are available that are new for Alberta companies to help meet these projections by 1997.

MR. SMITH: Well, Dave, of course immediately there is time given to go through a more thorough and exhausting examination of these well-prepared estimates, the government members come immediately to the front with more keen, piercing questions of examination, indicating the thorough diligence and time that they've spent preparing these questions, and in fact we welcome your need to know.

Your first question about the discussion of the eastern region and the western region. You can see in vote 2.3.4, the eastern region, $1.3 million, and in 2.3.5, the western region, $4.7 million. That clearly indicates where the bulk of the trade accrues to Alberta from our continental marketing efforts, and those expenditures are reflective of the market base. Actually, from an investment perspective we're probably most worried about parts of Ontario, Sarnia in particular, and of course the southern side of Louisiana, the coastal area.

The big-three trading partners, as we talked about earlier, are California, Washington, and Texas. What we have seen is continued diversification outside of our usual list of resource products. In fact, one of the strategies on which we want to continue to build is that if we have these resources here, how can we maintain the most amount of value for those resources in the province? That, of course, is the whole value-added discussion. When one looks at the changing global marketplace now, I can see that transportation subsidies and federal government regional health initiatives are rapidly coming to an end. So we have to be prepared to stand more on our own two feet and be able to capitalize on opportunities as they're identified and, particularly, be able to expose those opportunities for the private sector.

Partnerships are occurring on a north-south basis that will be leading towards new development outside of the traditional resource area, to a large extent in advanced technology, technological transfer, information technology, communication technology, as we continue to wire to the global marketplace and basically start doing the little – put the pickup truck on the information highway, as it were. As I spoke earlier, the high-performance computing centre has got that opportunity, with the right links and the right market environment, to be able to expand its market penetration southward. Certainly the ability for us to compete in a marketplace where we have a dollar that is 40 percent cheaper than what's being traded on in the U.S. marketplace now will be an important advantage.

The aerospace industry is developing nicely in Alberta. It's interesting to note that the aerospace industry is now a half billion dollar market in Alberta and in fact doesn't build any airplanes. They have taken the technological side of it, navigation systems and safety systems for airports and basically the front-end instrumentation line, as opposed to looking at what we've traditionally defined as the aerospace industry.

So for the future, if you look at what's being predicted over the next 10- to 15-year period by John Naisbitt in *Megatrends* and Nuala Beck on the new economy and the new types of jobs that'll be used in the future, they're information based, they're communication based, they're knowledge based, and in fact Alberta wants to be poised in a position to be able to capitalize on these new market opportunities.

MR. COUTTS: Do we have any programs in place so that our small businesses and even our medium-sized businesses can grasp ahold of the possibility of these opportunities?

MR. SMITH: Actually, there are various programs designed for both technological commercialization and export marketing initiatives. I think to hear those in detail, you want to hear from both Stan and Murray.

MR. RASMUSSON: We've got a real priority, Mr. Coutts, to help first time exporters. Right now in Alberta there are about 2,500 exporting companies, and we'd like to see that number increase to 3,000 by the year 1997. So over the next two years we're taking a really concerted effort to help those start-up companies that haven't exported before. That's where the Coutts border crossing really becomes important, because it's such a traumatic experience for a first-time exporter to actually go through customs. We've led Canada with a program called the new exporters to border states program that goes in through Seattle. We've actually taken 700 Alberta companies through the Seattle border crossing just to help them get experience crossing the border. We find that's what really helped us grow the number of exporters in Alberta: by taking Alberta companies, with the federal program with federal funding, right across either the Coutts border or the Seattle border. It's been really successful. Once the companies start exporting into the U.S., then they're a candidate for exporting into the other markets. That's where we see the best strategy to help achieve those exports, and then the companies can do it on their own. Really, it's a self-help model. Once the companies get confident, so that they can do it, they really don't need us as much anymore, and they tend to go to other markets on their own.

11:42

MR. COUTTS: Could that even be expanded to the Mexican market too?

MR. RASMUSSON: Absolutely. In fact, three years ago we only had 200 companies active in the Mexican market, and today there are somewhere between 500 and 600 companies working in Mexico. Even with the problems with the peso that Mexico has gone through, there's still a real lot of interest in Mexico for Alberta companies.

