



Legislative Assembly of Alberta

The 27th Legislature
Fifth Session

Standing Committee
on
Finance

Department of Infrastructure
Consideration of Main Estimates

Tuesday, March 6, 2012
6:35 p.m.

Transcript No. 27-5-2

**Legislative Assembly of Alberta
The 27th Legislature
Fifth Session**

Standing Committee on Finance

Renner, Rob, Medicine Hat (PC), Chair
Kang, Darshan S., Calgary-McCall (AL), Deputy Chair

Allred, Ken, St. Albert (PC)
Anderson, Rob, Airdrie-Chestermere (W)
Drysdale, Wayne, Grande Prairie-Wapiti (PC)
Fawcett, Kyle, Calgary-North Hill (PC)
Hinman, Paul, Calgary-Glenmore (W)*
Knight, Mel, Grande Prairie-Smoky (PC)
Mitzel, Len, Cypress-Medicine Hat (PC)
Prins, Ray, Lacombe-Ponoka (PC)
Sandhu, Peter, Edmonton-Manning (PC)
Taft, Dr. Kevin, Edmonton-Riverview (AL)
Taylor, Dave, Calgary-Currie (AB)

* substitution for Rob Anderson

Department of Infrastructure Participant

Hon. Jeff Johnson Minister

Support Staff

W.J. David McNeil	Clerk
Shannon Dean	Senior Parliamentary Counsel/ Director of House Services
Robert H. Reynolds, QC	Law Clerk/Director of Interparliamentary Relations
Giovana Bianchi	Committee Clerk
Corinne Dacyshyn	Committee Clerk
Jody Rempel	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications and Broadcast Services
Melanie Friesacher	Communications Consultant
Tracey Sales	Communications Consultant
Philip Massolin	Committee Research Co-ordinator
Stephanie LeBlanc	Legal Research Officer
Rachel Stein	Research Officer
Liz Sim	Managing Editor of <i>Alberta Hansard</i>

6:35 p.m.

Tuesday, March 6, 2012

[Mr. Renner in the chair]

**Department of Infrastructure
Consideration of Main Estimates**

The Chair: Good evening, everyone. I'm going to call this meeting to order. I want to welcome everyone to the meeting tonight. We are considering the estimates of the Department of Infrastructure for the fiscal year ending March 31, 2013.

Some housekeeping just before we get into introductions and the rest of the evening. I want to remind everyone that *Hansard* has control of the microphones, and it will not be helpful if you try and turn them on and off yourself. They are all controlled from the back of the room, so keep that in mind as you're going.

I'm going to ask, Mr. Minister, if you would introduce your staff, and then we'll go around the table and have the committee members introduce themselves.

Mr. Johnson: Okay. We have Deputy Minister David Morhart; Diane Dalgleish, assistant deputy minister of capital projects; Rod Skura, our chief financial officer; Tom Bradley, my executive assistant; John Enns, our assistant deputy minister of properties; Alan Humphries, assistant deputy minister of policy and corporate services, and we share him with Transportation; Sandra Klashinsky, our executive director of the oil sands secretariat; and Cam Traynor, our director of communications. I see that we've got a couple of the folks from the finance branch here as well. Ray Lok, Helen Zhu, and Nicole Larner are in the back. Welcome.

The Chair: Great. Thanks very much.

Now I'll start with Mr. Kang. We'll just go around the table and have the committee members introduce themselves.

Mr. Kang: Good evening, everyone. Darshan Kang, MLA, Calgary-McCall, Infrastructure critic for Her Majesty's Loyal Opposition.

Mr. Sandhu: Good evening. Peter Sandhu, MLA, Edmonton-Manning.

Mr. Fawcett: Kyle Fawcett, Calgary-North Hill.

Mr. Hinman: Paul Hinman, Calgary-Glenmore.

The Chair: I'm Rob Renner, Medicine Hat.

Mr. Mitzel: Len Mitzel, Cypress-Medicine Hat.

Mr. Prins: Ray Prins, Lacombe-Ponoka.

Mr. Drysdale: Wayne Drysdale, Grande Prairie-Wapiti.

Mr. Allred: Ken Allred, St. Albert.

Mr. Knight: Good evening. Mel Knight, Grande Prairie-Smoky.

Mr. Chairman, if I might ask a question of you. Is there any noise abatement rule relative to snoring here?

The Chair: The chair will draw it to the attention of the offending member.

Mr. Knight: Thank you.

The Chair: Just before we turn things over to the minister, there are some rules of engagement that need to be read into the record. I'd ask everyone to pay close attention.

Government Motion 6 and Standing Order 59.01(4) describe the sequence as follows: the minister or member of the Executive Council acting on behalf of the minister may make opening comments not to exceed 10 minutes; for the hour that follows, members of the Official Opposition and the minister may speak; for the next 20 minutes members of the third party, the Wildrose, if any, and the minister may speak; for the next 20 minutes members of the fourth party, the New Democrats, if any, and the minister may speak; for the next 20 minutes members of any other opposition party represented in the Assembly or independent members, if any, and the minister may speak; and any member may speak thereafter.

Committee members, ministers, and other members who are not committee members may also participate.

Department officials and members' staff may be present but may not address the committee.

Members may speak more than once; however, speaking time is limited to 10 minutes at a time.

The minister and a member may combine their time for a total of 20 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.

Three hours have been scheduled to consider the estimates of the Department of Infrastructure. If debate is exhausted prior to three hours, the department's estimates are deemed to have been considered for the time allotted in the schedule, and we will adjourn; otherwise, we will adjourn at 9:35 p.m. We have five minutes added onto the end.

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

Vote on the estimates is deferred until consideration of all department estimates has concluded and will occur in Committee of Supply on March 13, 2012.

I think that is all that needs to be said. There were no amendments submitted in advance. Amendments are required to be in writing and in advance. None were received by the chair.

I will now invite the minister to begin your remarks. You have 10 minutes, sir.

Mr. Johnson: Thank you, Mr. Chair. I'm pleased to be here today to review the 2012-13 Alberta Infrastructure estimates.

The Ministry of Infrastructure works with partner ministries, boards, agencies, and other stakeholders to build and upgrade government-supported infrastructure, including health facilities, schools, and postsecondary institutions.

The ministry also delivers major government-owned capital projects, provides accommodation services, and manages a large portfolio of owned and leased facilities for other government departments. 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.

In addition, we manage land acquisition for the Edmonton and Calgary utility corridors, and we co-ordinate responsible growth and management of the province's oil sands regions through the Oil Sands Sustainable Development Secretariat, which was created in 2007 and moved over to our ministry in October.

Our Premier's vision is about reaching our full potential. To ensure we reach our full potential, our government will target three priority areas: investing in Albertans and Alberta's future by supporting healthy and strong families and communities; securing Alberta's economic future by making strategic investments in both human capital and infrastructure to strengthen Alberta, grow our knowledge-inspired economy, and improve Alberta's

competitiveness in the global marketplace; and third, developing our natural resources responsibly to protect our environment and to grow our markets.

These three priority areas are aligned with Infrastructure's goals of safe, innovative, cost-effective, and sustainable public infrastructure; safe and cost-effective accommodation; and responsible growth and management in the oil sands. The resources provided in this budget will allow us to continue to achieve these goals. Budget '12 provides Infrastructure with over \$1.2 billion in voted expense in '12-13. This is a net reduction of \$52 million, or 4 per cent, from '11-12.

Within this budget we are committing over \$692 million for the planning, design, and building of health capital projects in '12-13. The operations and maintenance of government buildings, Infrastructure's program expense, is over \$459 million, a \$28 million increase from '11-12. This increase is necessary to meet operation pressures associated with new buildings being added to the government buildings portfolio such as the Edmonton Remand Centre.

With this budget we are committing nearly \$390 million in capital investment in government facilities. This investment is visible in the many innovative projects that are under construction or in the planning stages across this province that will provide more classrooms, improve access to health care for Albertans, and support community infrastructure.

One of the major projects currently under way is the new 2,000-bed Edmonton Remand Centre, which is the largest government-owned building project ever undertaken by the government of Alberta. Funding allotted to the remand centre in 2012-13 totals about \$50 million dollars. This remand centre is an example of the priority that the Alberta government places on safe communities and providing Albertans with the most advanced infrastructure in North America. We anticipate it will be fully operational in early 2013.

There is also \$59 million in the '12-13 budget in funding allotted for the new Royal Alberta Museum, which is to be completed in the fall of 2015. This project is expected to cost a total of \$340 million, with about 122 and a half million dollars of that coming from the federal government. The museum will include 36,000 square metres of space, including an interactive children's pavilion and a gallery for international exhibitions. It will have enough space to display artifacts from both the museum's human history and natural history collections. The new Royal Alberta Museum in the Edmonton arts district will help make our history and natural wonders more accessible to Albertans and to visitors.

In total in terms of capital projects there are currently close to about 30 health capital projects on the go, totalling about \$4 billion; over a hundred postsecondary projects, totalling about \$3 billion; and just completed or under way in terms of education are about 88 projects worth about a billion dollars.

As we talk about health, some of the key health capital projects for '12-13 include the Fort Saskatchewan health centre being completed very shortly; the south Calgary health campus, which will be opening its doors this summer; the Strathcona community hospital, phases 1 and 2 to be completed by summer 2013 and summer 2016 respectively; the Foothills medical centre; the Red Deer cancer radiation centre; the Medicine Hat regional hospital; the Shields health and education centre in Grande Prairie; and the Chinook regional hospital in Lethbridge, to be completed by the spring of 2015.

6:45

Funding for health facilities is spent right across Alberta and benefits all Albertans. Health and Wellness and Alberta Health Services remain responsible for identifying capital needs while Infrastructure manages the design and the construction process. This allows each organization to focus on their area of expertise, ensuring Albertans get the quality health facilities they expect and deserve.

The Oil Sands Sustainable Development Secretariat receives stable funding of over \$3 million to continue to lead the government's collaboration with industry, communities, and stakeholders to address social infrastructure, environmental and economic opportunities and challenges related to oil sands development in the Peace River, Cold Lake, and Athabasca oil sands areas.

