



Legislative Assembly of Alberta

The 28th Legislature  
First Session

Standing Committee  
on  
Alberta's Economic Future

Ministry of Infrastructure  
Consideration of Main Estimates

Wednesday, April 10, 2013  
10 a.m.

Transcript No. 28-1-10

**Legislative Assembly of Alberta  
The 28th Legislature  
First Session**

**Standing Committee on Alberta's Economic Future**

Amery, Moe, Calgary-East (PC), Chair  
Fox, Rodney M., Lacombe-Ponoka (W), Deputy Chair  
  
Barnes, Drew, Cypress-Medicine Hat (W)\*  
Bhardwaj, Naresh, Edmonton-Ellerslie (PC)  
Cao, Wayne, Calgary-Fort, (PC)  
Donovan, Ian, Little Bow (W)  
Dorward, David C., Edmonton-Gold Bar (PC)  
Eggen, David, Edmonton-Calder (ND)  
Hehr, Kent, Calgary-Buffalo (AL)  
Kang, Darshan S., Calgary-McCall (AL)\*\*  
Luan, Jason, Calgary-Hawkwood (PC)  
Mason, Brian, Edmonton-Highlands-Norwood (ND)\*\*\*  
McDonald, Everett, Grande Prairie-Smoky (PC)  
Olesen, Cathy, Sherwood Park (PC)  
Pastoor, Bridget Brennan, Lethbridge-East (PC)  
Quadri, Sohail, Edmonton-Mill Woods (PC)  
Rogers, George, Leduc-Beaumont (PC)  
Rowe, Bruce, Olds-Didsbury-Three Hills (W)  
Sarich, Janice, Edmonton-Decore (PC)  
Strankman, Rick, Drumheller-Stettler (W)  
Xiao, David H., Edmonton-McClung (PC)

\* substitution for Bruce Rowe

\*\* substitution for Kent Hehr

\*\*\* substitution for David Eggen

**Also in Attendance**

Bilous, Deron, Edmonton-Beverly-Clareview (ND)

**Support Staff**

W.J. David McNeil	Clerk
Robert H. Reynolds, QC	Law Clerk/Director of Interparliamentary Relations
Shannon Dean	Senior Parliamentary Counsel/ Director of House Services
Philip Massolin	Manager of Research Services
Stephanie LeBlanc	Legal Research Officer
Sarah Leonard	Legal Research Officer
Nancy Zhang	Legislative Research Officer
Nancy Robert	Research Officer
Corinne Dacyshyn	Committee Clerk
Jody Rempel	Committee Clerk
Karen Sawchuk	Committee Clerk
Christopher Tyrell	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications and Broadcast Services
Jeanette Dotimas	Communications Consultant
Tracey Sales	Communications Consultant
Liz Sim	Managing Editor of <i>Alberta Hansard</i>

**Standing Committee on Alberta's Economic Future**

**Participant**

Ministry of Infrastructure  
Hon. Wayne Drysdale, Minister



10 a.m.

Wednesday, April 10, 2013

[Mr. Amery in the chair]

**Ministry of Infrastructure  
Consideration of Main Estimates**

**The Chair:** Good morning, ladies and gentlemen. I would like to call this meeting to order, and I'd also like to welcome everyone in attendance this morning. The committee has under consideration the estimates of the Ministry of Infrastructure for the fiscal year ending March 31, 2014.

Just a reminder that the microphones are operated by *Hansard*. I would like to ask members not to leave their phones or Black-Berrys on the desks, and also I'd like to ask the members not to operate their own consoles as it causes technical issues. Also, please remove your iPhones.

Now I'd like to go around the table and ask each and every one of us to introduce ourselves. I'd also like to ask the minister to introduce his staff.

I'll start. Moe Amery, MLA, Calgary-East, and chair of this committee.

**Mr. Fox:** Rod Fox, MLA, Lacombe-Ponoka, vice-chair.

**Mr. Quadri:** Sohail Quadri, Edmonton-Mill Woods.

**Mr. Bhardwaj:** Naresh Bhardwaj, Edmonton-Ellerslie.

**Mr. Bilous:** Good morning. Deron Bilous, Edmonton-Beverly-Clareview.

**Mrs. Sarich:** Good morning. Janice Sarich, MLA for Edmonton-Decore.

**Mr. Kang:** Good morning, everyone. Darshan Kang, MLA, Calgary-McCall.

**Mr. Donovan:** Good morning, everyone. Ian Donovan, MLA, Little Bow riding.

**Mr. McDonald:** Good morning. Everett McDonald, Grande Prairie-Smoky.

**Mr. Drysdale:** Good morning. Wayne Drysdale, Grande Prairie-Wapiti. I'll introduce my staff in my opening remarks.

**The Chair:** Okay. Sure.

**Mr. Rogers:** George Rogers, Leduc-Beaumont.

**Mr. Barnes:** Drew Barnes, MLA, Cypress-Medicine Hat, and the Wildrose Infrastructure critic. I'm substituting for Bruce Rowe.

**Ms Olesen:** Cathy Olesen, MLA, Sherwood Park.

**Mrs. Sawchuk:** Karen Sawchuk, committee clerk.

**The Chair:** Thank you, all.

Hon. members, as you know, the Assembly approved amendments to the standing orders that impact consideration of the main estimates. Before we proceed with consideration of the main estimates for the Ministry of Infrastructure, I would like to review briefly the standing orders governing the speaking rotation.

As provided for in Standing Order 59.01(6), the rotation is as follows. The minister or the member of the Executive Council acting on the minister's behalf may make opening comments not

to exceed seven minutes for a two-hour-long meeting. For the 40 minutes that follow, members of the Official Opposition and the minister or the member of the Executive Council acting on the minister's behalf may speak. For the next 14 minutes the members of the third party, if any, and the minister or the member of the Executive Council acting on the minister's behalf may speak. For the next 14 minutes the member of the fourth party, if any, and the minister or the member of the Executive Council acting on the minister's behalf may speak. For the next 14 minutes private members of the government caucus and the minister or the member of the Executive Council acting on the minister's behalf may speak. After that, any member may speak.

Members may speak more than once; however, speaking times are limited to 10 minutes at any one time. A minister and a member may combine their time for a total of 14 minutes. Members are asked to advise the chair at the beginning of their speech if they plan to combine their time with the minister's time.

Once the specified rotation between caucuses is complete and we move to the portion of the meeting where any member may speak, the speaking times are reduced to five minutes at any one time. Once again, a minister and a member may combine their speaking time for a maximum total of 10 minutes, and members are asked to advise the chair at the beginning of their speech if they wish to combine their time with the minister's time.

Now, two hours have been scheduled to consider the estimates of the Ministry of Infrastructure.

Committee members, ministers, and other members who are not committee members may participate. Members' staff and ministry officials may be present, and at the direction of the minister officials from the ministry may address the committee.

As noted in the Speaker's memorandum of March 22, I would like to remind all members that during main estimates consideration members have seating priority at all times. Should members arrive at a meeting and there are no seats available at the table, any staff seated at the table must relinquish their seat to the member.

If debate is exhausted prior to two hours, the ministry's estimates are deemed to have been considered for the time allotted in the schedule, and we will adjourn; otherwise, we will adjourn at noon.

Points of order will be dealt with as they arise, and the clock will continue to run.

Any written material provided in response to questions raised during the main estimates should be tabled in the Assembly for the benefit of all members.

Vote on the estimates is deferred until consideration of all ministry estimates has concluded and will occur in Committee of Supply on April 22, 2013.

Now I would like to invite the Minister of Infrastructure to begin his remarks.

**Mr. Drysdale:** Thank you, and good morning, everyone. At the table with me today are Ray Gilmour, Deputy Minister of Infrastructure, and Arthur Arruda, director of finance. Also here from my department are Diane Dalglish, assistant deputy minister of capital projects; Brian Fedor, assistant deputy minister of properties; Rod Skura, acting assistant deputy minister of policy and corporate services; Neill McQuay, chief of strategic partnerships; and Dave Bentley, executive director of realty services.

Budget 2013 is about responsible change. Albertans have placed their trust in our government to manage in good times and in challenging times and to make tough but thoughtful decisions. Budget 2013 is our plan for responsible change that saves for the future, holds the line on spending, and keeps our taxes the lowest

in Canada. While the decisions we make are not always easy, I'm confident we've made the right decisions in the right place at the right time for Albertans.

I'd like to take a few minutes to tell you this morning how my department, Alberta Infrastructure, is providing much-needed infrastructure to Albertans. Alberta Infrastructure works with every ministry in government. In Budget 2013 about \$1.3 billion is allocated to Alberta Infrastructure, a decrease of \$55.6 million, or 4 per cent, from Budget 2012.

On the operations side \$507 million is allocated, which is a decrease of about \$10 million, or about 1.8 per cent, from the '12-13 forecast. The 2013-14 operational budget includes day-to-day operations of about 1,600 government-owned buildings; leases; the operation of Swan Hills Treatment Centre; and program support for health capital projects, realty services, capital construction, and property management.

Infrastructure's 2013-14 capital budget is \$784 million. That is a decrease of about \$37 million, or 4.5 per cent, from the '12-13 forecast. Of the \$784 million \$526 million is directed at building health facility infrastructure that will be owned and managed by Alberta Health Services once completed. Some of these facilities include the Calgary and Edmonton cancer centres, Edson regional hospital, Grande Prairie regional hospital, High Prairie health complex, Lethbridge Chinook regional hospital, and Medicine Hat regional hospital.

In addition, \$50 million is allocated to health capital maintenance and renewal to cover the costs of repairs, upgrades, maintenance and replacement of building systems, and service equipment.

Continued investment in our province's infrastructure is a direct investment in improving Albertans' quality of life and building a stronger Alberta. It keeps Albertans working and stimulates the economy. Construction costs continue to provide good value for money, and we continue to benefit from competitive bidding.

Focusing on core programs and greatest needs, government must provide much-needed infrastructure today and for tomorrow, and through our capital plan we are doing just that. Together with my government colleagues Alberta Infrastructure played a lead role in developing Alberta's fully funded three-year capital plan. This capital plan will see \$15 billion invested into infrastructure projects over the next three years, including \$5.2 billion this year. It will be supported by responsible borrowing to finance infrastructure projects, and it will continue to look for innovative ways and opportunities to maximize the value of each taxpayer dollar.

#### 10:10

While our three-year capital plan is \$1.5 billion less than last year's three-year plan, we will continue to invest in key infrastructure such as roads, education and health facilities, and other public infrastructure.

Building Alberta requires establishing goals. My department has defined clear goals that make this province a leader in providing and managing innovative, high-quality, and sustainable facilities. As we go about our business, Alberta's top priority is to provide safe, adaptable, and cost-efficient health, learning, and public infrastructure to meet the needs of all Albertans. We focus on safe and sustainable operation and maintenance of public facilities, and we look at cost-effective public asset management to optimize value for Albertans. By working with these three priorities, we are being prudent and responsible in building for the future of this province.

Alberta is rapidly growing. In less than 20 years we expect our population to be close to 5 million. This kind of growth creates an ever-increasing need to build infrastructure to support Albertans' excellent quality of life. The Alberta government is responding by

building new facilities and expanding and modernizing existing ones to meet Albertans' needs for today and for tomorrow. For example, we're working with our Education colleagues, partners, and communities across Alberta to create more than 15,500 new student spaces.