MR. COUTTS: That solves the western part of it. Now, what about the eastern region? Are you doing some of the same initiatives for our Alberta businesses? Or does it present a different set of rules because it's a little farther away?

MR. RASMUSSON: Ontario and Quebec are really important markets for Alberta companies. So is Newfoundland. We've actually counted about a hundred million dollars' worth of contracts that Alberta companies have won on that Newfoundland offshore business. We've taken a real active interest in the development of the Hibernia offshore oil field.

Eastern is more a tourism market though. The budget that you see in this paper is about 70 percent tourism and 30 percent trade, and it's a real source of skiers and golfers and business conventions and travelers. Now the Prime Minister has announced an in-Canada travel program. With the Canadian dollar falling – I was out in Victoria two weeks ago, and I was amazed at how many people from Toronto you see out in Victoria now – keeping Canadians at home is one impact it's having, along with the medicare challenges that snowbirds have going south. So you now get a lot of tourists coming from eastern Canada to the west. I think this summer we'll see an awful lot more easterners coming west in tourism.

MR. COUTTS: Some of that initiative out there would be part of the $3.9 billion in tourism receipts, hopefully, by '97?

MR. RASMUSSON: Yes.

MR. COUTTS: Okay. Can you be more specific on the percentage of inquiries that are coming from eastern regional markets?

MR. RASMUSSON: On the tourism side we have a really active promotional program for winter skiing and having various writers come from eastern Canada. If you look at where the airplanes go from Edmonton and Calgary, Edmonton has a direct line into Minneapolis, so it's a good centre to target. Chicago is a terrific tourism market for Calgary. So is New York City, because they've got direct air linkages. We've put a variety of tourism promotions on in those cities that have those direct air links. Minneapolis is a real high-tech centre. It's got a well-developed medical industry and an electronics industry, so along with the city of Edmonton we've been focusing on those two sectors in Minneapolis. But really we assess each market – each market is really individual – and try and match it up with what Alberta's strengths are and then do some promotional events in those centres.

MR. COUTTS: What about the possibility in oil and gas down in the New Orleans area?

MR. RASMUSSON: Yes. We regularly invite them to our events up here. It's more often having them come up for our National Petroleum Show or the Calgary oil and gas show rather than us going down there to New Orleans. They're strong in the petrochemical industry. I know Stan works with that group in the petrochemical industry down there.

MR. SMITH: Maybe I'll just outline what is currently occurring in the petrochemical marketplace. They have found, firstly, that plant life that used to be 15 or 20 years has now, through technology changes, improvements, retrofit, and innovations, been extended by as much as 10 to 15 years. So that's created some investment into the Alberta-based market. More importantly, what you're seeing from that industry now is that they're moving into an investment cycle. With that investment cycle they're looking at spots throughout the world, not only in North America but primarily in North America because of the use levels. They're going to stimulate capital investment in specific market areas. We, the department, very much want to be included in that analysis, which I'll ask Stan to elaborate on. We're working hard with the major players, and in fact, we have to identify what's strong about our infrastructure, what's weak about our infrastructure, make those appropriate changes where we can, and then concentrate on being able to attract this investment into Alberta, which will in fact create more value added, more resource deployment inside the province, as opposed to exporting those stocks and letting the value added occur in places like Louisiana, Texas, Sarnia, or in fact other places throughout the world.

Stan, you may have a few words on that specific market.

MR. SCHELLENBERGER: Our concern is to compete against the Gulf coast, Louisiana particularly but other countries in the world to some extent, in the next round of a window of investment to come to Alberta. For example, on the Louisiana Gulf coast the petrochemical industry there is two feedstock options going into their plant, whereas in Alberta we have one, the natural gas liquids. As refining increases in Alberta, and as we go to more heavy oil refining, the off gasses increase, which is going to give us the second opportunity, but that's more into the next century.