A line from the recent throne speech really hit home with me, and it is that "history has shown us that short-term focus can result in long-term problems." In other words, today's short-sighted decisions become tomorrow's long-term problems. That's why Premier Redford's focus at all times has been on making decisions today with a lens on what the province will need decades from now. It's the same focus previous leaders had in Alberta. Premier Lougheed and his government had the courage to make strategic decisions with their sights set on what Alberta would need in future generations.

Everywhere we look, there are countless examples of how we're benefiting today from the long-term vision of previous generations and, in particular, when we look at infrastructure, from decisions like setting aside land for the ring roads 40 years ago. Where would we be today if we had not made those decisions, investments in the oil sands? Where would our economy be? I think of a constituent I have, Athabasca University, which was started about 40 years ago with a team of about half a dozen academics tasked with starting a distance education or correspondence school, and now it's one of the largest and premier advanced e-learning and distance learning institutions in the world. We have a responsibility to do the same for our next generation. We are considering the decisions we're making today and the impact that they'll have 30 years down the road or beyond.

We also believe continued investment in infrastructure has several tangible benefits for the province today. The first benefit, of course, over the last several years has been that it's kept people working. Since 2008 over 70,000 Albertans have been kept working annually because of our strategic investment in infrastructure and our desire to continue to invest in new roads, schools, and hospitals across the province. Every billion dollars spent on infrastructure, we know, keeps about 10,000 people working and building infrastructure, this infrastructure that we need to meet the requirements of tomorrow.

The second benefit of continued capital investment over the last several years is that we've been helping keep skilled workers in the province, giving the industry and the province the capacity it needs as the economy comes back. Much-needed labour has remained here, remained at home, rather than leaving the province looking for jobs elsewhere. Throughout the global recession Alberta's unemployment rate remained very low, below 7 per cent. These workers will be vital in the future years ahead as our province's economy continues to grow.

The third big benefit of the strategic and large capital investment that we've seen over the last several years is the great value that we've been getting for taxpayers. We know that some of the projects have been coming in 10 to 40 per cent lower in 2009 and '10 than they were two or three years earlier. We've made very

good use of taxpayer dollars by investing through these last years, and we want to continue doing that.

The fourth benefit, of course, is that building this infrastructure is building a platform and a good economic foundation going forward for Alberta businesses and entrepreneurs. Building infrastructure now encourages economic growth in communities because when there's quality public infrastructure in communities, businesses can more easily attract employees, can invest, grow, and create jobs. Our province continues to attract more and more Canadians and people from around the world to our province. We need these schools, roads, hospitals, and other public buildings to support them and to provide the services that they need. People that move here – and many people are moving here – don't bring their roads, schools, and hospitals with them.

Our government understands that first-rate infrastructure is critical to maintaining a high quality of life for all Albertans, not just today but for generations to come. It's the kind of life that attracts and retains businesses, workers, and families in our communities. The simple fact is that communities demand a growing number of quality schools, hospitals, seniors' facilities, and other public buildings for their children and their loved ones. To prepare our children for the workforce of tomorrow, we need to ensure that they have excellent facilities to learn in. Families deserve quality medical care in well-designed hospitals and clinics, seniors deserve facilities that support their quality of life, and communities deserve thoughtfully designed public buildings.

The Chair: Thank you, Minister.

We will now move on to the next segment of the agenda for tonight. The next 60 minutes are allocated to the Official Opposition. We'll conduct it in three 20-minute segments. The clock will be set, and a sound will go off in 20 minutes.

Mr. Kang, I assume you are the lead for the Official Opposition.

Mr. Kang: Yes, sir.

The Chair: Would you wish to combine your time with the minister?

Mr. Kang: We can go back and forth.

The Chair: All right. Go ahead. As I said, we'll go in three 20-minute segments.

Mr. Kang: Thank you, Mr. Minister, for the overview about the things to come. We have \$1.23 billion in expenditures, and that is about 14 per cent less – it's about \$197 million – than the budget year '11-12. It's about \$52 million, like you said, down from what was actually spent in '11-12. That was \$1.28 billion. Mostly the \$197 million reduction comes from the health facilities support, lines 2.1 and 2.2 of the estimates, page 180. This money is used to plan, design, and deliver health facilities that cost more than \$5 million, and responsibility for this money was transferred from AHS to Infrastructure in 2010. My question is: why have Alberta Health Services' new buildings been included in the Infrastructure department's budget since 2010 while funding public infrastructure is usually that specific department's responsibility?

Mr. Johnson: Well, Mr. Chair, on the reason that the capital was transferred over, last year any of the health care capital projects worth over \$5 million were transferred over to Infrastructure to manage and deliver, so from here on in the budget for any of the facilities or any of the projects over \$5 million comes straight to Infrastructure to manage.

Prior to that, once a project was approved, the funding would be sent in one lump sum, entirely capitalized in that year, to the relevant health region, and they would manage the project, but last year it was decided that those major projects would come back to Infrastructure, that Infrastructure would manage those. The simple reason is because that's our expertise. That's our core capacity, and that's what we do. It really allows the health region to focus on health and allows the expertise that we have within the Infrastructure department in terms of procurement and design and tendering, managing contracts, and doing the books on those to stay with the experts that do that every day. It was a good strategic move, I think, and that's why, you know, previous to '11-12 you're not going to see much in terms of health facilities infrastructure in the Infrastructure budget. It jumped up quite a bit because those major projects were pushed over to our ministry to deliver.

Mr. Kang: Okay. You know, that brings something else to mind. Is the government just playing some kind of game there with the Health Services budget and trying to make it look smaller by bringing it over to Infrastructure?

Mr. Johnson: No. Boy, I wish it was smaller. I wish we were building more, but I wish it was costing less. It's not costing Albertans any less. It's just a function of: who is best to deliver that infrastructure? At one point in time we had a number of different health regions, all delivering their own contracts, all delivering their own construction. Alberta Health Services still does deliver with Health and Wellness the smaller maintenance projects and anything under \$5 million, but the major projects take a lot of expertise. I mean, we're talking about some massive projects.

6:55

You look at the south Calgary campus, \$1.3 billion. The Grande Prairie project is going to be over a half billion dollars, \$550 million. These are large projects. You want to make sure that they're managed properly, and you give them to the people who are trained to do that. Within Infrastructure we have a whole raft of expertise. Anything you can imagine that's required to build and manage buildings we have within our thousand-people-strong workforce. We have 940 FTEs, but within that you've got people that have expertise in acoustics, in mould remediation, in interior design. You've got architects. You've got electrical and mechanical engineers. You've got all that expertise and not only that but in terms of managing those contracts and in terms of the procurement and the tendering.

When you're dealing with, you know, multi hundred-million-dollar projects, it makes a lot of sense to put that where the experts are, and this is where the experts are. The smaller projects are still managed on a day-to-day basis by Alberta Health Services. Typically, when we're working with the schools or we're working with postsecondary, they're not as large as some of these either. Those are staying with those particular organizations.

This is the other question you had asked us: what about the other departments? With the other departments like Education or even postsecondary, when their projects are approved, the funds would roll through to those ministries to disburse to the appropriate boards. We deliver many of the projects for Education, in particular the P3s. If we're the body that's delivering or building the school for Education, then that money will flow from the Education department to us, and we'll expend it for them as we do the project. But at the end of the day, when these buildings are finished for Health, the keys are transferred

over to Health, and that asset is transferred over to Alberta Health Services. It basically gets transferred onto their books once it's completed, and then they amortize it over time.

Mr. Kang: So by centralizing everything, like the control, what kind of savings have been realized, you know, by bringing everything under Infrastructure? Is there any dollar amount? Have we figured out what we've saved?

Mr. Johnson: You know, that's a really good question. We're just really in the first year or two of this. Once we get more of these projects under our belt, we can really have a good look back and see what kind of savings we can quantify. But I can tell you that the perception is that we're certainly saving a fair bit, and we're able to close off these contracts faster. The standardization that we're using with the contracts and with how we manage the process is gaining a lot in terms of efficiencies.

If you think back previous to the last couple of years, we would have had basically 11 different health bodies managing different projects. We did have some come back last year. What happens with Alberta Health Services is that they have a capital trust fund that the money in the past had rolled to. That's not on these books because it's on their books, the capital trust fund. When we granted them money to do projects, the money would stay in that capital trust fund until it was disbursed as they built something.

Now that we've been able to pull the projects back that are over \$5 million that are currently on the go, we've been able to add a lot more discipline to the process. We've been able to standardize the contracts, the procurement, the bookkeeping, and all those things. Last year we were able to repatriate back into government about \$53 million because of that process.

I think it's a good question, and as we go forward, we'll be able to put this under a little bit more of a microscope. We'll have some better quantitative data going forward on that. But from my perspective, from what I and the previous minister know, we think it's been a good move. The other thing that may be even more important is that it allows Alberta Health Services to focus on health, and that's what they need to focus on as opposed to building buildings.

Mr. Kang: So when you brought it under the Ministry of Infrastructure, was there a staff increase, too, to handle all those projects?

Mr. Johnson: Yeah, there was a staff increase. I believe it was about 80 people that came over, but this also allowed Alberta Health Services to decrease some of their staffing levels. We already had a lot of that capacity, that capability, within the department, so we didn't need to take on as many people as they would have had in running projects because we already have all those experts within house, right?

Mr. Kang: Thank you. There was \$109 million budgeted in 2011-12 for health capital maintenance and renewal, page 180, line 2.2. It was not spent. Why was it not spent, and why isn't it in this year's budget?

Mr. Johnson: Remember, I mentioned the capital trust fund that Alberta Health Services has. As money is flowed to Alberta Health Services for capital, it's put in that trust fund until it's disbursed, until it's needed, until they actually identify maintenance projects for it and they're able to deliver those and flow the money out.

What's happened over the last several years is that they have been receiving more money in terms of on an annual basis for

maintenance than they have been able to deliver, so there's been a bit of a reserve built up in the Alberta Health Services trust fund that has been earmarked for maintenance in the past. As a government what we've directed Alberta Health Services to do is to draw down that trust fund, and once the trust fund is drawn down, once they've used those dollars that they have for maintenance, then we'll look at flowing more. That's why we don't forecast that any money is going to have to flow to Alberta Health Services this year for maintenance; they have a reserve built up in their trust fund.