**The Chair:** You have one minute left, Minister.

**Mr. Drysdale:** Okay. I'm pleased to tell this committee and all Albertans that we currently have 44 school projects under construction. You can see these projects in communities like Airdrie, Brooks, and Lac La Biche, and by September '14 you'll see children learning in these new classrooms.

A year ago Albertans elected us to keep building Alberta and to do so responsibly. Budget 2013 balances the infrastructure needs of the province with our fiscal reality even if it means finding new ways to fund and deliver them, including responsible borrowing that takes full advantage of Alberta's triple-A credit rating. Albertans have told us loud and clear that they support moving important infrastructure projects forward. We intend to deliver on Alberta's needs, and Alberta Infrastructure's Budget 2013 is the way we'll do that.

Thank you.

**The Chair:** Thank you, Mr. Minister. Right on time.

My understanding is that Mr. Barnes is speaking on behalf of the Wildrose opposition.

**Mr. Barnes:** Yes.

**The Chair:** You have 40 minutes. Would you like to combine your time with the minister?

**Mr. Barnes:** Yes, I would. Is it okay to combine?

**Mr. Drysdale:** Sure.

**The Chair:** Okay. Go ahead.

**Mr. Barnes:** Okay. Thank you very much. First of all, my thanks to all the staff of Infrastructure for being here. On behalf of the Wildrose and Albertans and Cypress-Medicine Hatters we for sure appreciate all the hard work you do for us. Thank you for your time and what you do.

I want to start with line items 2 and 3 from page 150. We know there's that need for infrastructure in our fast-growing province – schools and hospitals are needed in many areas – but communities remain in the dark about when they will receive these new schools, new hospitals, or roads. Even when the government promises a project, like during an election campaign, communities don't know when it will be delivered and can't trust that it will be delivered.

I'd like to ask the minister if he will release a public, prioritized list of all the infrastructure projects that are needed in Alberta: the ones that are funded, the ones that your government has promised, and the ones that you know will be needed in the future. Albertans need a clear picture of when this infrastructure will be built in their communities. Can you answer that for me, please?

**Mr. Drysdale:** Yeah. I mean, we've talked about this before, and I know you've checked the website. All construction projects under way are listed on the website, not just for our department but all departments, and there's a good list there. I know you've asked for the projects that are going forward.

I mean, if you go to all the school boards, they have their priority lists and their recommendations, and you can look at

theirs. But for the government to put out a five-year plan, “We’re going to build this school in 2014 or this one in ’13,” I think would be pretty irresponsible because times change, situations change, and dollars change. So to say to a school board in 2015, “You’re going to get this school built,” I think would be pretty irresponsible because by then there might be different priorities and different needs.

If you go to the school boards and ask them, they have a good list of their priorities, and you can see them. I know you have done that with a lot of them, so you know what their priorities are, and their priorities are the government’s priorities.

When you have to compare, you know, a number one priority to somebody from Medicine Hat, a school board there, to one in Grande Prairie, that’s where the Department of Education works with them. They go by utilization rates, and then Education in conjunction with the school boards tells Infrastructure which schools to build.

We could go on with that for a while, but I think you get the idea.

**Mr. Barnes:** Yeah. I understand. Thank you for that.

I’m thinking of a couple of instances in my constituency, one where highway 61 has been half done and one where Medicine Hat high school has been on the list of upgrading for years and years and years. I for one believe that if we just told them that we would do it in the five- to 10-year cycle or something like that, that transparency would help Albertans. I also believe that if we published exactly what the criteria was for how we would put things on the priority list, Albertans are smart enough and fair enough to accept that and understand it, especially if we had to make a change later on. Do you agree with that?

**Mr. Drysdale:** Well, I mean, we’ll be announcing the new projects once we approve this budget here. A bunch of those will be announced shortly, you know, the ones that we’re going to build in the next while. You’ll see them. I mean, to announce them before the budget is approved – if we had announced last year the 50 new schools we were going to build, the first question you’d ask is: well, where’s the money coming from? That’s a good question. Until we approved the budget, we wouldn’t be able to answer that question. Believe me, I’ve been wanting to announce these schools for a year. As soon as this budget gets approved – and you can help us do that here shortly – we’ll make some announcements on the schools.

**Mr. Barnes:** If I remember your Infrastructure and Transportation money, it’s like \$5.2 billion, and down closer to \$5 billion and even \$4.6 billion is what will be spent in about three years. Are you saying that you can’t estimate the costs adequately or that amount of money may change? Shouldn’t you have a good idea where three years from now that money is going to be spent?

**Mr. Drysdale:** We have an exact idea on the money that will be spent. Just which project is the top priority at that time – we know exactly how much we’re going to spend on schools in the next three years, but we’re not going to say beyond that what we’re going to spend. We know what’s going to be spent. As soon as this budget is approved, we’ll start announcing the projects that will be included in those dollars.

**Mr. Barnes:** Okay. Thank you for that for now.

Many Alberta contractors and stakeholders I’ve had discussions with have made it clear to me that they don’t believe the government’s process of awarding multiple projects to a single bidder is working without a competitive process. They don’t

believe that the taxpayer is getting the best deal under this process. On highway 63 you allowed small contractors to be involved, all doing part of the project, I understand, on the twinning, which provides competition and should provide better value for the money, yet you awarded one large company the contract to build a dozen schools.

Again, I know there are many reputable contractors of small and medium size that could have handled one or two of those projects. Logic would tell me that the more people you have bidding, the better deals we’re going to get. We know that sometimes the big contractors also tend to beat down the small trades, which I think leads to many, many delays and may lead to cost escalation. Can you please tell me: how does taking away competition by rewarding large companies at the expense of these smaller local contractors provide good value for taxpayer dollars?

**Mr. Drysdale:** Well, first of all, you mentioned highway 63. It is actually Transportation that decides how they award those contracts, so I’ll get that out there first.

On the schools, I don’t know if you’re including P3s in that or just the other bundles. If you’re talking about P3s – is that one of the questions?

**Mr. Barnes:** Yes. I understand Clark Builders has 12, and that’s all a P3. Is that correct?

**Mr. Drysdale:** Well, it’s a consortium that gets the P3. Clark is a partner in that consortium that does the building. There are different partners that do the design, the financing, and the maintenance, so Clark is one piece of it. It’s a larger group. I’ve talked to my department there, too. I know what you’re saying about giving the smaller guy a chance, and we do that. There are some one-offs.

To say that every school that’s going to be built out of these next 50 will all be individual I think would be irresponsible. We get some good bids when we bundle them because of economies of scale. I mean, if you order so many square feet of carpet, you get it a lot cheaper if you order 10 times that. We’ve found we get good value for taxpayers’ dollars by bundling these. There’s the odd one that’s out in a remote area where we’ll do a one-off, but mostly we bundle, where it makes sense, in a larger group. P3s are usually done in a larger group.

You know, I’m not ashamed to say that we’re doing P3s because altogether in P3s we’ve probably saved \$2.2 billion of Alberta taxpayers’ money. We’ve saved, I think, \$240 million on schools without the next new batch. That’s 10 more schools. To say that we should give it to individuals and spend another \$240 million I think would be irresponsible as well.

**10:20**

**Mr. Barnes:** Are you absolutely sure we’re getting the savings? When you look at a 30-year P3 and you look at 30 years of paying interest back and the maintenance contracts involved in those 30 years and, I guess, also possibly the condition we get the school or the infrastructure back in 30 years down the road, are you absolutely sure that any savings up front are not lost in the 30-year term of the interest and the maintenance costs?

**Mr. Drysdale:** Well, we do a public-sector comparator, as we call it. You know, before we do any P3s, we do a comparator of what it would cost us to build it in the traditional way in the public sector, so we always know what that cost will be. We only do P3s if we can save money on the public sector comparator. We know we always save money.

It's pretty complicated putting that bid together because it's more than just, as you said, the up-front cost. Actually, usually the up-front cost is higher in a P3 than a traditional build because they put in the extra heating system or the heating system that will last a long time. If you put it out to traditional bid, the contractor will bid, you know, with cheaper equipment in there because he just wants to get the initial cheapest bid.

If they have to maintain it themselves for 30 years – and there are penalties in there if they don't, and that's why we have to finance it. That way, if they don't maintain it to our standards, we don't have to pay the payment. If we paid it off, we'd have no hammer on them. P3s are a good way. By holding that financing over their heads we make sure they keep the maintenance at a level that it needs to be. They put more money up front into the building. Maybe they'll put a 30-year roof on instead of a 20-year roof because they know they have to maintain it.

**Mr. Barnes:** Is your department going to have a lot of compliance costs 20, 22, and 28 years down the road to ensure that the contractors are doing what they're contractually obligated to do?

**Mr. Drysdale:** Well, if they don't, we don't make the payments. That's the good part about a P3. We're holding the hammer. If they don't maintain to the level that they're supposed to, we just won't make the payment. When you do it with other contractors, once you've paid them out, they're gone. You know, I've seen some roads and projects in my area I wish we could make the contractor rebuild, but once you've paid them out, it's pretty hard. So with the P3 you hold that hammer.

**Mr. Barnes:** Okay. Thank you, Minister.

In Medicine Hat I've seen a handful of government announcements for our regional hospital, each with a new estimated cost. Either the government re-announces the project multiple times to score political points, or the government is unable to plan and budget well and therefore needs to keep releasing new cost projects, or it's a combination of both. Which is it, do you think?

**Mr. Drysdale:** Well, you know, I had some concerns about that as well. Of course, I'm quite familiar with that with the Grande Prairie hospital. We've been working on that for five years, even before I was elected MLA. What's tended to happen in the past is that the government will announce a hospital somewhere and attach a dollar figure to it without really having done the proper planning ahead of time. We're changing that, and you can see that in our budget.

A good example is the Calgary cancer centre. We're not putting a dollar amount to it, but we're putting planning dollars in the budget today so we can plan it. Without doing the functional plan with Alberta Health Services, we really don't know exactly what that project is going to be. We're picking a number out of the air, and as you said, it never usually matches. Once the plan is done, the dollars don't match. What we're doing going forward is putting planning money in the budget up front, doing the planning, meeting with the community. That takes a couple of years sometimes to actually get all the assessments done. You meet with the community and find out the needs of the community, and then you can design it and have a functional plan so that when you put a number to it, you really actually know and will have better numbers going forward.

In the past – you're right – it hasn't worked. When they put the number to it, they're not even really sure what the project is.

**Mr. Barnes:** Thank you, Mr. Minister. Yeah. Good planning and a cost-benefit analysis are wonderful ideas, I would suggest.

**Mr. Drysdale:** As you see with the new cancer centre that was announced, we put the planning dollars in there, \$40 million, going forward, but everybody kept asking: what's the total price of the project? They're saying we're being vague. We're not going to do that again. We're not going to say that it's \$1.3 billion or \$1 billion or \$1.8 billion – you pick a number – until we've done the plan. You'll see us doing things differently.

**Mr. Barnes:** Good. Well, I've been hearing from lots of stakeholders about the fact that we don't have a priority list that construction companies can plan their capital, their men, and their equipment on and the fact that we've been giving some of these contracts to big companies without what used to be a more competitive bid process. I've heard a lot of good things about what the Edmonton contractors' association used to use, the competitive bid process. A lot of people are telling me that your department got away from that at a cost to the taxpayer.

The third thing, as we were just talking about, is that, you know, I'm hearing that some of what's cost the government and the taxpayers money with this poor planning is the time, so I'm glad to hear you're doing that.

In the Wildrose we took a different approach. We, of course, came up with our debt-free capital plan, where we're going to spend \$50 billion over 10 years, and we're not going to borrow. We feel we can find the savings to do that. It led me to, you know, look at some concerns with the Infrastructure and the Transportation building departments now. I know you're sort of connected on that and sort of not.