To overcome the two options on the Gulf coast and, for example, in Louisiana, where they offer a 10-year property tax break for any plant that goes in there – we have to overcome, as well, a 900-mile transportation deficit to the tidewater. In order to overcome that, we have to market our natural gas liquid opportunity here: show them that because of the surpluses that are in Alberta, the feedstock source is secure and reasonably priced, and that by building here they can overcome the benefits of building in Louisiana and on the Gulf coast. That is a very close and competitive market right now, and we have to work very hard to convince companies, who tend to be clustered in that area with their head offices in that area excepting Nova, to make investments here in Alberta. As they're going into the new window of investment, it's very important to attract them here. As the minister stated, plants are lasting longer. With debottlenecking and new technology they are getting greater productions out of old plants than were predicted. If you miss a window of opportunity, you can wait 15 or 20 years before that opportunity will open up again.

We're very targeted now on petrochemicals. The window for investment opportunity is opened. It'll be open for a few years. We need to get some of that investment into Alberta for value adding to our ethane. We have huge supplies of ethane in Alberta. We need to value add to that rather than let them go down the pipeline as part of the natural gas stream.

MR. COUTTS: Thank you, gentlemen.

THE CHAIRMAN: Thank you.

We've got a few more people who would like to ask questions. Stan.

MR. WOLOSHYN: Yeah. I'd like to direct one to the minister. India currently, from what I understand, is going through some dramatic increases in commercial activity. The subcontinent of India is really humming. Alberta has got a good solid basis in high-tech industry and export, et cetera, et cetera. One of the things that we are trying to do is promote trade worldwide, if you will. The Indian subcontinent has to be the second biggest market potential in the world next to China. Could you justify to me, please, how you can have one part-time person sharing a hotel room in New Delhi representing our interests down there?

11:52

MR. SMITH: It's now been moved to full-time, and in fact, he is working full-time as a consultant with the government of Alberta. We see India as an emerging market. Even though the population is the size that it is, they are still experiencing infrastructure problems that move them towards development.

The other thing you have to identify is: what is it that we can sell uniquely to them that they can't buy out of other places? What are our unique selling advantages? What we've found to date is that in fact our oil and gas sector and the environmental side are the first key areas that we'll be targeting and in fact measuring what sales accrue to that marketplace through the efforts of the consulting activity in New Delhi and also through trade missions from here.

We have through World Bank activities worked with the Indian and Pakistan governments to move the oil field service supply sector over there. It's been a very convoluted system. The Indian bureaucracy is considered . . . We've had to develop ways of ensuring, when we bid with ONGC, the Indian oil company, deal with those bids, that in fact there are opportunities for our companies not only to do business over there but in fact to get paid. That continues to be a problem whether it be in emerging markets such as India or in further emerging markets such as Russia and the Tyumen area.

What we'll do is evaluate the growth of that market as per our performance measurements, and if in fact that grows and becomes a better and stronger opportunity, we will have the flexibility of directing resources into that marketplace. I think that's the importance of the trade side. We're 2.8 million people that generate a $78 billion gross domestic product. If you look at NAFTA, NAFTA is 370 million people and represents 20 percent of all the trade on Earth. India is rapidly approaching a billion people. China is a billion people. It's very clear that we're not going to get growth opportunities inside this province. We're going to get growth opportunities outside this province.

MR. WOLOSHYN: Have you got plans to expand that office both in personnel and locations in that part of the world? One full-time person dealing out there is not even able to scratch the surface. I think it's almost silliness to have such a limited presence in that particular market. Shouldn't we be doing the promotion, rather than reacting after the fact?

MR. SMITH: Well, that's one of the most difficult tasks of dealing with less and less government resources. We've all sat around this table in standing policy committee over the last 18 months, and it's finally prioritizing a marketplace, marketplace opportunities, and dealing with optimum allocation of what are becoming more and more meagre resources.

MR. WOLOSHYN: Thank you.

THE CHAIRMAN: Mark, you had a few questions?

MR. HLADY: Yes, I did.

THE CHAIRMAN: We'll go until 12:02, and then we're done.

MR. HLADY: Thank you, Madam Chairman. Just to follow where Stan was coming from with regards to the partnership concept. If we need to expand, have you looked at expanding into those areas and the businesses here putting up their dollars to help in the expansion partnership?