Mr. Kang: Okay. So what happened to the \$109 million?

Mr. Johnson: Well, it didn't have to flow because they have excess money built up in their trust fund. They don't need it. They've got the cash already. They've got cash from previous years that they haven't been able to spend. So rather than flow them more cash and have a larger reserve in their trust fund, we've asked them to draw down their trust fund before we flow them anymore.

Mr. Kang: Okay. On line 3 of the estimates on page 180 it lists \$29 million spent on the capital construction program, but nowhere is it defined what the capital construction program is. Can the minister define exactly what line 3 of the program estimates, capital construction program, goes towards?

Mr. Johnson: This is basically planning dollars that go towards any of the projects that we're evaluating doing or working on, you know, as we look at the work that we might need to do on the Annex building here after the federal building is done. Most of the \$29 million is staff and contracts. This is basically professional services on all the capital construction programs, the designs and things that we have to do in-house.

Mr. Kang: There's \$3 million on line 7, the Oil Sands Sustainable Development Secretariat. Does that include the money for the new advisory body?

Mr. Johnson: It does to a certain extent. The oil sands secretariat, as I said in my opening remarks, has been operating since 2007. It was really created as I guess I'd call it a bit of a process as opposed to a department, and it's been tasked to deliver Responsible Actions, which is a 20-year strategic plan for Alberta's oil sands. It does a number of different things.

That \$3 million is essentially people and travel and the things that come along with just the consulting and the planning and the meetings that the group has to do. So this group is housed within Infrastructure, but it really is a crossministry initiative and deals with approximately 60 different initiatives that are on the go that have to do with our 20-year strategic plan on the oil sands.

7:05

One of those things that was announced recently, which you just alluded to, is the transportation co-ordinating committee up in the Wood Buffalo area. Some of the support for that group, which is a group made up of the representatives from the municipality, local industry, the airport authority, the Northern Alberta Development Council – we have one MLA on there. The Deputy Minister of Transportation and the deputy minister from our ministry all sit on that. That group, the transportation co-ordinating committee, has been tasked with helping set some of the priorities for the transportation planning in the area with all the players at the table and also to help come up with some creative alternative funding

options for all the infrastructure that we need to put up there in terms of transportation.

That group, which is chaired by a person named Heather Kennedy, vice president of Suncor, does need some supporting dollars just for administration and the like. Some of that is in the Oil Sands Sustainable Development Secretariat budget, but a good portion of it also is supported by the municipality. They're providing a fair bit of administrative support right from their offices. It's a good partnership, good collaboration.

Mr. Kang: So we're getting our money's worth?

Mr. Johnson: I think we're getting our money's worth, yeah. It's a great initiative.

Mr. Kang: Coming to capital investment, the total capital investment for 2012-13 is \$388 million. That's \$61 million less than the budget for 2011-12 but \$23 million more than was actually spent in 2011-12, so we spent \$365 million.

The government spent \$113 million less on capital construction programs – that is line 3, page 181 – than it budgeted for 2011-12. It spent an extra \$10 million on Fort McMurray and area lands, line 6.3, page 181. As well, government-owned facilities preservation, \$3.7 million; property development, \$9 million. My question is: why was capital spending and capital construction program spending \$113 million lower than the budget from last year?

Mr. Johnson: Now, this is capital investment we're looking at, right? It's mostly from just some of the profiles of how these projects have rolled out. For example, we set real, solid estimates every year on what we think in terms of the dollars that will flow out for each one of, like I said, the 88 schools, the 30 health care projects, all those kinds of things that we're delivering. Those are the capital grants.

The same thing happens with the capital investment. The capital investment is things like the federal building, the remand centre, the courthouses out of Calgary, all the things that the government owns and the government is going to take ownership of and the government will amortize over time.

As we set those estimates at the start of the year in terms of how much money will flow out that year for that particular project, you know, that's our best guess. Those things are variable. Sometimes we have a little bit more money flow out in that year than we anticipated, and sometimes we have less. This is really just about the dollar flows from some of the projects that didn't flow as quickly as we thought they would throughout the year. Of course, some have maybe natural delays, some we close off early, and some new ones may start up, or they may even start up late.

That's strictly just a product of various projects just not flowing exactly as we had predicted they would, including the Fort McMurray area lands. That's primarily the Parsons Creek area development. We were able to get, I think, more done in a year than we anticipated that we would up there. It was a very good construction year. We got good value for the dollar. We were able to get a lot more lots on the market, and we had some good revenue come into the government because of that as well, and it was good news for the community. That's the Fort McMurray side of it.

Mr. Kang: Okay. On property development here we spent almost \$25 million in 2010-11, and there was no budget for that. Then the forecast was \$9 million, right? There was no money in the budget,

but you forecast \$9 million, right? Now it's dropping down to \$2 million. Why that big variation?

Mr. Johnson: The property development piece is really our ministry accommodating the requests of other ministries. When you think about the Department of Infrastructure, one of the great things about our department and one of the nice things about being the Minister of Infrastructure is that you really get to work with every other ministry in government because you touch every one. We're the means, not the end, if I can put it that way.

The Chair: That's the first 20 minutes. Carry on.

Mr. Johnson: Great. We're the means, not the end. We help the other ministries deliver what they need to deliver in terms of their programs, right? Whether it's education, whether it's health care, we're there to help them deliver their programs. As their programs change, as a group gets shifted over from one ministry to another, you know, if we have fewer people in a group or a program gets added and we need to hire people or ministries want to relocate certain people from one place to the other, that's what drives the property development. It's basically accommodating all the government requests for moves, for consolidations, for addition of programs. There was just more of that done in '10-11 than there was this last year, and we're budgeting for even less of that kind of movement in the year coming up.

Mr. Kang: On the one hand, we are anticipating that the Alberta economy is going to grow, and on the other hand, you know, you don't anticipate spending more money on property development?

Mr. Johnson: I think we want to spend smarter.

Mr. Kang: Well, you know, we want to spend smarter, too.

Mr. Johnson: We don't necessarily want the government to grow – do we? – just because the economy does.

Mr. Kang: No. I'm not talking about the government.

Mr. Johnson: These are basically government staff and how we accommodate them and how much they move around. I think the hope is that they won't be doing as much moving around and we won't be doing as many changes in the next year as we did two years ago.

Mr. Kang: I'm coming from the demand side. If our economy is going to grow, you know, the demand for everything is going to grow, right? Wouldn't it be safer to budget for that than to get caught?

Mr. Johnson: If we need more, we'll come back begging for more, I guess.

I think we can make do with what we've got. We've got extra capacity in certain areas around both Edmonton and Calgary in terms of space for employees. So if departments grow employee-wise, we have some space, and we just hope that we don't have to do a lot of reconfiguring to accommodate a lot of government changes. That's where the dollars would come, or that's where you'd see them in the budget, if there were a lot of changes, to accommodate new programs or changes to staffing levels.

Mr. Kang: Okay. Fort McMurray and area lands. There was \$21 million – right? – and the budget was \$58 million. Now the forecast is \$68 million. No. That was for 2010-11, \$21 million.

Then we budgeted for 2011-12, \$58 million, and the forecast was \$68 million. Now it's dropped again to \$35 million. Why those variations?

Mr. Johnson: As you may know, one of the big challenges up in Fort McMurray – well, there are lots of challenges in Fort McMurray with the growth pressures there, but they really have a couple of main challenges up there. One is access to land, and the other one is transportation and some of the planning around that. Through the oil sands secretariat all the ministries have done a lot of good work up there, including Energy and SRD and Municipal Affairs and Health and Transportation. You know, the oil sands secretariat has been tasked with some of the work in terms of land releases. That community, which has grown dramatically and continues to grow, is landlocked with Crown land. In Calgary or Edmonton or Red Deer or other communities where you have private landowners around the land, if the municipality wants to grow, they can annex that land, or individual developers can purchase that land, and you can see development happen. It gives you a stable environment for property values and for people buying entry-level homes. Well, in Fort McMurray that's not the case. They've been landlocked with Crown land that has not been released in a timely manner in past years, and it's something that in the last five years this government has really been trying to get ahead of the curve on.

7:15

What you're seeing here particularly relates to those land releases. What the government did several years ago: because there was such a pent-up demand for land releases, instead of just throwing land on the market and letting developers develop it – it really was such a large task and there was such an urgency to get land on the market – the government actually became the developer and developed some of their own Crown land in an area called Parsons Creek. We got about 136 acres on the market last year, brought in significant dollars, and in these years were the cost to develop the services, put in the pavement and the curbing, and sell off those parcels to developers, which is what we did. But they were developed lots.

We basically were budgeting to spend about \$58 million, but because of the construction season and because of how much we got done, which was more than we anticipated, it cost a little bit more. But those dollars are not a net expense; it's a net revenue. There is significant money coming in. You know, I might ask our CFO if he knows exactly how much we got in the first round.

In Parsons Creek there are phases 1, 2, and 3. Phase 1 is related to the dollars you've seen. To develop phase 1, you're seeing those dollars in the \$21 million in '10-11 and the \$68 million in '11-12. As we get into '12-13, we're starting to develop phase 2 and phase 3. We can't get those on the market until Transportation has the Parsons Creek interchange figured out in Fort McMurray. That \$68 million is just the cost to develop a very large tract of land up there. When we get all of the phases developed, it's going to be about 1,000 acres of land.

In '12-13 there's about \$50 million in revenue that came in, but that's not the entire revenue for these development costs. There's a lot more land developed that we're going to be able to get on the market this year and in subsequent years that these dollars have gone towards.

Mr. Kang: What kind of return are we looking at for this investment?

Mr. Johnson: I can give you some rough, ballpark figures. We think that over the four or five years, building out or developing

phases 1, 2, and 3, the entire roughly 1,000 acres, and getting those on the market – of course, market conditions have changed and will be changing – it looks like the government could very well be in a net profit position of anywhere from \$350 million to \$500 million on that project.

The important thing there is not the profit; it's getting the land on the market, stabilizing land prices in Fort McMurray for entry-level homes, and having a strategy to help make that community sustainable as they deal with some of the growth pressures they're dealing with.

Mr. Kang: So this is like a long-term plan?

Mr. Johnson: Yes. Absolutely.