Our numbers show us that in Alberta per year we're spending \$1,800 per person on infrastructure and transportation. Two other growing provinces, Ontario and B.C., spend slightly less than \$1,000. What we based our debt-free capital plan on was that \$1,000 plus a 15 per cent premium for what may be the Alberta disadvantage, with it costing more money to do things here. A couple of people that I talked to actually don't think it is more expensive to build here than it is in B.C., but whatever. Do you think that that \$800 per person per year is an inefficiency? Why do you think there's such a difference compared to Ontario and B.C.?

**Mr. Drysdale:** Well, you know, it's a pretty high picture because of the number of people. Alberta is growing faster than Ontario, and we've got a smaller number of people here. When you're having to build that much infrastructure that fast and spread it over fewer people, obviously the dollar per person is going to be higher, so I don't take a lot of stock in comparing those. The number of people in Ontario and the rate that it's growing compared to here, I think, is . . .

**Mr. Barnes:** I think it's growing by just as many people. I mean, not percentage-wise.

**Mr. Drysdale:** Well, just as many people but not percentage-wise, so there you go. I mean, if we had 10 people and you spent \$10,000, we'd be higher. Do you know what I mean? It's all in relative terms. You've got to make sure you're comparing apples to apples.

**Mr. Barnes:** I appreciate that.

**Mr. Drysdale:** You know, there were a lot of questions there, and hopefully I don't miss some. You said that we're not competitive bidding in Alberta. Every bid we put out – we don't award contracts without going to a public tender and competitive bidding in Alberta anywhere, so I'm not sure what you mean.



**Mr. Barnes:** Well, I had heard that when you were doing the P3 on the 12 schools, you only talked to three consortiums, three big companies, to do that. Is that accurate?

**Mr. Drysdale:** Well, we put out an RFP, or request for proposal, so companies bid in, and they had to qualify. It was open for anybody, you know, to qualify. Then we shortlisted it. But it's an expensive process to bid on that many schools. It's not like you get a couple hundred companies bidding on a P3. It's usually a consortium of a group of companies: your construction people, your design people, your finance people. Every one you see is some kind of ABC group, a consortium of different companies. You're not going to get 200 of them bidding.

They're big projects. You know, with borrowing the money – and that's one of the big advantages of P3 – we actually transfer the risk over to that company, all the risk in building that thing. Every P3 has been done on time and on budget, and that's what I like. If you go the other way, they usually take longer, and they're over budget. With P3s the contract is awarded: this is what it's going to cost, and it's going to be done on time. They're absorbing that risk. If the weather is bad, they've got to hire. When the weather is good, they hire more people, so they make up the difference, but they absorb that cost. A lot of companies aren't able to absorb that risk.

10:30

**Mr. Barnes:** Yeah. As time goes on, will you keep the cost of the individual P3s separate on the statements and stuff so we can clearly look at the effectiveness and the efficiency of all the separate P3s, whether it's the ring roads or the schools?

**Mr. Drysdale:** Oh, yeah. We always keep them separate. But if you're doing a bundle of 12 schools, you can't say exactly which goes to each school, but we'll definitely make that bundle public, for sure. Always do.

**Mr. Barnes:** Okay. Thank you.

**Mr. Drysdale:** That's the beauty of bundling them. It doesn't say that there's this much to this school and that because they buy the supplies for all of them, and they don't have to separate each individual school. So you get the big price, the big savings, on the bundle.

I mean, we don't build them all as P3s. You know, out of the last 35 I think only 12 were P3s, so for everybody to say that we're building all P3s, it's not even half. We only build them where they make sense and where there's a dollar savings when we compare with the public. There's lots of room for people to bid on individual schools out there as a one-off. I had a contractor say that before, so we put one out. They never bid on it.

**Mr. Barnes:** Complained but didn't follow through?

**Mr. Drysdale:** You could say that. You put individual schools out there, and they don't bid on them. We'd never get the same price savings that we do in the bundles, but we still will put the odd individual out. We'll put smaller groups of two or three, and we'll bundle them differently so people have different levels. I wouldn't want to see everything built P3.

**Mr. Barnes:** Okay. Thank you, Minister.

Has your department done a thorough assessment of what if any Alberta's actual infrastructure deficit is? I know Ralph Klein takes it on the chin a lot.

**Mr. Drysdale:** That's a pretty subjective number, though.

**Mr. Barnes:** Do you think we have an infrastructure deficit yourself?

**Mr. Drysdale:** Oh, yeah. We do. I'm sure you see it, too. Every day you guys are asking for more roads and schools, and I agree with you that we need to build infrastructure, so obviously there's an infrastructure deficit. You know, in the past it was too easy to balance the books on the back of infrastructure. We could have done that in the last few years, just not build any infrastructure and balance our finances. I mean, that's kind of half of what you guys are proposing, not doing that. I'm not sure how, by cutting your capital build to half of what we would do, you are going to build all these schools and hospitals.

**The Chair:** Thank you, Mr. Barnes. You have used the first 20 minutes. Would you like to continue the same way, combining your time with the minister, for the next segment?

**Mr. Barnes:** Yes, I would. I very much appreciate how you're answering the questions. Thank you.

Just to finish that part about the infrastructure deficit, you know, again, in the Wildrose plan is that three years from now we'll be spending \$4.4 billion, almost identical to your \$4.6 billion, so the same really. You know, you can spend on infrastructure, you can spend forever, so how do you determine when something should be on the priority list? How do you determine when the taxpayers and the citizens of Alberta should do an infrastructure project?

**Mr. Drysdale:** Well, you know, there are different ways in each department. Take schools, for example. You look at the utilization rates of some schools in our fast-growing regions. I mean, I'm in one, and there are lots of them: Leduc, Red Deer, Fort McMurray. Well, even Calgary and Edmonton are growing. But if you get utilization rates in schools of 120 per cent, that's how you determine that.

I mean, first, of course, health and safety is the number one priority, and we have to make sure that our schools are safe and healthy and that our children have no risk. I can guarantee you that right here today. I've seen some comments, you know, even in the media lately that our schools aren't safe. I just want everybody in this province to know – I don't want to put fear in the parents of the province of Alberta that their kids aren't safe at school. I can guarantee you that every school in this province is safe and a healthy place for their children. They should never have to worry about that, and I can guarantee you that now.

**Mr. Barnes:** Good. Thank you, Mr. Minister. I appreciate that.

**Mr. Drysdale:** But the enrolment pressure: you know, how do you decide whether it needs to be done? Well, we've got schools that were built for 400 kids and have 800 in them, and they've got utilization rates of 120 per cent, and another 500 kids move in there this year. To say that we're not going to build any schools because we've got no money would be irresponsible.

**Mr. Barnes:** Okay. I'd like to read an amendment into the record now, please. We have copies. I have a notice of amendment on the 2013-14 main estimates for the Ministry of Infrastructure. I move that

the 2013-13 main estimates of the Ministry of Infrastructure be reduced as follows:

under operational vote by program

- (a) for the minister's office under reference 1.1 at page 150 by \$29,000,
- (b) for the deputy minister's office under reference 1.2 at page 150 by \$39,000,

- (c) for communications under reference 1.3 at page 150 by \$27,000,
  - (d) for strategic services under reference 1.4 at page 150 by \$629,000,
  - (e) for strategic capital planning under reference 4 at page 150 by \$128,000,  
under capital vote by program
  - (f) for strategic capital planning under reference 4 at page 150 by \$125,000, and
  - (g) for government-owned facilities preservation under reference 5.3 at page 151 by \$1,000,000
- so that the amount to be voted at page 149 for operational is \$506,518,000, and the amount to be voted at page 149 for capital is \$782,400,000.

That's dated April 9. Mr. Minister, the logic there is, again, not to impact safety or health at all, but I've noticed two or three increases in your budget. The Wildrose, of course, campaigned on the idea of holding front-line workers' wages consistent and looking for 5 per cent rollbacks in some bureaucratic, executive manager levels, and I believe you'll find that consistent with that. If you would address that, that would be great.

My next question.

**The Chair:** Mr. Barnes?

**Mr. Barnes:** Yes.

**The Chair:** The chair was not aware that there was an amendment. I have some rules and regulations governing amendments that I would like to read into the record right now.

An amendment to the estimates cannot seek to increase the amount of the estimates being considered, change the destination of a grant, or change the destination or purpose of a subsidy. An amendment may be proposed to reduce an estimate, but the amendment cannot propose to reduce the estimate by its full amount.

Vote on amendments is deferred until Committee of Supply on April 22, 2013.

Written amendments must be reviewed by Parliamentary Counsel prior to the meeting at which they are to be moved. Twenty-five copies of amendments must be provided at the meeting for committee members and staff.

I think you have complied with that. Thank you. Proceed, please.

**Mr. Barnes:** Okay. Thank you very much.

**Mr. Drysdale:** Do you want me to comment on that now?

**Mr. Barnes:** Yes, please, if you wish.

**Mr. Drysdale:** I mean, I've just seen this as well and can go line by line. Some of the things you said. You know, the staff: we froze our salaries for three years, and we're taking a 10 per cent reduction in management, so we're not increasing our staff and our salaries like you kind of indicated there. We are reducing ours.

**Mr. Barnes:** Okay. Thank you.

**Mr. Drysdale:** To say that you would cut \$1 million out of maintenance of government-owned facilities, you must be assuming, then, that we're overmaintaining them now.

**Mr. Barnes:** I guess, you know, you budgeted \$9.6 million in '12-13, you spent 14 and a half million dollars, and now you're estimating \$20 million. I just wanted to highlight that increase and ask why.

**Mr. Drysdale:** Without getting into a lot of detail, you know, the remand centre opened just last week. That's a big centre that we never had before, and now we've got to maintain and operate that as well. You pay taxes on those facilities. The utilities go up. The taxes go up. Of course, there are going to be some increases, but we've actually budgeted for a reduction in our operation of 1.8 per cent, I believe. That doesn't sound like much, but when you start adding buildings like the remand centre and tax increases and utility increases, to cut it by 1.8 per cent is a little tougher than you might think.

**10:40**

We've cut our CEP grant, which was for maintenance. We've cut stuff to keep this in line. To say that we should take another million dollars out of maintenance of government facilities: that's a good idea. I'll think about it. I'm just not sure where we could do that without starting to affect the operation or the safety concerns in those buildings.

**Mr. Barnes:** Well, I would hope you would take a look, and I appreciate that. Thank you, Mr. Minister.

**Mr. Drysdale:** I mean, if we thought we could have saved a million dollars in maintenance, I would have cut it.

**Mr. Barnes:** I'm glad to hear that.

**Mr. Drysdale:** We did that a few years ago. I don't know if you remember. In a lot of the government buildings the maintenance and that was reduced. I know in our area with the provincial building, all of a sudden I got calls in the last few years: "The flower beds have just got weeds growing in them. When are you going to take the weeds out of the flower beds?" and "The place isn't as clean as it used to be." As soon as you start cutting that maintenance, believe me, you'll hear about it. But, you know, we'll look at it.

Plus, you know, I'm sure you're aware we're going through a results-based budgeting process within the government departments over the next year or two years. We'll be looking at all those things doing the results-based budgeting.

**Mr. Barnes:** Great. Thank you, Mr. Minister.

I understand your department is responsible for handling the sale of the Michener Centre in Red Deer. Do you have any thoughts on what it will sell for?