MR. SMITH: That's an excellent question. We've already received representation from international marketing companies, international consulting companies that have said: for a reasonable investment – define reasonable – we can start to give you exposure in markets that are emerging that you have not allocated resources to, specifically Malaysia, Indonesia, and some of the emerging markets in that area. Certainly there is a lot of interest expressed in India itself. We've recently addressed the East Indian export trade association here in Edmonton, and what we think we have is an ability to respond to specific market opportunities that have a high degree of success by using some of the resources internal to the department. So when, what we'll say, an ironclad opportunity arises, or as ironclad as it can get in the private sector, we'll be able to in fact respond to what our customers want us to do.

MR. HLADY: Are you in negotiations, then, with some firms that may want to do that sort of thing?

MR. SMITH: We're not in negotiations. We are aware of proposals that have been sent to the department that say: should you wish to allocate more resources to this market, this is the kind of contractual arrangement we can provide for representation, with appropriate benchmarks for measurement.

MR. HLADY: Yeah. I was going to say that I would be interested in seeing what the outcome measures are.

The other question that I have is under program 1, and it's 1.0.4, corporate and public relations. I'm just wondering: what does the corporate and public relations branch do to assist you in developing tourism and growth in the province?

MR. SMITH: Well, there's really no better person to respond to that than a person who works keenly and closely with corporate and public relations on a daily basis, So I'll ask Al to maybe provide some insight into the value of the public relations' function with respect to the department.

MR. CRAIG: Indeed. Our ministry is very large in the promotion business, and obviously we have a lot of written material that's distributed. We had the corporate area have a good solid look at all of the brochures, publications that come out of our department. You need to recognize that this present ministry is a consolidation of three previous ministries plus part of a fourth, a fifth, and a sixth. So there is a variety of publications that have come together. We're in the process of rationalizing that, downsizing it, and making sure that the funds that are spent on that part of our business, which is an important of our business, are giving us good cost value.

There are obviously the day-to-day activities that involve promotion of the Alberta advantage to make sure that the information that we have in the ministry is being distributed and circulated in a proper and professional manner and gets our message out there not only to Albertans but to Canadians, North Americans, and indeed the international area. A large challenge that we have is this whole question of information management.

MR. SMITH: One of the things that it does do, too, is provide that environment impetus to help generate the environment that allows the private sector to create the wealth and the jobs. One of the things that we're examining closely is the ability for more and more of the private sector to do the functions involved in corporate and public relations, which will in fact start to build areas of excellence and small business expertise using government as only one of their clients. That actually was, kind of, an Edmonton-based initiative that started to develop some of that expertise in the Edmonton area that already exists, and we're building upon it.

THE CHAIRMAN: Thank you.

We've got two quick questions from Mr. Van Binsbergen. So we'll go with the two quick questions, and then I think we'll go with moving our Standing Order.

MR. VAN BINSBERGEN: Actually, Madam Chairman, I'd like to use this opportunity to express my sentiments – may I? – since you've given me this time anyway.

THE CHAIRMAN: Sure.

MR. VAN BINSBERGEN: First off, I was pleased to see that the government members on the subcommittee were able to come up with a few questions, although I think that when you ran out of questions at 11:30, it would have been a generous gesture to give the rest of the time to us and I think befitting the openness that the government likes to claim as part of its strategy.

I've been very impressed with the minister's answers and the gentlemen he brought with him. Thank you very much. They were clear and concise and frank, and I think you could have handled another half hour of that, no problem.

Madam Chair, thank you very much for your gracious chairing of the proceedings.

THE CHAIRMAN: Thank you very much. Thank you. I was expecting some blistering questions to the minister from yourself.

We need to pass this motion: that pursuant to Standing Order 56(8) the designated supply subcommittee on Economic Development and Tourism now conclude discussion and debate on the 1995-96 estimates. Could I have a mover for that, please? Mr. Woloshyn.

MR. BRUSEKER: Just a question. That still allows time to report back to the main committee?

THE CHAIRMAN: Yes. This is just according to the Standing Order we have.

Are we in agreement then? Please could I have a show of hands? Anybody disagree? Thank you very much. Unanimous.

We will now call the committee adjourned at 12:02, right at our limit.

Thank you very much, Mr. Minister, to you and your staff and all of your agency heads. Thanks for being so open and allowing the questions that went on, even some of the ones that were tied into policy. Thank you very much.

MR. SMITH: Thank you, Madam Chairman and members of the committee.

[The subcommittee adjourned at 12:02 p.m.]