Mr. Kang: Except for health care facilities, hospitals, and clinics costing over \$5 million, infrastructure is not funded through the Infrastructure department. Now, the Department of Infrastructure is generally responsible for maintenance and repairs, janitorial services, building operations in the government-owned and leased facilities.

On line 4.1, property operations, page 180, the budget is \$205 million in 2012-13, or 38 per cent of the program spending when the amount spent on health facilities is removed, and program spending is \$538 million when the \$692 million spent on health facilities is removed. On line 4.1 property management is set to increase by \$12 million, or 6.9 per cent, for '12-13. Can the minister give the reason for that increase?

Mr. Johnson: You bet. We're talking about property operations in 4.1 and the increase?

Mr. Kang: Yeah.

Mr. Johnson: Probably 75 per cent of that \$205 million that you see there is contractual obligations that we have in terms of not only maintaining our buildings and the janitorial and the snow removal but to pay for utility costs: you know, gas, water, electricity, all those kinds of things. Those things, of course, are tied to market conditions, and they're tied to increases every year with some of the contracts.

Geez, we should check if maybe there's some money left over from snow removal. It wasn't that bad a year this year, was it?

But all those things are within that \$205 million.

Essentially, what you're seeing is that the increase is more or less due to inflation, due to contracts, and it's also due to an increase with having the Edmonton Remand Centre come on board and the requirement to take care of that building, which is incremental now and quite a larger building. Like I said, it's the largest building that we've built as a government.

Mr. Kang: Okay. In the business plan 2012-13, page 49, the department reports that it costs 3 per cent more to create a government-owned and -operated building than to pay for leased space per square metre. Can the minister tell us what exactly accounts for this difference?

Mr. Johnson: You know, what we do as a government is that we keep a portfolio of leased and owned buildings, right? The one is a bit of a hedge versus the other. I mean, if the markets in terms of certain communities are very hot and leasing prices or rent prices go through the roof like in Fort McMurray today or in some of the high-growth areas in the province, the hedge against that is to own some buildings and own buildings that have that capacity where

you know you're going to need those people in place for a long period of time. It's just as you would if it were your business. If you need short-term buildings, you're going to lease them or rent them; you need short-term space. If you need that space over a long period of time and there's some certainty to that with your operations, you may look at purchasing.

One way we look at making sure that we're in the ballpark and making efficient use of taxpayer dollars is to benchmark the costs of operating an owned building versus what it would cost if we're leasing a building. We want to make sure that, well, ideally, we're kind of in that plus or minus 5 per cent. If you're getting outside that, you know you're probably doing the wrong thing, whether you're owning when you should be leasing or you're leasing when you should be owning, and maybe you have the wrong mix, the wrong portfolio.

Right now the last actual was 3 per cent. We're looking at keeping it within that 5 per cent range, plus or minus, going forward so that we make sure that we're making the best use of the taxpayer dollar and that we keep the right mix of leased versus owned floor space.

Mr. Kang: Okay. Wouldn't it be cheaper to own the buildings than lease them because in the long run we would have the asset?

Mr. Johnson: Well, there are issues that come with both, and I think we're seeing it right now with the growth in Alberta and the demands on us for infrastructure dollars. We have an aging infrastructure in terms of the government inventory. When you lease or when you're renting, it's like having a warranty on that building. You know that that building is always going to be in good shape, right? The other thing is that leasing gives us, of course, much greater flexibility. If programs are changing or if you're seeing growth or certain demands in certain areas of the province coming and going and there's not great certainty to what may happen in terms of the programs you want to deliver in certain areas, then there are a lot of advantages that come with leasing or renting.

So it's not just simply a matter where you want to own everything or you want to lease everything. You want to make sure that you have the right mix and it's making sense. This is one of the metrics that we use to track that.

7:25

Mr. Kang: So this is strictly from a business point of view that you're talking about.

Mr. Johnson: Yeah.

Mr. Kang: Okay. What is the ministry doing in order to further reduce the differences between the owned and operated and leased spaces?

Mr. Johnson: I think we're constantly watching that. One of the things we do is, you know, that we track it in this way. The other thing we do is that through the accommodations program, which I just talked about, as requests or requirements come up for space within government or as we have ministries that want to move people around or consolidate offices, we're always looking to try and push them to the lowest square footage that we can and maximize the taxpayer dollar.

If we're paying the top dollar in Edmonton centre or Calgary centre and we've got space in the perimeter or outside the centre where it's less expensive, we want to try and make full use of those dollars if we can and put people in those places.

The other thing we're trying to do is make sure that we're moving towards standardizing government as best we can in terms of the square footage that any employee uses. I believe with the public sector the industry standard in terms of how many square feet you'd have for one employee is about 200 square feet of office space. Alberta is a little high. We're closer to 300, so one of the things that we are looking at doing and that we have been doing – I know Minister Danyluk was working on this as well – is that, with any opportunities that we have when we're moving people from office to office or when we're changing configurations, we're looking to move those people into a better standardized space.

Different levels of employees have different office space. Obviously, a deputy minister, an assistant deputy minister, or an executive director all have different space than some of the admin folks. But we're trying to standardize that as best we can right across government and move people to that so that there's a fairness within the workforce but also so that as a government, as a business manager, as employers we're getting the most for the taxpayer dollar, and we're getting as many people into a square footage space as we can, you know, within reason.

Mr. Kang: Okay. What have been the cost implications of the new daytime caretaker program at the Legislature and Annex besides just the 6 per cent reduction in energy use? Are we getting value for the money?

Mr. Johnson: Tell me where you're looking there. Are you on a certain page?

Mr. Kang: No. Just a general question.

Mr. Johnson: Well, that's a pretty detailed question. We might have to get back to you on that one if we can.

Mr. Kang: Okay. Budget 2012 provides for 16 and a half billion dollars to be spent on infrastructure over the next three years, with \$5.7 billion spent in 2012, '13, '14. Again, this money is not directly attached to the Department of Infrastructure except for most health facilities, but Infrastructure has a role in co-ordinating and planning for it. Can the minister tell me what role his department played in deciding how much money was given to each envelope like MSI or highways?

Mr. Johnson: That's a good question. It speaks to the whole capital planning within government. As I mentioned before, my department is really a department that I see as an enabler or a resource for every other department. We help them deliver their programs, and we also help them decide their priorities because we have the resources, and we have the expertise in terms of planning infrastructure, designing infrastructure, maintaining it, contracting for it, and all of those things. One of the nice things about having a stand-alone department that has the expertise and the core capacity and all those things but isn't really that vested in one type of infrastructure is that we really are a value-add because we're a third party, in a sense, within government. You could say that all the other ministries are our clients, our customers.

As they work with their stakeholders, as they look at the demands that are out there within the area or the envelope that they work in in Alberta, they need to set those priorities for their ministries, but they need help in terms of costing out these things. They need help in terms of designing them, potential planning. But when you look at the Transportation side of things or if you look at MSI, those particular ones, we don't play a very big role there. I mean, Transportation has their own experts with regard to

that infrastructure. The Minister of Municipal Affairs does a lot of consultation with his stakeholders. [A timer sounded]

The Chair: Just a reminder, gentlemen. That's the indication that the final 20 minutes have started.

Mr. Johnson: Are we still going?

Mr. Kang: We're still going, yeah. We're still going, but we're going to get done in five minutes. I guess nobody is going to get their, you know, first round or second round.

The Chair: You don't have to take the entire time.

Mr. Johnson: We don't have to take the entire time, you know. We've got a deal here. We've got stuff to do after this.

Mr. Kang: Okay. I'll try to get it done as quickly as possible. I'm waiting for round 2.

How does the department discern its priorities for infrastructure spending across the ministries?

Mr. Johnson: Like I was saying, we work with the other ministries. You know, an added role I have is Treasury Board, so I'm also able to bring those views to the Treasury Board table as Treasury Board has to weigh out the priorities around the province and how much we can afford to budget for various things. When you look at the Transportation infrastructure, we really don't play with Transportation. They have that expertise within their ministry. They deal with everything that's, you know, ground or below. I mean, we're vertical infrastructure, so when it comes to roads, when it comes to waterlines, tunnels, that's the Ministry of Transportation.

Mr. Kang: So you're telling me that I should not ask you any tunnel questions?

Mr. Johnson: You're probably done with your questions now if we can't talk about the tunnel, eh?

The Minister of Municipal Affairs is the guy that works with his stakeholders on the MSI. A lot of work had been done in the past years, and I know he's working with what MSI is to look like, what's coming next. We play or we work or we act as a resource, a value-add, an informer – I guess you could put it that way – to all the other ministries that have to make decisions on their infrastructure. So we really bring value to the table in terms of the planning and the designing and the costing out. If you're the Minister of Education, you have to know that stuff if you're going to set priorities. If you're Health and Wellness or Alberta Health Services, you have to know those things if you're going to set your priorities. So we're really a resource. We're really a value-add, and we inform. Once the decisions are made, we build. We're the builder in many cases but not all.

Mr. Kang: Thank you.

I see that infrastructure spending across the department is going down in amount spent per year by \$700 million, or 12.6 per cent, by 2014-15, okay? What percentage of this decrease is due to building less infrastructure? What percentage is due to building infrastructure more efficiently?

Mr. Johnson: Well, I'd like to say that all of it is building more efficiently, but the reality is that any decrease in the infrastructure spend is really, for the most part, projects coming offline and

projects being completed. The dollars that would be flowing out would be decreasing because of that.

7:35

Mr. Kang: Does the slowdown in the economy have anything to do with it? You know, one time we were saying that we were building 40 per cent cheaper now than we were doing it before. Does that have anything to do with it? Are we contracting it out cheaper or just spending less?

Mr. Johnson: I think the slowdown of the economy absolutely has everything to do with it because, you know, in 2008, when the economy slowed down and the global economy collapsed to a certain extent, that's when the revenues of the province went in the tank. I remember vividly the spring of 2008. In July, I think, when we released our first-quarter projections, we were forecasting about an 8 and a half billion dollar surplus. Six months later the third-quarter projections came out, and we were in a 1 and a half billion dollar deficit.