**Mr. Drysdale:** Well, you know, Human Services is going on now about the operation, and that's fine. The idea is that when Human Services is done with that, they'll let us know that it's no longer needed. It hasn't come to that point yet, but the process is that if another department has a facility, when they no longer need it, they declare it as surplus, and it comes to Infrastructure. Then the process is that we offer it to all other government departments first and see if anybody else is interested in it. If they're not, then next we offer it to the municipal government, and they have the first shot. After that we'll go out for public tender. But we haven't been told yet in Infrastructure that the facility is surplus and they no longer need it, but if and once they do that, that process will go through at that time.

**Mr. Barnes:** Thank you, Mr. Minister.

**Mr. Drysdale:** And that – sorry to interrupt.

**Mr. Barnes:** No. Go ahead.

**Mr. Drysdale:** That's a big facility. It's spread out, so it may not all go. I'm sure there are some parts where the municipal government might – I can't see the whole thing being needed by the provincial government, so it might be split up. I'm guessing that.

**Mr. Barnes:** Okay. Thank you.

Where are you at in the process with Carmangay? Is it going to be sold? Is the process under way for finalizing the building there?

**Mr. Drysdale:** I don't think that's been turned over to us as surplus yet either. You know, it's in the Health budget, so if they are done with it, then they turn it over to us as surplus, and they haven't done that yet. We're waiting to hear from Health.

**Mr. Barnes:** Thank you.

I want to quickly talk about the detox centre in Medicine Hat. I discovered four or five months ago that Alberta Health Services was waiting for Infrastructure, and Infrastructure was waiting for Alberta Health Services. I know with big machines that can sometimes happen, but how often does that happen? Do you have trouble communicating with other departments? Does that slow things down? Does that cost Albertans services and taxpayer money?

**Mr. Drysdale:** Well, you know, like I said before, to do a project, you have to do the design and – what's the word? I lost it. Anyway, we work with Alberta Health to do the functional plan. That's the word I'm looking for. It's not just Infrastructure that does the functional plan. Whether it's Health or Education or whatever, we have to work together as departments. It's not Infrastructure that will do the functional plan for the detox centre; it's Alberta Health Services. Infrastructure does the design and the building, but Alberta Health tells us what they want in it.

Sometimes it gets bogged down with two departments, plus in that case they're working with the municipality and the community. They haven't even found a site yet. It has to be zoned, and sometimes those things aren't easy in the community. You can imagine zoning that in a residential community somewhere.

You have to work with the community, the municipality, with Alberta Health, you know, and Infrastructure does. I agree with you. Sometimes it seems to take a heck of a long time to come up with a plan, but we need to get that functional plan done first. They are working on it. It is in the budget. I think it's \$7.1 million or something to build that. It's budgeted for, and it will happen, but we have to make sure we do it right with Alberta Health.

**Mr. Barnes:** Minister, the question becomes: could efficiencies be gained by moving responsibility for that infrastructure just under your portfolio or, vice versa, by moving it out of your portfolio and letting Alberta Health Services, you know, do the whole thing? Is having everybody sign off working? Is it getting things on a timely basis?

**Mr. Drysdale:** I don't know all of the past, but in the past Alberta Health used to do their infrastructure. Alberta Health needs to do the functional plan, needs to have the expertise for what is required for services in a hospital or detox or whatever, but they don't have the expertise when it comes to building buildings, especially if we start moving to P3. I mean, we have the expertise and infrastructure to build it. Even when Health did it, they had to do their functional plan first. First, they have to do a needs assessment and then a functional plan, so they would have had to do that anyway. Once that gets done, when it comes to Infrastructure to build – you know, maybe there were some growing pains in the way things changed there, but I think we're

getting that figured out between the departments, and it's getting smoother.

We ended up duplicating. We had a whole bunch of Infrastructure guys in Alberta Health. Then we had Infrastructure guys in Infrastructure, and we were duplicating a lot. So I think we've done the right thing.

**Mr. Barnes:** Good to hear that. Thank you.

**Mr. Drysdale:** That's why, like I said before, I think it's important to get the functional planning done first before you do the project.

**Mr. Barnes:** Absolutely. I agree.

On page 46 of your business plan under performance measures 1(b) and 1(c), performance measures for the physical condition of school facilities and postsecondary facilities, I noticed that the target for the physical condition of these facilities is actually decreasing in the next few years. Last year 61 per cent of school facilities were in good condition. This year your target is only 56 per cent, then 53 per cent, and the year after that only 50 per cent. My question is: why are you planning to have fewer of Alberta's schools in good condition? Shouldn't you always target to be better than you currently are? Of course, the cost of deferred maintenance and spending by school boards as a direct result of this could be very enormous.

**Mr. Drysdale:** Yeah. That's a good question, and I'll say that I've talked to my department about it. I guess, first of all, I want to repeat what I said before. There are no schools that pose a health or safety concern for our children. When you're doing a facility index rating, you look at different things. It's a little bit misleading, so I've asked my department if we could look at basically just changing the names. The word "poor" gives you a poor connotation. Just because it's classified poor doesn't mean the building is falling down. They're still in good shape, so I would like to change that to say very good, good, and satisfactory or something.

**Mr. Barnes:** Who does the assessment?

**Mr. Drysdale:** Our department does. The assessment wouldn't change. It's just what you call it, the naming of it. A poor building doesn't mean it's falling down or in bad shape.

You know, like you suggested, we've cut some of the maintenance and stuff over the years. That's the first thing that gets hit, and you just suggested to take another million out of there. When you do that, your condition is going to go down. As you see in our budget, we got 50 new schools, 70 modernizations, but they won't show up till after this three – it'll go down because we've cut on maintenance and haven't built in the last few years, but as we replace those buildings, then it'll come back up again. To say that you should have every building in very good condition and then say that you want to cut maintenance doesn't go together.

**Mr. Barnes:** Well, hopefully, there are some efficiencies there. I guess no matter what you call them, the trend is still the same.

**Mr. Drysdale:** They're good, safe buildings, eh? Out of 1,500 schools there are only 15 in the poor category, so it's a pretty small percentage, less than 1 per cent. Probably, I would think, most of them would be in the 70 modernizations. I guess I can't tell you today, guarantee that all 15 will be done in the 70, but I'm sure lots of them will.

**Mr. Barnes:** Well, you have a plan, and I'm glad to hear that.

I asked about the Grimshaw school. I know there was some difficulty there in the past. Do you know anything about that?

10:50

**Mr. Drysdale:** Well, I do know, and I've visited the place. You know, we'll come out with our announcements here on the first of May or as soon as this is done, and I'm sure that issue will go away.

You know, I want to be careful here. I'm not accusing anybody or anything. I mean, I visited that school. It's not falling down. There is not a health or safety concern there. I'm not accusing the school board of anything, but they had pictures of the kids with coats on, and they were cold in the classroom. That's a furnace issue. I went there. The maintenance on that furnace was poor. They had a \$2 million surplus in their budget for maintenance, and the furnace wasn't working, and they blamed the province. But I don't want to get into it.

**Mr. Barnes:** Yeah. I understand.

**Mr. Drysdale:** The building was sound.

**Mr. Donovan:** You're getting there, though.

**Mr. Drysdale:** So I'll quit before I do. Sorry about that.

**Mr. Barnes:** Yeah. So let's switch gears to another favourite topic, the federal building. Last week it came to light that the cost for the project has increased by \$75 million. It was estimated at \$275 million; now it's at \$350 million. I understand a lot of the delays are to do with how fancy the building is. I'm concerned – and I'm hearing from, again, stakeholders – that possibly a contract with cost-plus that wasn't competitively bid has led to the overruns. Can you guarantee the taxpayer that there are not going to be any further cost overruns on this?

**Mr. Drysdale:** Well, I'm not sure where to end here; that's a big project. I mean, originally that project was listed at \$356 million, right? When it went out for bid, that was when everything was real hungry here a while ago, and the bids came in lower than they expected, so they reduced it to \$275 million.

That building isn't like when you're building a new building, where you can put out a contract on what it's going to cost to build. Any time you do a modernization or you're working on an old building, you find things that you can't put in a tender, eh? Then the project gets dragged out, and as soon as you drag out construction a couple of years longer – and I wish it would have been done two years ago – then what the plumbers bid four years ago is different today than what they're doing. So the costs go up.

There were some things, and we can see it this morning. For an example – I mean, there are lots of reasons – the committee rooms are a lot bigger than this one. There's a lot more room and electronics, the technology, but the thing had pillars and posts in it. To make it so you weren't having to look around the posts, we got rid of the posts in the big committee rooms. That was the plan, but then once we got into it, the engineers decided the floor wouldn't hold the weight of the equipment in there and all, so they had to re-engineer the beams. We had to put more steel support beams under the floor.

**The Chair:** Thank you, Mr. Minister and Mr. Barnes.

**Mr. Barnes:** Thank you very much.

**The Chair:** Time flies when you're having fun.

**Mr. Barnes:** Yeah. I appreciate the way you answered the questions.

**Mr. Drysdale:** We're not done yet, are we?

**The Chair:** You'll have one more round.

**Mr. Barnes:** Now?

**The Chair:** No, not right now.

Now speaking on behalf of the Liberal caucus, Mr. Kang.

**Mr. Kang:** Thank you, Mr. Chair.

**The Chair:** You have 14 minutes. Would you like to combine your time with the minister, back and forth?

**Mr. Kang:** Yeah, combine the time.

First of all, I'd like to congratulate the minister. I think, Mr. Minister, you're doing a pretty good job answering all the questions. And your staff as well did a pretty good job, I guess, to prepare you for this.

Okay. We've been talking about reducing costs all along. What does the ministry plan on doing to reduce infrastructure costs across the government besides things like P3s, that just make it look like infrastructure costs are less in the short term? What else is getting done instead of just looking at P3s to reduce the costs?

**Mr. Drysdale:** Okay. If you don't mind, member, I meant to mention before – and thanks for reminding me – that we do have a good staff in Alberta Infrastructure. Believe me, we have some real professionals here. I want to thank them, and you can rest assured that Infrastructure is in good shape with our professionals that we have.

That leads into the P3 stuff. You know, we have probably one of the most expert guys in Canada on P3s sitting in our department. I was at a P3 conference in Toronto for the whole country last fall, and this was the gentleman on the stage in a panel talking about P3s, so he's recognized nation-wide.

As far as reducing costs, a lot of our buildings are leases, so we're reviewing our leases to see if we can combine some of them. With the results-based budgeting we're looking at being more efficient there, but also each department is going through that. They're going to have changes, and we're going to have reductions in management and staff, so we're going to review our leases, see if we can combine some of them and save some money there because a big piece of what Infrastructure does is look after the leases.

We're reviewing our buildings, our asset management, and reducing costs. Like I said before, we froze our salaries, and we're working on a 10 per cent reduction in management in our department over the next three years, so that will save some costs as well.

I don't know. I think maybe that answers your question, or did you want more?

**Mr. Kang:** Okay. Coming to line 5.3 from the estimates, government-owned facilities preservation, okay? In 2011-12 the actual was almost \$9.9 million, and the budget was \$9.6 million. Then the forecast for '12-13 is \$14.4 million almost, and you're estimating \$20 million for 2013-14. It's just a big spread, a big jump here. You have been talking about, you know, saving money and reducing the costs, so how can that be?

**Mr. Drysdale:** Well, one of the reasons is that our CEP was cut, our capital for emergent projects. We eliminated that altogether.

Whenever there was a big maintenance or a roof failing, they would come to us, and we would fund it under a CEP grant. That was eliminated, so we had to put some more money in maintenance to be able to cover that. If we don't have CEP money to fix a roof, we need more money in maintenance, so we had to increase it, and we cut CEP by about \$9 million.

**Mr. Kang:** Okay. So where was it showing before in the estimates? Which line would that be on?

**Mr. Drysdale:** The CEP?

**Mr. Kang:** Yeah. You can give it to us in writing.

**Mr. Drysdale:** We'll get that for you in a second. Here it is on page 151, line 8.

**Mr. Kang:** Capital for emergent projects?

**Mr. Drysdale:** Yeah.

**Mr. Kang:** That's where it was?

**Mr. Drysdale:** Capital for emergent projects.

**Mr. Kang:** Okay. So that's why it's not showing here. Okay. All right.

On P3s, Mr. Minister, you have been saying, you know, that there have been lots of savings. Can you compare just one project, how much money has been saved by doing it P3 instead of doing it outright? Is there any analysis that has been done? Or do we just say, "P3s save us money; P3s save us money," and then we find out 25 or 30 years down the road that we have been taken to the cleaners. Pardon my language.

**Mr. Drysdale:** No. For sure, like I said before, we always do a public-sector comparator, so we get estimates on what it would cost to build a project under the traditional methods of public building, so we always have that cost up front. Then when we do a P3, we always compare it to this public-sector comparator. I mean, we wouldn't do it if it was higher. We've always been less when compared with the public-sector comparator, so we have the numbers and the dollars.

You know, we've saved \$2.2 billion over these nine projects: \$1.9 billion on five ring road projects, \$266 million for 40 schools, and \$2 million on a waste-water treatment plant in Kananaskis.

**11:00**

You know, we do the schools in a bundle of 12, say, the last ones, so you can't say each individual school. But in that bundle of 12 schools it would have cost us – I think that one was \$40 million that we saved on those 12 schools alone.

There's always a value-for-money report posted on the website, so you can see that yourself to compare those prices. It's posted.

**Mr. Kang:** Okay. Mr. Minister, you have been saying that lots of savings have been realized, yet, you know, our infrastructure deficit and debt is going up. Why is that if you're realizing so much savings, right?

**Mr. Drysdale:** Well, this province is growing so fast. You know, we've got to keep up to the growth. The schools and even our buildings are aging, so we've got to replace those, keep up with them. As we go forward every year, we're going to have to spend more on building capital. As we get bigger, percentagewise we'll

have to spend more on building infrastructure just to give the services for the people that are here.

**Mr. Kang:** You commented earlier that everything hinges on the budget, so after we vote on the budget, then you will plan what to build, what not to build. You know, there should be better planning than that. Don't you think so?

**Mr. Drysdale:** Well, actually, Member, we have a list of the projects. We have a plan, but until you have the money to go with it, you can't announce. You know, we have a long list, but you only build whatever you have money to build. So we do have a plan, and the priorities are at the top. You know, at the top of the plan are our highest priorities. Until the budget is approved, we can't say this is what we're going to build. If I would have gone last year and said that we were going to build these 50 schools, you guys would have said: "Where are you getting the money for that? You don't have approval." We have a long list, and they're in priority ratings, and whatever money we have approved, we start at the top.

**Mr. Kang:** Is there a list of those priorities? You know, you can at least give us the list. Like, what are those priority projects?

**Mr. Drysdale:** Well, no. We don't want to say that because they change. You know, we've got this list today, and if we get to announce 30 next week, we'll take the top 30, but a year from now or two years from now that priority might be different.

**Mr. Kang:** Well, then, we're going to have another budget next year. I mean, if the priority changes, then the budget changes.

**Mr. Drysdale:** Sure. When we approve that, then we'll just keep working our way down. You know, if we build 30 this year and one is number 31, to say that it's at the top next year, well, something could happen next year where something else would move up in the priority list.

**Mr. Kang:** Well, Mr. Minister, a priority is a priority. It doesn't matter if we do it tomorrow or we do it a year down the road; a priority is a priority.

Anyway, we'll move on to the next one.

**Mr. Drysdale:** But I'll bet you your priority today is different than it was five years ago.

**Mr. Kang:** Well, that's five years.

Okay. My second question is on line 2.2 from the 2013-14 budget, health capital maintenance and renewal. There's a \$50 million estimate on line 2.2 in the capital budget. Can the minister tell me the value of the deferred maintenance in our health facilities, how much it's going to cost us?

**Mr. Drysdale:** Well, we've got \$50 million budgeted for maintenance. That's what it's going to cost us. Again, there are priorities, but this is the money we have to work with.

**Mr. Kang:** So there's a total of \$50 million in deferred maintenance, that's what you're saying? You know, \$50 million will take care of everything?

**Mr. Drysdale:** No. There's always more to do, but you have a budget. It'll take care of the top priorities, and next year we'll take on some more. To say that \$50 million is going to bring every building up to perfect condition wouldn't be right, but it'll take the

priorities off the list and keep our condition within, you know, acceptable standards.

**Mr. Kang:** The last time that money was spent on this line was in the year 2009-10, where almost \$84 million was spent, and then for three years we didn't do anything. Can the minister tell me what maintenance and renewal projects have not been undertaken in the last three years and how he plans on stretching this budget to cover the last few years of neglect?

**Mr. Drysdale:** Well, you know, that gets a little confusing, and I can see why. The maintenance is in Health. Actually, Health does the maintenance, and they used to have a budget line. They used to have dollars in their budget to do maintenance. Now it changed, and Infrastructure has it in ours, but we give it to Health to do the maintenance. That's why we never had it before. It's new to us, but we just give it to Health. Before, if you look back in Health's budget, they had money for maintenance. Now they don't have anything. They come to us, and we give them the grant to do it. Health is still responsible for the maintenance of their buildings. We just give them the maintenance dollars to do it.

**The Chair:** Mr. Kang, you have one and a half minutes.

**Mr. Kang:** One and a half minutes. Oh, okay.

Well, on line 2, health facilities support, can the minister explain why all of line 2 is even in these estimates? Can the minister explain why the Ministry of Health doesn't have this line?

**Mr. Drysdale:** Is it in capital or operating, which line 2? Sorry. Are you talking about 2.1 under capital vote?

**Mr. Kang:** Health facilities support. We'll move on to the next one. I'll come back to this.

Line 2.1 in the operational budget shows \$11.2 million for health facilities infrastructure. Isn't this actually a health expense for the operation of these facilities? Is the government trying to hide the true cost of health care?

**Mr. Drysdale:** Well, no. You know, like I explained before, Infrastructure builds the health facilities for Health. So in our department we have manpower that does health facility infrastructure. They tell us what they want built, and then we build it. We have people in place to do the building for Health. Before they used to do it, and now we do it for them.

**Mr. Kang:** Thank you, Mr. Minister. Thank you very much.

**The Chair:** Thank you, Mr. Kang.

Speaking on behalf of the NDP caucus is Mr. Bilous with 14 minutes. Would you like to combine your time with the minister for back and forth?

**Mr. Bilous:** Thank you, Mr. Chair. Yes, that's what I would prefer.

Just a couple of things that I was going to say at the outset: for some of my questions it may be easier to get a written response if you don't have the numbers handy. Then the other thing I wanted to say: if I interrupt you, Minister, at certain times, I'm not trying to be rude; it's that I'm trying to get a large number of questions into a very short period of time. So I appreciate your co-operation with that.

**Mr. Drysdale:** I understand that. I never know how long to explain something, if you want a quick answer or a short one.

**Mr. Bilous:** I'll begin on page 46 of the operational plan document from the fiscal plan. Under Preserve the Province's Finances it states the following: "Infrastructure will review all government-leased space and government-owned assets to determine whether these are still required to support achieving program outcomes."

A series of questions. What is the total dollar value attached to the government-leased spaces?

**Mr. Drysdale:** I assume per year because they're leased. It's \$205,712,000.

**Mr. Bilous:** Okay. Thank you.

What's the total dollar value attached to the government-owned assets?

**Mr. Drysdale:** Well, for the ones that we manage in Infrastructure it's \$207,596,000. You know, to go to the balance sheet in Finance or Treasury Board, they have all – you'd have to go to Treasury Board to get that total.

**Mr. Bilous:** The total number. Okay.

What criteria will your department use to determine whether provincial assets are required or not required?

*11:10*

**Mr. Drysdale:** Well, you know, Infrastructure works with all other departments. A department will come to us and say that they require a certain amount of space. It's not up to us to make that – they come to us and say what they need, and we give them what they ask for. Plus, we've got to look at the condition of the spaces we do have. Sometimes they may need to be replaced, but it's the other departments that ask for their requirements. It's not up to Infrastructure to decide what space they need. We accommodate them with what they ask for. If a space is getting into bad shape, we may have to find another space for them. You know, we look after the condition of it, if you're talking leased space.

**Mr. Bilous:** Okay. I'd like to focus more on the government-owned assets. When the department is talking about reviewing which ones are required, I'd like to know which ones, if you have a list, are being reviewed.

**Mr. Drysdale:** The conditions for index then, your facilities for index, is what you're saying?

**Mr. Bilous:** Sure. The decision of whether or not Infrastructure or the government decides to sell some of its assets, is that depending on condition only?

**Mr. Drysdale:** Yeah. Lots of times it's no longer needed. Like I said before, if a department comes and says, "We no longer require this space," then it's transferred to Infrastructure, and then we'll put it out within government to see if any other department requires that space. If they don't, then it goes to municipal government, and then if they don't require it, it goes out for public tender. It's the department itself that says: we no longer require that space.

We know our results-based budgeting is coming, so Infrastructure is looking at all the spaces we own now, getting ready for results-based budgeting. Maybe there are some that were, you know, declared surplus and we've owned them and kept them for another department, but we're going through that list right now and reviewing it, making sure that there aren't some facilities not needed. I mean, it was suggested that we're selling off buildings for offer. If we do that, it won't go to operating. We're just having a look at the buildings we own, making sure we

own the proper buildings in the right places. It's something that's ongoing. I'm new in the department and results-based budgeting is coming, so when I get there, I want to be confident the buildings we own are required.

**Mr. Bilous:** Will that be made public as far as the assets that you are reviewing and whether or not they will be either transferred from one department to Infrastructure or transferred to, as you said, a different order of government? Part of where this is coming from is, again, for opposition and all members and Albertans to know what assets are under review and which ones the government is looking at possibly moving off their books or selling.

**Mr. Drysdale:** We have a list that is public, and we were asked for it in the last few weeks. There's a total list of all the assets, and we're reviewing all of them, actually, right now. You know, we had a lot to do with the capital plan in the budget and now today. Once this is over, that's my number one priority, to review all our assets and get ready for results-based budgeting. We'll be looking at all of them, and there is a list that's public.

**Mr. Bilous:** Okay. Thank you.

Switching gears, can you tell me the total amount of infrastructure grants this year that are allocated for Edmonton and Calgary?

**Mr. Drysdale:** All the infrastructure grants, including Transportation and MSI and all that?

**Mr. Bilous:** Actually, yeah.

**Mr. Drysdale:** They use MSI a lot for infrastructure. You want all those included?

**Mr. Bilous:** If possible. I can appreciate if your department, sir, only has its own.

**Mr. Drysdale:** In my department we actually don't give out any grants. Infrastructure doesn't give out any grants to any other municipality at all. It either comes from Municipal Affairs or Transportation, so it would probably be best to go there. I mean, the number is there, but Infrastructure itself gives out no grants to municipalities.