That happened strictly because Alberta is so exposed to commodities. We are an export company, really. I mean, everything we sell – and we sell a lot of stuff outside of Alberta, whether it's beef, whether it's forestry, whether it's oil or natural gas – we sell in U.S. dollars. As the commodity prices on oil and natural gas changed in 2008 and the currency rate rose and moved against us as well, those had incredible impacts on our bottom line. That's what created the deficits for Alberta. The economy certainly impacts our infrastructure spend, but at the time there was a real strategic decision made to dip into the sustainability fund, which had been built up over kind of years of plenty.

Part of the reason for building up the sustainability fund was for capital. It was to put money aside for capital infrastructure. The other reason was to balance off economic dips and create a little bit more stability for Alberta. The guys that came before me around this table had the foresight to establish a sustainability fund, had the foresight to set money aside in the capital fund, and had the foresight to set money aside out of surpluses to be able to stabilize the economy and make sure that we were able to fund and deliver programs if our revenues dipped. Obviously, the revenues did a little bit more than dip. They went right through the floor. Now we've seen them come back. Last year Alberta added 80,000 jobs, which was half the jobs in the entire country.

So the economy is strong. It's coming back, but we still have to tighten our belts and make sure that we're getting back to balanced budgets, which is what the Premier has mandated, which is what we're doing. One of the ways we're doing that is by keeping our belts tight even on the infrastructure spending.

Mr. Kang: It was thanks to Dr. Ken Nicol that we have the sustainability fund.

Mr. Johnson: Ken Nicol?

Mr. Kang: Yeah. Because of the Alberta Liberals.

Mr. Sandhu: When? Fifty years ago?

Mr. Kang: No, that wasn't 50 years ago.

Last year the minister told me that infrastructure is an economic enabler, and you talked about that, too. With the government projecting growth to be 3.8 per cent this year and 3.8 per cent the year after – that is the fiscal plan 2012-15, page 92 – why does the government plan to spend less on infrastructure over the next three years even as the economy and population continue to grow? Has

the department changed its mind about infrastructure being an economic enabler? What do you say to that?

Mr. Johnson: No, not at all. I don't think that by any stretch of the imagination anyone could argue that Alberta's infrastructure spend is skimpy. Even if we decrease it, at today's rates, \$5.7 billion – we look at B.C.; last year it was around \$4 billion. We look at Saskatchewan, which is less than a billion, and Manitoba is about \$1.3 billion, I think, \$1.4 billion. The national average of provinces is about \$1,000 or \$1,100 per head. Alberta is about \$1,500 or \$1,600 per head. So, you know, it's a significant spend.

Obviously, we believe in infrastructure. We think it's important for a number of reasons. Being the economic enabler is great. I mean, it's very important, and it's accurate because you can't grow your economy without good infrastructure. You can't attract investment from business without good infrastructure. You can't establish plants and you can't move goods around without good infrastructure, and you can't create a quality of life for people without good infrastructure, where you're going to attract them and retain them so that they start up businesses or their employees have businesses and Alberta businesses can retain those people.

Everyone in Alberta knows that we're going to be short of labour. We're going to be short of employees, and we need to do everything we can to attract and retain those good employees. One way to do that is by making sure that we've got a high quality of life and good communities, and you can't have that without good infrastructure.

Mr. Kang: So the economy is growing, and now we are going to spend less on infrastructure. How are we going to keep up with the growth?

Mr. Johnson: Well, we're committed to continuing to invest in infrastructure. These investment levels are extremely high. I mean, probably the next questions are going to be: how come we're not cutting infrastructure by a billion dollars? Like I said, we're at about 30 per cent more per capita than the other provinces in the country on infrastructure even at the levels going out for the next two years. One of the things that will happen past this budget is, of course, that as we do every year, we'll be doing more and more capital planning. So what kind of new capital projects come on and when they come on will be something that we'll have to look at over the next year.

Mr. Kang: Okay. Coming to infrastructure deficit, what does the department estimate it will cost to eliminate the infrastructure deficit and to bring all buildings up to an acceptable standard and build projects considered vital by Albertans?

Mr. Johnson: The deferred maintenance, the infrastructure deficit: I think that everyone is in agreement that that exists, that it's there. How big it is and how big it is compared to other provinces is another conversation. We estimate the deferred maintenance within the government buildings, which is about 1,600 buildings across the province, is about \$340 million, but then when you get the building to a place where to renovate it or fix it up or to do major work on it is going to be roughly 75 per cent of the cost of replacing it, then you look at replacing it.

These buildings here are a good example. You know the new federal building can house everyone who is in the Annex, and the building is just to the north of us here. There is significant deferred maintenance on these buildings that we'd be able to avoid by vacating and eliminating them.

Mr. Kang: Okay. Coming down to P3s, how are the P3 projects accounted for? Does the amount listed here account for the full amount of the projects, or are the projects now being accounted for in 30-year terms for things like the schools being built under the ASAP 1, ASAP 2 P3 models? And that's for the ring roads?

Mr. Johnson: Yeah.

Mr. Kang: Okay. So everything has been accounted for?

Mr. Johnson: Of course, we follow Canadian accounting standards for the P3s, just like we do everything else. There's very little P3 accounting that's in my budget. Most of it is in the ministries that are delivering it. So the dollars for the P3 schools in Education are in the Ministry of Education, and the P3 projects that are delivered by Transportation, like the ring roads, are within the Transportation budget.

We're working on one now that will be accounted for within my budget, and that's the Evan-Thomas water and waste-water facility down at Kananaskis. It's a \$46 million project, and we've got an application in to P3 Canada to be a partner in that. The application is in, and it meets all the criteria, so there's no reason to believe that we won't get the \$9 million or \$10 million that would come along from the federal government. But that's not shown. It would be gravy if we got that.

Mr. Kang: Okay. What ways is Infrastructure looking at to reduce infrastructure costs across government besides things like the P3? That just makes it look like infrastructure costs less when it actually costs more over time.

Mr. Johnson: Well, there are a number of things we're doing. One is making sure that we have the right mix of leased and owned. Sometimes one is cheaper than the other, so you want to constantly be looking at that mix.

7:45

Another one, that I've already talked about with you, is the accommodations program, which is to make sure that we're moving as many employees to a standardized work space so that we're occupying as little space as is required by government. We don't have a lot of fat; we don't have a lot of extra buildings or floor space or capacity there that we're not using or that we don't need to use that we're paying for.

There are other things that we're doing in terms of the actual operations of the buildings. One of them you just spoke about, which is the day cleaning. The day cleaning was, I guess, a pilot that we were looking at, having cleaning happen during the day so that we could keep the lights off at night so that we could see what kind of savings we would get from that.

The other piece is just some of the things we're doing on the environmental side to reduce the operations of the buildings. You look at LEED standards of silver and gold which, you know, take a little bit more money to achieve up front in the building. There are points awarded to achieve LEED silver or to achieve LEED gold, and there's a maximum amount of points that you can get depending on how you build it: how many local materials you use, what kind of water treatment facilities you're using, and a whole gamut of things, solar capabilities. We are building all the government buildings to LEED silver standard. Some of them are going to be LEED gold. There is a significant savings in the operations of the buildings, from utilities to the environmental aspect, when you build to those extra standards. The payback on building to that higher standard is usually within 10 years so that anything out 10 years, there's a significant savings on the costs.

One of the other things that we do is a lot of forward purchasing on utility costs. We save some dollars there, too. There's a whole gamut of things that we're trying to do to make sure that we're being as efficient as we can.

P3s, as you mentioned, are one way that really add a lot of certainty for government for the costs. When you own a building, you know, you're subject to the whims of government and the economy and whether you have the budget to put certain maintenance initiatives in place, but when you have a P3 building, one of the advantages is that you've got a 30-year warranty on that building. The maintenance is already worked in. You know what kind of quality of building you're going to get at the end of the day. So all the costs in terms of the operation of that building are constant, they're certain, and it's a fairly efficient way to do it. When you can bundle these projects together when you build them, you can get some significant savings.

I know that some of the value-for-money reports that were done for the ASAP 1 and ASAP 2 projects – ASAP 3 isn't done because we haven't got to the point of looking at all the dollar figures with the tenders, but with ASAP 1 and ASAP 2 we can argue about the exact amount, but tens of millions of dollars were saved versus doing those on traditional procurement.

Although P3s are not the right kind of procurement method for every project, they are one of the ways we can be innovative and look at keeping that in our stable portfolio of how we deliver infrastructure because there are certainly benefits to it when we do it.

Mr. Kang: You're talking about the Premier's commitment here, and the Premier set out the following goal for your department in her mandate letter:

As [the] Minister of Infrastructure, I expect you to work within the parameters outlined to deliver the following objectives:

- Review the Land Assembly Project Area Act (formerly Bill 19) to ensure full consultation, consistency with existing legislation and access to the courts by individuals and companies.

What role is your ministry playing in reviewing the Land Assembly Project Area Act, and when will it be complete?

Mr. Johnson: The LAPA legislation, which was brought in several years ago by Minister Hayden, was originally known as Bill 19. We brought forward an amendment in November, that we passed in December, which was Bill 23, the Land Assembly Project Area Amendment Act, 2011. We've already achieved that piece of the mandate letter for the Premier. When we looked at everything that had been done on LAPA and we looked at everything that we had heard from Albertans over the last couple of years of Bill 19 discussions – and Minister Danyluk had done a lot of gathering of information, and through the leadership review all the candidates heard a lot and the Premier heard a lot – we had a tremendous amount of information on what Albertans wanted to see in that.

At the end of the day it does boil down to, I guess, what you'd call the three Cs. Albertans wanted to make sure that any time their land was being impacted by a project for the public good that there was consultation, that there was proper and fair compensation, and that if they didn't agree with what was going on, there was access to the courts.

With LAPA in particular people had concern with a few different areas. One was to make sure that they understood what a LAPA project was. There was a lot of uncertainty around: what is a LAPA project? So in the amendments we dealt with that. LAPA projects are meant to be large, major projects, large tracts of land

that are needed for a transportation corridor, that can include utilities. There was confusion around that as some people thought we could actually use LAPA to assemble land for pipelines or transmission lines, which is not the case.

The Chair: Thank you, Minister. That concludes the time allocated to this portion of the meeting.

The next 20 minutes will be allocated to the third party. I assume, Mr. Hinman, that's you?

Mr. Hinman: Correct.