**Mr. Bilous:** Okay. Earlier you were asked about the total number of buildings owned and managed and the infrastructure deficit, or the deferred maintenance costs. Your answer included something about how it's subjective. However, the former Minister of Infrastructure said last year in 2012 estimates: "The total number of buildings owned and managed by Infrastructure is approximately 1,600, and the replacement value of these buildings is close to \$8 billion." Do you have a current figure?

**Mr. Drysdale:** Yeah. I mean, it's approximately 1,600 government-owned buildings and 964 separate lease spaces. You know, we'll be reviewing them, but the our owned value is about \$8 billion. It's about 2,000,500 square metres if you want to take a metre value.

**Mr. Bilous:** Is there a specific plan that your ministry has to resolve the issue of deferred maintenance? There has been a significant amount of maintenance that has been put off year by year, which is starting to accumulate. Is there a plan within the ministry to start dealing with the deferred maintenance?

**Mr. Drysdale:** Well, I think that's an ongoing plan. You're always doing maintenance, and the priority – you're right; there is deferred maintenance in lots of buildings, but health and safety are number one. Do we spend more on maintenance or less? I mean, we've cut the maintenance down some because in tough times that's the first place that usually gets looked at, but I'm still confident that our buildings are sound and safe. You know, as we work through this, I'm sure that down the road we're going to have to put more money back into maintenance. That will be the first stuff that comes back because you'll end up incurring more deferred maintenance because of that.

**Mr. Bilous:** I think the challenge is that, again, if we continue to defer the maintenance, it's similar to somebody who buys a car and never does any upkeep or changes their oil. Eventually it is going to break down, and it's going to be a lot more expensive to replace an asset rather than to keep up maintenance. My concern is that there has been a high level of kicking the can forward and deferring maintenance on different assets. If the ministry doesn't have a solid plan for how to start accommodating for the maintenance that has been accumulating over time, then my concern is that, you know, in another five years that number is going to balloon even further, and we're going to go further and further backwards.

**Mr. Drysdale:** Yeah. Actually, the maintenance on government-owned buildings has increased by \$20 million this year, so it's not like we're letting everything fall apart, but where is the right line and balance? I mean, you could spend almost endlessly on maintenance and go overboard the other way. We do a facility condition index rating on all our buildings. You can see that. It is projected that that will decrease a little bit over the next year or two. But, like I said, that will come back once we spend more money.

The schools right now are dipping, going lower, but we've planned 50 new ones and 70 modernizations. The results of that won't show up in this three-year budget, but in the next couple of years you'll see that condition index improve once we start getting these new facilities online and replacing the old ones.

**Mr. Bilous:** Right.

**Mr. Drysdale:** You know, I think that to say that every building should be in the highest category wouldn't be realistic or useful. You need a balance there.

**Mr. Bilous:** Oh, absolutely. But I think, you know, that if we're deferring maintenance, it's not going to go away, and it's just going to get worse. That's where, again, it accumulates and stacks up. I mean, Edmonton public, for example, by 2020 will have a \$20 million infrastructure deficit. I know that that's through Education, but my point is that it's because they have not been maintained and kept up.

**Mr. Drysdale:** You know, we might get to that later, but that's another good thing for P3s. The maintenance is never deferred; it's always maintained.

**Mr. Bilous:** Right. I mean, we can get into P3s. I personally object to them because, you know, you rent an asset for 30 years, and then you get it when it's nice and old and well used and well worn.

**Mr. Drysdale:** Well, do we want to go there?

**Mr. Bilous:** No. I'm going to jump to family care clinics. I'm just wondering: in what way is Infrastructure supporting the delivery of the Premier's promise of the family care clinics?

*11:20*

**Mr. Drysdale:** In the budget we have \$60 million over three years, but we're working with Health. Health is the one that sets the priorities and asks for them.

Minister Horne and I have set up a meeting shortly after these estimates are over to go through the plan. He's going to make some announcements, like I said, about the schools once the budget is approved, but we have to sit down and go through those announcements. You know, \$60 million doesn't sound like a lot of money, but it'll be done with . . .

**Mr. Donovan:** Maybe to you.

**Mr. Drysdale:** Well, I guess I get used to these government figures, but with \$144 million in Health for FCCs, \$60 million isn't a lot of money. The plan is that the government won't be building and owning all. A lot will be done through partnerships and other different methods.

**Mr. Bilous:** Okay.

**Mr. Drysdale:** I guess I shouldn't get into it too much, but every day I have municipalities or communities coming to my department saying: we'll build the facility; tell us what the specifications are, what we should be building, and all that. So a lot of different community partners and municipalities are going to help build these. Like I said, \$60 million doesn't seem right, but we won't be funding them all.

That's just a quick description. I could go on, if you want.

**Mr. Bilous:** Sorry; no. We've got about 45 seconds. How many family care clinics will open as part of the first group of clinics from May to December of this year? Do you have that number?

**Mr. Drysdale:** Open or be announced?

**Mr. Bilous:** Open.

**Mr. Drysdale:** No. That would be a Health question. You know, the Health minister will decide that. I could take a shot at it, but I'm not going to here today. Health will tell us in Infrastructure what to build. But if you want them open in the next six months, we won't be building any.

**Mr. Bilous:** Has Health directed Infrastructure to start building? I mean, have you started building these family care clinics?

**Mr. Drysdale:** No.

**Mr. Bilous:** Okay.

**Mr. Drysdale:** Like I said, the minister has requested a meeting. We're going to start that process soon. I think there may be some being built now under other communities.

**The Chair:** Thank you, Mr. Minister.

Mr. Bilous, thank you very much.

Speaking on behalf of the PC caucus, Mr. Dorward. He's been waiting so patiently.

**Mr. Dorward:** Well, thank you very much, Mr. Chair. Firstly, Minister, thank you for the policy of not announcing until the dollars are approved. It's simply not appropriate to set any

expectations in the minds of Albertans, in my view, and it's not a common thing out there to announce projects until the dollars are found. It would take away from Albertans' understanding of where the dollars are coming from and where the eventual asset is going to be built. I do believe that priorities do change over time. Highway 63 is an example, and the growth areas that we have in our province are an example. I don't know anybody who forecast all the growth areas and knew exactly where the schools were going to be, least of all the school boards that are closely associated with that. Even they don't exactly know many schools they're going to need. So having preconceived expectations regarding that is probably not appropriate.

On behalf of a constituent – I'll start that way, Minister – I just want to pass on a suggestion which may seem mundane but perhaps important. You did mention flower beds. That's what sparked my memory of this. Is there a possibility within our government buildings that we could incorporate community gardens since we're paying costs for maintenance anyways? This would be a situation where there could be a community garden section which might actually have community people maintaining it and thus have us not having to spend to maintain that. It's more of a comment that I promised I would pass on to you on behalf of a constituent.

Getting back to the federal building, my understanding or my math from going through the books is that approximately 8 per cent of the overall project is money that needs to still be spent in that building up the hill from here. Is that number close? If so, does it make any sense to stop a project like that when it's so close to completion?

**Mr. Drysdale:** Yeah. Actually we just started into that once, and I never got to finish, but you're exactly right. I mean, I can't remember where I left off, but I think I said that the original budget was \$356 million. When it was tendered out, times were slower, and they reduced it to \$275 million. Then we found the structural problems, and the project got dragged out, so that increases the construction costs. In this budget it was brought back to \$350 million, so it's still less than the original budget.

If we stopped that project today, I think we'd end up spending at least \$330 million anyway. If we're going to spend \$330 million and still not have a facility we can use, it would be a waste of \$330 million. That's when I say that it would be irresponsible to stop it now because we'll have spent \$330 million of taxpayers' money and have nothing to show for it. To finish off the last \$20 million to have a building that will house 600 employees and will be able to consolidate some of our other buildings that have a maintenance deficit in there that we'll be able to get rid of I think is the responsible thing to do, to finish that project off.

**Mr. Dorward:** Okay. Thank you.

On page 156 of the government estimates – I'm referencing the line under Cash Required for Capital Spending – the transfers from the government of Canada, I noticed, are wobbly, I guess you could say, in terms of the estimate versus the actual, probably for a good reason. We don't know exactly what programs are going to come up over time. I'm not looking for anything specific here but just an overall comment. How does this system work with transfers to the government of Alberta? Are we taking advantage of all of those that we can, and are we collecting the money on a timely basis from the federal government? Just some general comments about how that system works.

**Mr. Drysdale:** Well, transfers from the government aren't always consistent. In this case most of that is due to the RAM, or the



Royal Alberta Museum. The federal government is going to transfer, I think, \$122 million total for that project, so this is the progress payment as that goes on. That's a big chunk of that.

**Mr. Dorward:** Good. Minister, jump to just above that on the same page. Any time I see an other revenue item, I'm a little bit concerned when it's a dominant number, if you will. I'm on page 156 of the estimates. Other revenue is forecast to be \$170 million. I see the word "other." I recognize I'm kind of throwing you that one as a bit of a curveball here. You've got all those staff scurrying in the back. Glad they came. I don't know if that's a fair question on the spot or if you want to get back to this.

**Mr. Drysdale:** No. It's a fair question. Actually, they are giving me the same answer I thought of. It's mostly due to Parsons Creek in Fort McMurray. We're developing some land there. I think you know of the issues. They can't get enough land in Fort McMurray, so Infrastructure is developing an area called Parsons Creek. We'll be selling off those lots. So that's that. Well, \$150 million of it is from Parsons Creek.

**Mr. Dorward:** Okay. Great. Awesome. I don't know; in the future maybe have a bullet or an explanation or something on a number that big. Just a little bit of feedback.

Results-based budgeting. You did mention that. You're not in the stream for this year. The Premier has announced that it will be accelerated. Are you working towards that? I sit on one of those committees, and I understand the value for Albertans that's coming out of that process. How is your ministry reacting to that work that's coming out?

**Mr. Drysdale:** Well, that's exactly right. That's why I said that, with looking at our asset management, we want to get ahead of results-based budgeting. That's why we're reviewing it now. Probably about a year from now or next year we'll be getting into it. We want to do our work and make sure we're confident that when we go to our results-based budgeting, we'll have the proper assets that we need. We're just trying to get ahead of it, and then it will be a three-year cycle after that. We've already started preparing for it, and this asset management is the main piece of it.

**Mr. Dorward:** Okay. Thank you.

Could I refer you to page 150 of the estimates, line 7.1, leases. There's a lot of money, \$205 million, in that line item. You know, I'm a professional businessperson, a chartered accountant who has dealt with clients in the past that owned buildings, and I know how interesting an area it is to work in. I'm going to ask a specific question, Minister, but I realize you may need to get back to me on this because it is fairly specific. It's relative to the BOMA measures. Does the province of Alberta use BOMA as its measure when it gets involved with a private landlord on a building? Can you give me some comfort, if you will, as to the process that's involved in your ministry about securing leases and making sure that we're not overpaying?

You may hear out there: "Let's get a government tenant. They pay more." I don't like to hear that. I like to hear that we're paying competitive rates and that we're using industry standards out there and not causing differences in a particular building about what standards we're using to measure things versus what industry uses, which typically is BOMA, for example.

11:30

**Mr. Drysdale:** Well, you're right, and that's why we're looking at it. You know, we've got 964 leases or something altogether. Yes, we do use BOMA. I was trying to remember the acronym of that,

Building Owners and Managers Association, I guess. It's kind of the industry standard, and we definitely use that and work towards that standard. It's a good tool to use, and it makes sense. But leases go up, and as I said, as the other departments do their results-based budgeting, they might find reductions and that they're going to need less space.