The Chair: Will you be combining your time, or do you want 10 minutes of your own?

Mr. Hinman: Well, it always amazes me how fast it goes, so I'll start talking, and if my 10 minutes are gone, then I'll let the minister respond. If I'm done early, then we'll go back and forth. The 10 minutes always flies by quickly.

The Chair: Fine. We'll go 10 minutes, then.

Mr. Hinman: Thank you, Minister. It's always interesting to be here.

One of the nice things, I guess, about going second is that some of your questions get answered, so you don't have to go over them. Unfortunately, sometimes you don't quite clarify what one wants, or it's asked in a little bit of a different way. I appreciate your eloquent preamble and the information that you shared with us on the different projects and what you were covering. I wasn't quite clear on the tunnel, but now I am, so I don't need to ask about that one.

There are various areas that, I guess, I want to go over. I think I'd like to start with Swan Hills because it's been an ongoing concern, and Albertans often ask about what's happening there. It's interesting that on your revenue you talk about \$9 million from the private sector in Swan Hills fees collected, but I think I totalled up to \$36.5 million or so of operating costs on that. I'm just curious on the \$9 million. What percentage of the actual disposal that you're doing does that cost? I'm looking at a cost-benefit analysis. How much are we actually doing on our own? How much is coming in from the private sector or from other regions? It looks like there's a shortfall of about \$27 million to run Swan Hills, so if you could give a little bit of an explanation on that, that would be nice.

On page 187 of the Infrastructure budget the revenue really fluctuates a lot, and I guess I'd like some more information. The transfers from the government of Canada: if you could explain to me what those are and why they're so volatile, the actual versus the budget and the estimate. Perhaps you've explained it, but I missed it. The investment income has gone down substantially, and I'm not sure if it's because of the sustainability fund, if it's apportioned out. This is all on page 187. Why has the investment income gone down so significantly? Like I say, is it tied to the sustainability fund, or where does that come in? If you could give some details on that. Your premiums, fees, and licences: what are those premiums and those fees and those licences that actually go to Infrastructure? If you could give a breakdown, again, of the dollars, where those are actually coming from, it would be really appreciated there.

Now, on page 180 you have line 4.2, the government-owned facilities preservation. If you could explain a little bit on what that is. Again, your actual versus budgeted fluctuates, you know, from \$6.9 million to \$9.6 million. What exactly is government preservation versus maintenance? I'm not clear on that. If you

could enlighten me a little bit on that, it would really be appreciated.

7:55

Like I say, I enjoyed the information that you shared in the first 10 minutes. It was valuable, but one thing that I think you missed in there – but, again, trying to keep up writing notes is always difficult – is the MLA building. I don't know that you've mentioned anything about that. You talked about the Royal Alberta Museum. I think you said \$4 billion for 30 health projects, and I believe it was \$1 billion for 88 education projects. How much and where is the MLA building in there? Is that on time, and is it on budget? What's the square-footage difference in that we're going to vacate and eliminate the Annex?

I take it that it is the Terrace, down to the south, that you were referring to earlier when you pointed down? I thought you were going to take down the Legislature when you pointed that way. What is the square footage that we're looking at in change? Because you did make the comment that you didn't want to see government grow. Is there going to be a substantial increase in square footage, or are we cutting back? If you could enlighten me a little bit on that, it would be appreciated.

The waste-water program that you have: if you could break that down a little bit and, I guess, shed some light because I'm sure that, you know, the different towns and villages and everywhere else approach the ministry. We always hear about the lists, but because we never see them, it's difficult to know what there really is. How many towns are on the list?

In my previous representation down south Taber struggled for years to get the funding to build their waste-water management. They finally actually went out for third-party funding to do it because they couldn't get both the provincial and federal governments to agree to fund it in the same year. If you could also just share a little bit on how you decide with waste-water management. Is it always in conjunction with the federal government? Is it a one-third/one-third/one-third split, or is it up to you as the minister? If an area needs that, does that go forward? Is there a list of current approvals? How much of a backlog is there? Taber operated for a couple of years exceeding their environmental regulations, and they were always very nervous there. Anyway, if you could share with us going forward where the province is basically in the different municipalities on their waste water.

Another question that I've had people come and ask from different areas: what are you looking at for legislation for new technology in the reuse of water? You know, when it's gone through a treatment plant, are we not allowing some new jurisdictions to come in with new technology? Is that an area that Infrastructure is looking at to see if, in fact, there are some new technologies where perhaps if we have such water shortage in the south, we could be doing something? You talked often about looking long range. Is there new technology in any of that?

In your strategic transportation infrastructure program it lists airports, bridges, and major key roads. I guess if you could actually share some lists. I mean, you shared a few on the health ones that we have going. What are the strategic transportation ones? Highway 63 I know is transportation, but what other ones do you have in your major municipal transportation projects? Do you have some overpasses, some lists, you know, of what's coming down in the budget for those areas? Like I say, if you could do that, it would be great. Perhaps my biggest question when it comes to strategic transportation is: could you provide us

that list and the criteria for project ranking? In your business plan I think you talk about project ranking, yet we never see those. So I'd be curious.

Again, if you can't answer all these questions, because it's quicker to often ask a question than to give an answer, I would sure appreciate you going back through *Hansard* and giving a written answer. It would be much appreciated.

In the strategic planning how did the MLA building get so high up when we have so many needs for schools throughout the province? You know, you've got those 88 projects going on, yet we're possibly talking about 10 schools for the cost of the MLA building. How did you pick that infrastructure to go forward?

It looks like we're running out of time here, so let's jump to Fort McMurray. When I first got elected, I went up there. I was quite disappointed by the problem that the government had created by not releasing land, disappointed in the way that it had fallen through. You mentioned, you know, Parsons Creek and the thousand acres that are there. Are there no developers, or are you competing? Is your strategic plan to be able to lower the cost of the lots? Of those thousand acres what is the lot price? Have you been able to reduce it in that area, or are you trying to maintain it? You talked about a \$350 million to \$500 million profit. You're looking at it there. How do you determine the lot price? Again, it just seems like you've got some cross-interest there between local developers and the government. As to why you strategically went in there, I'd just be interested to hear some examples or what you were trying to achieve. Like I said, what has the lot price done as you've developed those projects, and where are we going to be on those?

I think I'm out of time. How many seconds do I have left?

The Chair: Fifteen. Well, that's basically 10 minutes.

Minister, the rules allow for you to speak for up to 10 minutes in response. Should you finish before the 10 minutes are up, then I'll let Mr. Hinman back in again.

Mr. Johnson: Okay. Well, I'll try to do my best to tackle those questions as you've laid them out here. Maybe I'll start with the last one, which was Fort McMurray and the land situation there. Certainly, we are in a situation where it's a problem. I think, you know, that credit is due to the government for recognizing that and developing the Radke report, developing the oil sands secretariat, and taking some clear and decisive action to deal with some of those issues. Did we create a problem by not releasing land, or did we create too much opportunity by policy and initiatives that we took as well, including helping with research and taking a stake in Syncrude and all the things that were done decades ago that we're reaping the benefits of now? I guess you could argue it either way. But either way we would agree that that community is in a bit of a pickle, and we've taken some decisive action to help them out.

With respect to the Parsons Creek – and I think it's a really fair question – why aren't developers doing that? You know, those decisions were made before I was in this chair, but I know a little bit of the history. The reality was that 1,200 developable acres all needed to be developed at once in a very tight time frame in a very difficult area with tough topography, working with a municipality with very urgent demands for the land. There were a lot of options explored. The option that was going to get the land on the market the fastest for the community and be able to deliver the outcome that we needed to deliver was for the government at the time to develop that, at least develop the land, take it through to developable parcels. So we were the master developer. We put in the main services. We designed the area. We put in the water, the sewer, the utilities. We put in the curbs and the roads and worked

with the municipality to fast-track all that because we have a big pocketbook – and then to sell those lots, those developed raw lots to developers so they could put homes on them, that they could sell to homeowners.

That's what happened. Like I said, we've got a good chunk of phase 1 on the market, and there will be even more of that coming on the market. We got significant dollars for those. In reality we got significant dollars for those lots because of, as developers will tell you, a hundred per cent absorption rate. In other words, they can flip that lot in a day. They don't have to finance it. They don't have to carry any costs. They don't have to invest any money, get any financing even to put in the services. All they've got to do is build a home, and it's gone. It's even gone before they start.

8:05

It's a very profitable situation for developers. It's very different from having to step in and try to evaluate how they would develop the land, how they would clear it, how they would move dirt, how they would put in utilities, how they would get that kind of zoning in those developments approved by a municipality, and how they would carry all the financing costs for all that. It's a very different situation than, like, a traditional development.

As we go forward here, we are looking at other land releases in the area, and those will be geared more to the private developer, where the government is not kind of in that game. We're trying to get to that point, I guess you could say, through two phases of releases. One is the short-term, where we kind of get our finger in the dyke and get some of these lots on the market for people – and Parsons Creek was a piece of that – and the second piece is a long-term solution, where we actually develop a bit of a land bank that we hand over to the municipality and let that community decide when that land gets released and in what time frames and which areas they want to grow, just like any other municipality, any other city in the province. There's some good work being done there.

You had many questions on the revenue side. Let me take you through that a little bit. The transfers from the government of Canada are primarily dollars that are coming in for the Royal Alberta Museum. The dollars that the federal government has committed to, \$122 million, will flow in over several years of the building being built. It came in two different kind of pockets. One was western diversification and the other was the building Canada fund. If I recall my facts on the building Canada fund, for funding from that it has to be invoiced by the end of the 2015-16 fiscal year. So by the end of March invoices have to be in to get all the money from the building Canada fund. There's 92 and a half million dollars out of the building Canada fund; 21 and a half million dollars is expected to flow in in 2012-13.

An interesting piece of business here with respect to the Royal Alberta Museum. I know that your party has come up with an alternative budget in terms of cutting infrastructure, cutting \$1.6 billion. Last year your proposal was to cut \$2.4 billion out of the capital. I think one of the areas that at least some of your colleagues have said we should eliminate or defer or not do would be the Royal Alberta Museum, a very interesting piece of bookkeeping.