I don't know if I should say this out loud today, but when we get to move to the federal building, we're going to have the Annex and the old Terrace Building empty, and I'm kind of wanting to use them for a couple of years temporarily as a holding. You know, in lease spaces you're into a lease. To cancel out of that or get out of it early is usually not that efficient. As leases come up, we might move them into some of these other spaces and get a plan to amalgamate and be more efficient. If you don't have a place to move them to, you've almost got to renew the lease.

I haven't talked to my department yet, but we'll use the Terrace Building or the Annex kind of as holding cells for a few years to get everything grouped together and cancel out of some of the leases. But don't put the headline out: we're cancelling leases in downtown Edmonton. That's not the intent here. But we'll be making it more efficient and be able to manage these leases. That's part of our RBB, our results-based budgeting, and the asset management that we're starting to work on tomorrow, and it's probably going to take at least six months.

**Mr. Dorward:** Thank you.

I've heard the word "reprofiling" at times, and it's a bit of a scary word in the sense that I philosophically believe that a government, if it can save a nickel, shouldn't spend the nickel somewhere else. When I hear the word "reprofiling," it kind of sounds like that a bit: we saved a million dollars, so we're going to go blow it over there instead of tucking it away for the future. Is that reprofiling? I have a specific question, so I'll just read it. In recent years the term "reprofiling" has been used in describing changes to the cash flows of existing capital projects. What does the term really mean, and can you provide an example of a reprofiled project?

**Mr. Drysdale:** As I said earlier today, a lot of projects are announced with a number without all the planning done. Maybe they announce a project, put a dollar value to it, and then they spread that out over four years or whatever. But once you actually do the functional plan, get the design and the tenders done, then you know more about the cash flow. Maybe this year you only spend so much. Instead of dividing a project up into four years, the first few years you don't spend as much, and then it ramps up. So you reprofile. I think a lot of the dollars are all budgeted evenly, but in reality it gets pushed back. It doesn't always mean the project will take longer. It's just the cash flow of when the money is spent throughout the term.

Sometimes it does mean that the project gets extended. I know a great example. I keep using it because I live and breathe that thing every day. The Grande Prairie hospital, you know, was announced two years ago, and it's still slow going. That money has been reprofiled because two years went by, and they haven't done that much yet.

**Mr. Dorward:** So more of a timing issue than a spending-somewhere-else issue.

**Mr. Drysdale:** Yeah. Until you have those planning dollars, like we said before, and until you have the functional plan and the design and you know that this year you're going to be tendering

out this piece of it, once you get to that point, where you know the exact timing, then you reprofile the dollars so the cash flow matches it.

**Mr. Dorward:** All right. Thank you, Mr. Minister.

I am aware – and it's something that I live and breathe in terms of my CA side of the world – that a P3 is debt in the sense that you've asked and funded an organization to go out and find capital to build a project. Accountancy some time ago discovered that off-balance-sheet funding like this was not something that was appropriate to have unless it was fully disclosed, which means that the government of Alberta's financial statements have had to disclose P3 debt for some time. I think the date is about seven or eight years ago that we indeed started to do more P3 funding.

Can you confirm, Mr. Minister, that P3 is debt? It has been on the books for some time. If individuals in the Assembly use the term "back-in-debt budget," the fact is that we've been in debt with capital projects for about eight years. So if we're back-in-debt budgeting this year, perhaps that's been the case for the last eight years. Can you confirm what I'm saying there?

**Mr. Drysdale:** Yeah. You're exactly right. People have said that P3s are a way to hide financing. Well, that's not true. We've always booked the debt right away. P3 is another form of borrowing, and we've never tried to hide that fact.

**The Chair:** Thank you, Mr. Minister. Thank you, Mr. Dorward.

Now the specified rotation between caucuses is complete, and we move to the second portion of our meeting, where any member may speak and the speaking times are reduced to five minutes at any one time. Once again, a member and the minister may combine their speaking time for a maximum total of 10 minutes.

I would recognize Mr. Barnes.

**Mr. Barnes:** Thank you very much, Mr. Chair. Thank you again, Mr. Minister. Sticking with P3s, there could be a lot of operating costs attached to all these P3s. I understand it's what got Great Britain, especially, in trouble over their schools and their care centres. What plans does the government have to pay for the operating costs of new infrastructure projects once they're built? Of course, operating costs generally increase as the infrastructure ages.

**Mr. Drysdale:** That's the good thing about P3s. The maintenance cost is in the P3, so that's fixed. It's in there. The cost of that P3 is known up front, and they look after all the maintenance over the 30-year life of the project. All of our debt is taken out first. On our expense side the first line you'll look at is debt-servicing costs, which includes P3s. Each department, when they build something, has to build in the repayment cost. Like you said, the maintenance part – that's what I like about P3s. There is no deferred maintenance. It's part of the contract, and if they don't live up to it, I guess we don't have to finish paying for it. You've actually got a hammer over them.

**Mr. Barnes:** So it's incumbent on your department to have a good feeling up front of what the maintenance costs will be down the road and then have some monitoring, obviously.

**Mr. Drysdale:** Exactly. You know, when they do that public-sector comparator up front, that's part of it. I mean, it's not just the building. It's what it's going to cost you to maintain that building. That takes in part of that public-sector comparator. We know what the maintenance costs are going to be over the life of

it, so it's all figured into it. We're guaranteed that that maintenance is going to be spent on that building.

I questioned when I first got into this: why would we do the financing part? We can borrow. Why don't we just get them to do the P3 without the financing? But if you did that, you wouldn't have the hammer to make sure they did the maintenance. If it was all paid for up front and they didn't do the maintenance, then what? In this way, with the financing, that other partner in there, the banker or the finance guy, is going to make darn sure the maintenance guy does his work. Otherwise, they don't get paid. It won't be the government after them; it'll be the finance guy.

**Mr. Barnes:** Okay. Thank you for that answer.

The South Calgary campus hospital and health centre: originally announced and, I think, budgeted at \$552 million, up to \$1.41 billion, and now back down to \$1.31 billion. What do you think the final total cost for the current round of construction on this facility will be? Again, we're hearing rumours of cost-plus contracts at the end, which, you know, are very, very hard to control and can cost the taxpayer a lot of money.

**Mr. Drysdale:** Well, that goes back to where we were earlier. The project was announced with a number, and they didn't know what the functional plan was, so that was the big problem. When the project was first announced, just like they've done in the past, they stuck a number to it, but they didn't have a functional plan for that hospital. Once they did the functional plan and the design, they said, "Oh, it's going to cost us \$1.4 billion," I think it was. You know, originally it was \$500 million. Well, they're not the same buildings. Where they got that \$500 million from without a functional plan and a design – that's why we're doing it differently now. We're doing the planning dollars. So once they did the functional plan and the design, they were able to come up with that \$1.4 billion, which was a good number, then, based on some facts.

The project is pretty well finished, and we know that the total project cost, I think, is going to be \$1.22 billion or something. We're actually coming in a hundred million under budget in savings. That original \$500 million wasn't a real number. They didn't even have a functional plan for the project.

*11:40*

**Mr. Barnes:** So in the future can we count on no announcements without the planning being done and closer to what the final cost will be?

**Mr. Drysdale:** If I have anything to say about it. Just like with the Calgary one, they were wanting to put a number on that. I said: don't do that; put the planning dollars in. You know, you could take a guess. We know that the Calgary cancer centre is going to be over a billion dollars, but I'm not saying \$1.3 billion or \$1.8 billion. Let's put the dollars in.

I think that Whitecourt is another good example. They wanted a new hospital in the budget, and the MLA from there was upset that it wasn't. We put \$10 million in for planning, but it's going to take two years to do that work. You know how that goes. Then once that planning is done, when we do budget for the project, we'll have a real number.

**Mr. Barnes:** Okay. Yeah. You're jumping ahead to one of my other questions.

**Mr. Drysdale:** Oh, sorry.

**Mr. Barnes:** I appreciate that.

So the \$10 million, the two \$5 million, is for planning?

**Mr. Drysdale:** Exactly.

**Mr. Barnes:** Do you guys have any thoughts on what the final project is going to be?

**Mr. Drysdale:** There you go again. If I said \$200 million and it was actually a billion, then we'd be criticized for not knowing what we're doing.

**Mr. Barnes:** Most importantly, is it going to be in next year's three-year capital plan? Is it going to be done? Are you going to plan and not do it?

**Mr. Drysdale:** Well, that's the idea. To spend planning dollars, especially in any kind of amount – you know, the same as with the cancer guys. They're happy to see those kinds of planning dollars put in the budget because you're not going to spend that kind of money planning it if you're not serious about building it. I mean, who knows if the sky falls next year? But when you're spending that kind of money planning, we've got full intentions of building.

**Mr. Barnes:** Okay. I want to talk a little bit about innovative ideas and other ways to do things. Has your department looked at more efficient ways to build schools in Alberta? We've looked at Saskatchewan and Nova Scotia. Those two provinces are building schools at lower cost by quite a margin. Of course, we've talked in the Wildrose debt-free capital plan about letting developers build schools in their subdivisions and residential areas. They would do it to help sell lots. Of course, that would have the problem of having to operate and run those schools, but it would save Infrastructure and the taxpayer some money. Do you have any thoughts on looking at different ways to build schools, saving some money and maybe letting some more private money be involved?

**Mr. Drysdale:** So you're wanting private guys to build schools? Is that what you're saying?

**Mr. Barnes:** What if the guy is going to sell a thousand lots in a subdivision, and to entice people to buy the lots, he says: I'll put a school in here. So he comes to the government of Alberta and says: I'll build the school. Of course, we would have to operate it.

**Mr. Drysdale:** Yeah. They would have to have agreement with Education to do that. Otherwise, you'd have people building schools all over that we couldn't afford to operate.

**Mr. Barnes:** Yeah. And I presume you'd have to have some controls and checks on how the construction was, too.

**Mr. Drysdale:** Well, that's right, especially if we were going to take it over. If they were going to maintain and run it and operate it, that's one thing, too. So there's a lot. You know, we've talked about that, too. There's some thought there, but you'd have to be very careful. You'd have to make sure that you're comparing apples to apples when you compare schools. I don't know if they would actually be able to build them any cheaper.

I know that Saskatchewan is coming over to talk to our P3 specialists about how we build schools because, actually, Alberta, I think, is the only province in Canada that actually builds schools using P3s. Lots of them build hospitals. That's something we haven't done yet that we want to look at. I know Saskatchewan and Ontario and B.C. are coming to talk to our experts about how

we did the P3 schools because they're a model, they say. Alberta is a leader in building P3 schools, and we're building them cheaper than Saskatchewan. They're setting up, I think, a Crown corporation or something over there now to do their P3s. You know, that's how they usually do things.

**Mr. Barnes:** Okay. We've just noticed, though, that they have been building individual schools, and as you were saying earlier, you're not building all your schools through P3, so possibly there's a way to save the taxpayer some money.

**Mr. Drysdale:** Oh, yeah, I think that's a real possibility, but they would have to work through Education, of course. They'd have to have permission to build them because they'd have to run them, operate them. I think that's a good idea. It's something we need to look at, but it's going to take some changing of the way people do things to make sure that happens.