If you have a little bit closer look at the books and do your homework, you'll realize that by deferring or not doing the Royal Alberta Museum, it'll actually increase our deficit. When we build a piece of capital investment like the Royal Alberta Museum, it's a building that we own. So just like you with your house with a mortgage or just like you with any piece of capital as a business, you invest those dollars for that piece of capital, and you amortize it or you depreciate it over time on your books.

The Royal Alberta Museum, which is a building that we would own, won't be done for several years, so we don't actually show an expense on our books that hits the deficit until the building is finished, and then we start depreciating it. We start amortizing that cost over the life of the building. In that case I think it would be 40 years. The real interesting thing is that although we don't show that as a real expense on the deficit until the building is done, we do show revenue for that building this year and in coming years because we're getting in revenue from the federal government towards that building. By eliminating that building, you're actually going to increase the deficit this year by \$21 million. Just a little piece of bookkeeping that we need to pay attention to as we talk to the public about deficits and debt and those kinds of things.

The \$500,000 of investment income there is investment income from the capital trust fund from Alberta Health Services. As I mentioned, they had built-up reserves. Money sat in their trust fund until they could flow it out for capital projects that they would do, and when that trust fund got repatriated back to government, we did the projects over \$5 million. Now as that trust fund gets depleted to pay for maintenance and other things, there is less money in the trust fund, so there's less interest coming in. That's what's happening there.

The premiums, fees, and licences are parking lots. Under other revenue the biggest chunk of that is the Fort McMurray land sales.

The other questions you had had to do with transportation. Really, they don't fall within my ministry. Anything that has to do with water and waste-water programs, you know, how it's decided to split – you talked about the technology and reuse of water – all those kinds of things really fall under the ministries of Transportation and Environment. Those are the two that work with municipalities on water systems and irrigation districts and all those kinds of things.

A couple of things, I think, that I haven't covered. The GOA maintenance: it's gone up a little bit this year. It needs to go up a lot more. I think everyone could admit that. My department would love to see that \$9 million mark up about six times the price. Like I said, our total replacement costs on all our buildings are in the \$8 billion range. The industry-accepted numbers: you should be spending 1 per cent, 1.5, maybe even 2 per cent of your total replacement costs on annual maintenance, which clearly we're not doing as a government.

At a time when, you know, we're really watching the budget and we're trying to get everything we can out of the budget, the maintenance dollars just aren't there in terms of doing everything that we would like to do, so some things are being deferred. But we do have other pockets that will deal with some of the maintenance. Like I say, the P3 strategies help with that. We deal with emergent situations as they come up: as roofs leak or as elevators break, those kinds of things.

One of the main questions you asked was about the MLA building, and it's actually the federal building. I think this is a great example of having the foresight, looking forward, not just building infrastructure for 2012 and being focused on the budget of today. What are we building for 2020 and 2030 and 2040? Here we've got a beautiful legacy building that's sitting empty and rotting and costing us about \$300,000 or \$400,000 a year just to heat and to keep the odd light on. It's getting full of bats, and . . . [Mr. Johnson's speaking time expired]. Oh boy. I'd love to talk more about the federal building, but I guess we're out of time.

The Chair: Perhaps you'll get a chance to talk more about it with some of the other members.

The rules provide for the next 20 minutes to go to the NDs and/or independents. I'm looking around the room, and I'm assuming that we'll not be hearing from them.

So the next speaker on my list is Mr. Mitzel. Mr. Mitzel, the same rules apply to you. You get 10 minutes. The minister gets 10 minutes to respond, and if you wish, you can combine your time for a total of 20.

Mr. Mitzel: If it's all right with the minister, we can probably share this.

The Chair: All right. Go ahead.

Mr. Mitzel: Thank you very much. I'm not sure whether I'll use the full 20 minutes, but I'd like to get started. I guess I've listened very closely to your opening remarks and certainly listened to all the questions and the answers from the other members here as we've gone through the last hour and a half. There are a couple of other things that I'd like to talk about or ask about. The first one is on page 187 of your report, the capital construction program. I'm assuming that what I wanted to ask you about is probably in there because I don't see it itemized anywhere, and I don't remember hearing you say it. What I'm talking about is the police college in Fort Macleod.

Now, we all know that the college was awarded to that area out of four different sites. There was Lac La Biche, Canmore, Penhold, and Fort Macleod, and it was awarded there. I remember being a part of that committee that sort of adjudicated this and worked through the whole process of where it should go and should it go or not. It has been probably, I think, at least four years or so since this has happened, and of course it was announced that the police college was going to move ahead.

The Lethbridge College. I've spoken with them quite often because they're very involved with their law enforcement program. Many members of the RCMP have talked about it as well as the First Nations that are down there. The two First Nations groups are certainly supportive of it, and the town of Fort Macleod is supportive of it. They always ask: "Is it going to happen? When is it going to happen?" So I guess my question is: what is the status of the police college at the moment, and when can we see something happening?

8:15

Mr. Johnson: There has not been any change in the planning of the police college. My ministry, as you know, is involved with basically delivering the building, the tendering, that piece of it. What actual programs will be delivered out of there, just like with all the health facilities or anything, resides with another ministry. We're the supporting ministry that does the building and the tendering.

There has been some work done with the municipality on that. We're in the process, unless it's already been completed and not to my knowledge, of getting the land titles transferred. The municipality has been putting in services. I know we've been working with them. The design RFQ has gone out and there were three companies, three organizations shortlisted for that project already. The next step is to tender for the project.

That's basically where it's at today. The project, from memory, is I think \$122 million, but that would flow over several years, so there's not that much budgeted to flow this year. I think it was in the \$3 million or \$4 million range profiled to flow this year for that project.

Mr. Mitzel: Thank you. Yeah, I'm aware that all of the programming and everything else certainly would be from other

departments. I think they can take care of all of that. What I was talking about was the building itself and when a shovel could get in the ground.

The RFQs are in, you said. You're going to be going to tender. Would you see a tender awarded this year yet, do you think?

Mr. Johnson: I myself wouldn't anticipate a tender awarded by the end of the fiscal year in light of the circumstances and the timelines that we have here but by the end of the calendar year, if you mean the end of the calendar year.

Mr. Mitzel: That's what I meant. Not by the end of this month.

Mr. Johnson: That's within our objectives.

Mr. Mitzel: Well, that's good news. It is moving forward, then.

The next one. You were talking about it when time ran out with the previous member here, the Member for Calgary-Glenmore, about the federal building. A couple of points on that. You didn't say, and I was curious: what is the status at the moment? When will this be completed? Where are we with this, and when can we see, possibly, an official opening?

Mr. Johnson: Well, I know that at one point in time there were hopes and anticipation that, you know, the whole thing would be done by the fall of 2012, and I think it became apparent that the entire thing wasn't going to be done by the fall of 2012. If you've ever renovated a 70-year-old house, you know what kind of challenges can come at you.

The expectations that I've been given most recently are that we hope and we're working towards having the plaza done as best we can for the fall of '12 so that we can, maybe, do some of the centennial celebrations out there for the Legislature. We're in our hundredth year here now, so it's a pretty exciting time to be the Minister of Infrastructure and to be on the Legislature Grounds. It's a hundred years since we've built that building, which is pretty special.

Going forward, there'll be more work done on the inside of the envelope. When staff will move in would be sometime in 2013.

Mr. Mitzel: Okay. That's good. I know that when it was first announced that we were going to be looking at that building and doing something with it, the goal was to try and have something done by 2012 for the centennial of the Legislature Building. It was a good goal to have before. If you have the plaza ready, that's really good.

I want to stay on that building for a moment. You talked about the financial benefits of the Royal Alberta Museum and a couple of things. Can you also, perhaps, talk about whether there are financial benefits to this building? I mean, I'm talking two or three years down the road when the thing is occupied as opposed to the existing spaces that we have now. Is there a financial benefit involved there?

Mr. Johnson: The reality is that as a government we are going to have to make a choice eventually as to what we do with that building, whether we leave it to the next government or the next generation. It's a beautiful legacy building. We could have let it rot; we could have torn it down, which might have even cost more money; or we could have left it to the next government or the next generation to deal with, which would have cost a lot more money.

We're in a situation now where that building can accommodate, and we're planning to move, about 550 people over there, so it's much more than an MLA building for the 30 MLAs that might

move from this building over there. I don't anticipate that at any time in the future we're going to have 550 MLAs. At least, I sure hope not.

The building, I think in hindsight, doing it when we did it, was a real stroke of luck because the original budget, the original scoping on it was in the neighbourhood of \$365 million. Part of that is the parkade, part of that is the plaza and the grounds work, but a good chunk of that was the building, the renovations. At the time the building renovations were expected to cost – boy, I can't remember what it was, but the total cost was originally scoped out at \$365 million. It looks now like it's going to come in at about \$275 million. Because we did this when we did, because we did it at the time when the recession hit, construction costs went down. We're saving close to a hundred million dollars than if we would have done it a couple of years sooner or if we would have pushed it out several years later. The other thing that's interesting, of course, is that we're going to avoid the money that it would cost to keep the thing heated every year.

We are in a situation where in coming years we're going to have to decide what we do with the Annex and the Terrace buildings. Those two buildings combined with deferred maintenance and upcoming maintenance have maintenance costs in the neighbourhood of \$60 million. We also spend annually for these buildings with grants in lieu of property taxes to the city another \$3 million or \$4 million. If we get in a situation, which is what we plan to do, to move the capacity of the Annex and the Terrace Building over, all accommodated in one building, able to eliminate the other two buildings, that's a lot of money that we saved. It's much more efficient to run those people in that square footage than it is to run these three separate buildings.

So from a business perspective I think if you're looking at the life cycle costs of these buildings, it's a bit of a no-brainer. If we look at the actual, in hindsight, 20/20 benefit of doing it when we did it and saving roughly a hundred million dollars by falling in that window of the recession, that's a real advantage.

The reality is that out of the \$275 million that it's going to cost us to do that project, ballpark, about \$150 million of that is to do that building; another hundred million dollars are the other pieces of the project, if my memory serves. The alternative was to tear it down and build a new one, and that was going to cost about \$250 million. So, you know, we could have left it there, we could have let it rot, and then what do we do? Five, 10, 15 years from now we tear it down and build a new one for \$400 million? Or we just tear it down for a hundred million? It costs what it costs. You know, a decade, two decades from now it would have probably cost us \$150 million to tear it down, anyway, and dispose of all the asbestos that was in it.