**Mr. Barnes:** Thank you.

Back to the federal building, if you don't mind. Has Infrastructure ever thought about selling it, putting that priority money somewhere else, into schools and health care? If it cost us \$350 million, I don't know what we could sell it for, but possibly there's a market for it. If you could touch on: did we not foresee the extra structural costs, and are the extra structural costs in the building related to some of the stuff that's being done, you know, up top, and some of the more elaborate things I'm hearing about the building?

**Mr. Drysdale:** Well, I don't know if we could go there. You know, you can never foresee when you go into a building that's that old. It wasn't that the structural costs added to it but the fact that it dragged out the project and then costs from other bids. It was because of the structural costs, but not exactly to that structure. Because it dragged the project out a couple more years, then bids on the plumbing and the rest of it went up as well. So it's something you can never foresee.

I mean, we tried to sell the building before. Of course, nobody would buy it because of the deficit. It costs more to tear that thing down than what the property is worth, I'm sure. So I don't know if you're saying that we should finish it and then sell it.

**The Chair:** Thank you, Mr. Minister.

Ms Olesen, you have five minutes, but if you would like to combine your time with the minister, you go for 10 minutes.

**Ms Olesen:** If that would be okay with the minister, I would like to do that. Thank you.

I think your budget has really done a good job of still building Alberta and being very proactive in avoiding further infrastructure debt. We're getting down to brass tacks here and getting things done. I guess my question is still about P3 projects. They're innovative, and they're good for us. I was able to tour Archbishop Jordan Catholic high school in Sherwood Park. That was one done on a P3. You mentioned that some of the savings is related to kind of bulk purchasing, like for carpets and that, but the other thing that I was really impressed about is that the architecture and the design is used over and over again, which is a huge savings. I guess if you would be able to share with me some other advantages with the P3 in kind of doing the bulk purchasing and where you see that going with the schools in the future.

**Mr. Drysdale:** Well, yeah, it's a great school and done as a P3. You know, some people say that P3s are locked in, that they don't fit in the community and are not flexible. That's a great example

of a project that was done as a P3. Their football program: they have the provincial finals there. The municipality partnered in there as well. They were a big part of it. They put a lot of money into the football field and the development. Just because it's a P3, it doesn't mean you can't add on in the community. The core design is solid and is used all over, so we're not redesigning that, but that doesn't mean they're all exactly like a cookie cutter. That one is a good example of a school. I think the culinary program, the kitchen . . .

**Ms Olesen:** Yes, you're right.

**Mr. Drysdale:** NAIT would drool. Somebody from NAIT said: we wish we had that kitchen in NAIT.

It's a P3 that's a standard core design, yet they're all individual. The football and the culinary programs are different from any other school in Edmonton. P3s are flexible, and you know, we do get value for our money in P3s. That's the thing about a P3: they're big. We did 12 projects last time. We know the savings are big. We know we saved \$40 million. But to say that we saved \$10 million on carpet or so much on furniture or whatever, financing: we can't say that because that's their secret. They bid, and they came under the public-sector comparator. All we know is that we're saving \$40 million. We're getting very good products, and they're being built on time and on budget, and we're getting our kids into them faster. I think it's a win-win situation. After saying that, I'm still saying that P3s aren't for every school and every project, but they've got a great place. They're a great tool to use.

11:50

**Ms Olesen:** You mentioned earlier that your split was that 12 out of 35 of the last schools were P3s. Do you see the split being kind of the same or doing more P3s as we move forward?

**Mr. Drysdale:** Well, I would think it might be, but we'll compare each one. We'll go through it. The bundles have to work together, and we've got to get value for the dollar. If they don't show that we're actually coming in under the public-sector comparator and that we're getting value for our dollar, we won't do a P3. The only way we'll do them is if we're saving some good money on them.

**Ms Olesen:** Okay. What other P3s are included in our budget for 2013? Are there any that you can think of?

**Mr. Drysdale:** Well, probably one of the ones that I'm really excited about is that we're doing a water/waste-water project in Kananaskis. I'm trying to think of the name. Evan-Thomas they call it. To me that's a perfect example of a P3, where you can do a design/build/maintain and actually operate it. I don't know if anybody here has the experience, but especially when you get into smaller rural municipalities, they all have trouble. They have to operate their own water and waste-water facilities, and there are only so many experts in the province that have that. Environment has some great standards, but they have to meet them with these operators. These small communities have to get an operator to operate that facility. It's not a full-time job, you know, so to have a P3 contractor come in and build, maintain, and operate it – they have the expertise because they operate other facilities – they'll operate that facility to the top standards whereas the municipality would have trouble doing that. To me it's a perfect example. Plus the government of Canada also gave us \$10 million for the project in federal funding.

I think that's the only one ever done in Canada, a waste-water/water management project as a P3, and to me it's even a better fit than schools.

**Ms Olesen:** You mentioned that Saskatchewan was going to be coming to talk to us about P3s. Are there other jurisdictions that use P3s besides us?

**Mr. Drysdale:** Well, I think that in the next few weeks or sometime shortly Yukon is coming to talk to us as well, and I know Ontario is. Actually, in the spring – I don't know the dates – they're having a P3 conference in Edmonton, Alberta, for Canada.

Other jurisdictions have done P3s with hospitals. Ontario has done a lot. So, you know, I think we really need to look at that when it comes to the new cancer hospital. But nobody has done schools like we have, so they're all coming to see how we've done the schools, and that school out there in Strathcona would be a great example to show them.

**Ms Olesen:** Maybe we could look at a P3 for phase 2 of the Sherwood Park hospital. That's another story.

**Mr. Drysdale:** Maybe.

**Ms Olesen:** I guess my question, then, is on the role of the private partner in the P3 partnership. It's maintenance, but what else do they do?

**Mr. Drysdale:** Well, each one is different. I mean, there is design/build/maintain/operate/finance, DBMOF, or whatever all of that is. But they don't all have to include operate; most of our schools don't. Like, the janitors are still done by the school boards. They're design/build/finance/maintain the structure, the roof and all of that, but not operate.

**Ms Olesen:** So the janitor, then, is paid by the school board to maintain.

**Mr. Drysdale:** Exactly.

**Ms Olesen:** It's more the capital maintenance route, like you say.

**Mr. Drysdale:** Right. The building, the structure, is maintained by them. So like in the Evan-Thomas, where they can actually operate it, that's what really saves the municipality. You know, to have them operate a school, I don't know if that would work as well, but it's flexible. You can take whatever piece of that you want except, I found out, maybe not the finance. It wouldn't be wise not to have the finance in there. I thought about that at one time, but it'd work differently.

**Ms Olesen:** So to build hospitals through a P3, would Alberta Health Services or would the minister – who would take the lead in looking at doing that?

**Mr. Drysdale:** No. Even the way it is now, Alberta Health decides what facilities they want built, and then they turn it over to Infrastructure to build them. So we'll be building them. What method we use to build them, whether it's a P3 or a design/build, is up to Infrastructure. It won't be Alberta Health.

You know, I'm really hoping we can do the new Calgary cancer with a P3, but I'm not going to be stuck into saying that we are doing it that way because that sets up expectations that we might not be able to fulfill. It still has to prove value for money before we would award it. To say that it's going to be a P3 without making sure it saves us money would be irresponsible as well.

**Ms Olesen:** So that's a criteria, then, that it has to save money?

**Mr. Drysdale:** Exactly. Or we won't do it.

**Ms Olesen:** Okay. Well, thank you.

**The Chair:** Good.

Mr. Fox.

**Mr. Fox:** Thank you, Mr. Chair.

**The Chair:** Would you like to combine with the minister?

**Mr. Fox:** I'll combine with the minister.

I've enjoyed listening to these estimates. I do have a couple of questions for you. One is around the cost of workspace within the government. I'm wondering what you target as an average cost per workspace when you're either acquiring or building new infrastructure for government employees.

**Mr. Drysdale:** I assume you mean office space.

**Mr. Fox:** Office space, workstations.

**Mr. Drysdale:** You know, we have standards for office space. We look at the private-sector standards as well. I don't think they're any different than a business downtown would be.

**Mr. Fox:** So with a business downtown there would be the assumption, then, that they're spending about \$583,000 per workspace when they're building or renovating.

**Mr. Drysdale:** The private downtown?

**Mr. Fox:** Yeah. I'm asking if that's what it is that you're seeing in the private numbers.

**Mr. Drysdale:** Not per workspace. No. No, it wouldn't be \$500,000 per workspace.

**Mr. Fox:** So the federal building you said is going to house about 600 employees?

**Mr. Drysdale:** Yeah.

**Mr. Fox:** And it's a cost of \$350 million.

**Mr. Drysdale:** Yeah. But that's more than office space for employees. There's a parkade, there's the public entrance, there's a museum in there, there are restaurants, there's a theatre for all of the school kids that will work through there now as well, and there's the front entrance, where there'll be, you know, water fountains and skating rinks and all of that. It's not just a building for government employees; it's the face of the Alberta Legislature to the Alberta public. If you come there as the public, that's how you'll enter the Alberta Legislature from now on. It's part of the downtown redevelopment. You know, it actually won an award.

**Mr. Fox:** Will the general public have access to the other features like the rooftop garden?

**Mr. Drysdale:** That'll be for hosting spaces for government. There will be some. I mean, it's not open 24/7 or anything like that, but there will be public receptions up there as well. A lot of that like the caucus room and the cabinet room is up there, so it's all government space. The hosting is a pretty small part of it.

**Mr. Fox:** So you're moving all of that out of the Legislature Building, then?

**Mr. Drysdale:** No. It's actually over at Government House now, or some of it is over at Government House. The cabinet room is here, but it's small. We usually go to Government House if we have more than an hour or two because it's more crowded here.

**Mr. Fox:** Thank you.

I know that there's another member here who wants to ask a question, so I'm going to ask really quickly about the school situations. You mentioned that there are schools that are at 120 per cent capacity. That's what you're looking at. Do you have a list that you could provide to the committee on the schools that are at 120 per cent? I mean, I know myself that we've got a school in Blackfalds that is well over capacity, and I don't see it on your website. I don't see anything listed about any new infrastructure within the town in regard to that, so I'm wondering if there is indeed a public list of the schools that are at or above 100 per cent utilization.

**Mr. Drysdale:** Well, that would actually be in Education, but I know that even the school boards have that. I've gone to all of my school boards, and you can see the utilization rates of all of their schools. I know you'd have access to that, and Education has it as well. I mean, it's not necessarily Infrastructure. Education comes to us and says: this is the school that we'd like you to build for us.

**Mr. Fox:** Yeah, I know. The one that we're looking for in Blackfalds has been on the capital plan for three years now.

*12:00*

**Mr. Drysdale:** Well, I've seen the list just because they've sent it over.

**Mr. Fox:** Would you be willing to make that public?

**Mr. Drysdale:** Not till we can announce it, no.

What I was going to say was that the utilization rate is on there. You're right; they're high. But as you get down the list, they get lower, so they're being built on utilization. You know, health and safety is number one. There are a few of those projects. Then they use the utilization rate next. You'll see that. As quickly as we get this budget passed, early in May, I would think . . .

**The Chair:** Thank you, Mr. Minister. Thank you very much. I'd like to thank the minister and his staff and thank all of the research staff that we have with us today and all of the assistants.

I apologize for the interruption, but I must advise the committee that the time allotted for this item of business has concluded.

I'd like to remind committee members that the next two meetings scheduled for the Standing Committee on Alberta's Economic Future are this evening from 7 to 10 p.m. to consider the estimates for the Ministry of Enterprise and Advanced Education and Monday, April 15, 2013, from 7 p.m. to 9 p.m., to consider budget estimates for Executive Council.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 12:01 p.m.]