I think that, obviously, it's much more than an MLA building. There are more than 30 people who are going to reside in there. It's going to serve government and Albertans for generations to come, and it's going to really be an anchor of the beautiful Leg. Grounds for the centennial. In hindsight, it's a good business decision.

Mr. Mitzel: Yeah. Thank you. I think it is, too.

The reason I asked that question, really, was because of the different comments that have come over the last couple of years with regard to this building itself. This building was built in 1950-something, was scheduled to be actually demolished in the early '80s – it was an agriculture building, I believe – and the thing was kept. I think there were more floors added. The question that always arises when you talk to the maintenance people in the government here or whatever is how far behind we're getting with

regard to maintenance to bring this up to, first off, a standard or just to general maintenance so that we can continue to use the building. So thanks for the answer on that.

The next question I have is with regard to water/waste water. Now, you mentioned that water/waste water is strictly Transportation, but I was under the impression that a P3 project on water/waste water perhaps would fall under your purview. There is one that's in the Evan-Thomas in Kananaskis Country. In that one I'm a little familiar with the area, and I don't quite understand why it was considered for a P3 rather than anything else. Perhaps you could explain that?

As well, are there any other projects that are going to be considered as P3 projects in the province? I know that that one is a little bit unique because it is a little tougher to handle any other way. When you do a water commission or a water co-op or a water project of any type, you've got to have a number of people involved, and I think there were limitations because of the mountainous area and everything else, the shortage of the amount of people that would be involved in that one, yet you still had to have the project. So maybe you could enlighten me on that?

8:25

Mr. Johnson: Yeah. The one water project that we do have or plan is the Evan-Thomas water/waste-water treatment facility, which is down in Kananaskis in the park there. It services the area. It services several hotels down there. It was a situation where, of course, it needed to be upgraded and worked on.

There are several advantages to the P3s, and one of them is the timeliness with which you can get projects done because you bring in private-sector partners and funders, and you might be able to get them done in a faster manner than you would have otherwise. From what I understand – and this was approved before my time here – that certainly was the case with this project. Typically as a ministry we really don't play in the granting of dollars for water projects. Regional waterlines, the irrigation districts, and things like that fall within Environment and Water and Transportation.

I think that what the province is going to have to look at going forward – and we heard this repeatedly in the budget round-tables going around the province – is that Albertans want us to continue investing in infrastructure. We have a habit of paying cash for everything that we do, and the P3s are a little bit of an adventure into some innovation with respect to alternative financing. For the right projects that fall within certain parameters, they're a really good fit. We've been able to save money, we've been able to get projects done faster, and we've been able to add real certainty to the government in terms of their expenses going forward.

The one area that I would see myself, working with the oil sands secretariat, is that we'll have to as a government probably look at alternative funding options and partners in the oil sands areas in the north. There's a tremendous amount of infrastructure that's going to have to be built up there if we want to realize the potential and if we want to accommodate the growth and investment that's coming. When I was first elected about four years ago, I think we were at about a million barrels a day in the oil sands. We're in the neighbourhood of 1.6 million now, and all projections are that we're moving to 6 million barrels a day by 2045. To quadruple the production from today, with all the investment and interest that's going in there, there's no way as a province that we're going to be able to pay cash for everything that we do. There's industry that wants to pay, and they want to be a partner. So that's one area.

I know the transportation co-ordinating committee has had some of those ideas come to their table already from industry. If

we create a table where industry and the municipality and the provincial government and the other economic development groups in the area and the airport authority can be at the same table, put all their cards on the table, and try to come up with solutions, you know, that's a great climate. We've tried to facilitate that. We'll see what comes out of it. I know that as a government we'll be open minded and give everything its fair consideration. That would be one area of potential.

We're in the process of doing ASAP 3, some P3 school tendering. I believe there are 12 P3 schools with this round. The P3 school model has worked really well when we find the right projects.

I think we need to continue to be open minded about those things and look at any way possible that makes sense to deliver the infrastructure without saddling anyone with undue liabilities or debts in the future.

Mr. Mitzel: I think you segued right into my last question, actually, and it was about the oil sands secretariat and the transportation co-ordinating committee. You mentioned the 1 million barrels per day to 1.3 million and moving on up. I think that if we stop and think about it for a moment, there's only one way that that can happen, and that's that there has to be a whole lot more construction happening in order to make that happen. It's not going to happen with the existing construction that's there and with existing plants.

They're going to have to increase, and there's only one way that they can increase. They've got to put more equipment up there, and probably the best way – and I think that it's becoming apparent – to put that equipment is not by building it there. It's by moving modular equipment there. We're talking megaloads. I know the megaloads that came out of South Korea were stalled in Lewiston, trying to work their way north, were cut back, were cut in thirds, cut in half, now are being reassembled here in Nisku and going up there.

There's so much more of that that has to happen in order to ever get to that 4 million barrels a day, or anything else, to have those plants put together in such a way that they'll be able to get up and running. I think that maybe you could let me know a little bit more about this transportation co-ordinating committee. I believe that the oil sands developers group is involved with that and that Alberta Transportation is involved with it as well.

But our roads aren't big enough, aren't good enough, especially in the Fort McMurray area, to be able to handle what we envision is probably going to come down the pike from all over the world, certainly loads coming from South Korea but as well loads that are coming up now – I know this from when I spoke with a fellow – from India and coming over by ship to Houston and now being run up by train and then put on trucks and then shipped from here and on up to Fort McMurray plus all the other stuff that's going to be built, whether it's in the United States or wherever, and then coming up either by truck or by train, in a lot of cases by truck. We don't have the capacity there for that.

I think that the hon. Member for Calgary-Glenmore spoke a little bit about the need to increase the area that's required for development as well as the bypasses that are going to be required through Fort McMurray itself on either side to be able to get up to the plants themselves on the sites. Where do you see that going? How long do you think that's going to take to get rolling?

Mr. Johnson: Well, this thing is ongoing, and as our caucus expert on Ports-to-Plains, you know all the work that has to be done with various different stakeholders and groups whenever

you're planning that kind of major transportation route and all those kinds of initiatives.

The oil sands secretariat has been very involved in a project called CRISP. It stands for comprehensive regional infrastructure sustainability plan. That CRISP is basically forward planning on infrastructure in our three oil sands areas: the Athabasca oil sands area, the Cold Lake oil sands area, and the Peace River oil sands area. Essentially, what it does is tie forward infrastructure planning to production levels. So as opposed to tying it to budgets or tying it to years, it ties it to production levels.

We know where the sweet spots are. We know where the investment is happening. We can speculate on where the production is going to come on and in what kind of timelines and what kind of labour force is going to be required for that production. What, then, are the infrastructure needs that are going to come on for those communities and for that labour force? As the labour force comes on, what kind of water/waste-water plants are you going to need? How many hospital beds, how many school desks, and what kind of transportation routes are you going to need?

The Chair: Thank you, Minister.

Committee members, I'm going to use the prerogative of the chair to call a break. It is by the clock on the wall here about 33 minutes past 8. Can I ask everyone to be back in their chair in about seven minutes? We will start precisely at 20 minutes to 9.

Mr. Hinman has indicated that he would like to get back in, so, Mr. Hinman, you'll be the first one up at 8:40.

[The committee adjourned from 8:33 p.m. to 8:40 p.m.]

The Chair: All right. I think we'll reconvene the meeting. We are now at the open part of the meeting. The intention is to alternate between opposition and government members.

Mr. Hinman, you have the floor. Again, you have the option that you can have 10 minutes, or you can have a back and forth with the minister for 20.

Mr. Hinman: This is great. I've won the lottery tonight. The other opposition members aren't here, so now I'm not quite so pressed for time. We'll just go back and forth, and maybe we can cover the questions rather than some getting missed or whatever.

Anyway, I appreciate the answers that we've been getting so far. The one I guess I want to go back to is my first question, I think, on Swan Hills. We never did get any answers on that, so perhaps you could share your understanding of what's going on there. Like I say, the \$9 million that we get from the private sector: what percentage of the actual waste disposal is that? The cost-benefit analysis for Swan Hills, you know, shows a shortfall of \$27 million by my calculations. How much are we processing? What would it cost to have that processed somewhere else, what we're taking in from other provinces? If you could just share a little bit of your knowledge on Swan Hills, that would be appreciated.

Mr. Johnson: You bet. As I'm sure you know, the Swan Hills Treatment Centre has been around for some time, and it's the only one of its kind in Canada, treating some of the hazardous waste like PCBs and dioxins and some of those things. What's happening, as I understand it, is that there just is not the supply or the demand for treating those things to really make the site profitable. The revenue coming in from the site to the government – we've actually engaged a third party to run the facility, so there's \$9 million coming into the government in revenues every year, and about \$32 million, because we have to subsidize the

operations of the site, that we have to pay every year. That leaves us with a net deficit on that site of about \$23 million.

The \$29 million is plant expenses. Then, on top of that, there's some consumption of inventories and some other things. From a strictly financial aspect the plant is not a viable project. We're looking at all of the options possible to make it viable or to hand it off to a private sector who could make it viable. Obviously, it's the main employer in a small town. It has about 100 employees out there, too, so other than the benefits that it brings in terms of processing those chemicals and the hazardous materials, it's a real employer in a small town in rural Alberta. We need to just be very careful and give a lot of due diligence to whatever we're going to decide to do with that plant in the future.

Mr. Hinman: Okay. I guess I'll go back again. Of that \$9 million in revenue, what percentage of waste disposal is that? We're subsidizing it by \$23 million. I guess I just don't understand. If you could explain it a little more. We're bringing in \$9 million in revenue from the private sector. Could you detail that for me, then? What percentage of the waste disposal that actually goes on there is that?

Mr. Johnson: Well, possibly we can get you some more detail. In terms of the actual, you know, tonnes of hazardous waste that are coming in and how much we're charging per tonne, I don't have that level of detail. Probably that level of detail is with our contractor out there.

The \$9 million, as I understand it, is being paid to us by the contractor that's running the site. We have to top up their expenses and provide some of the inventories to the site every year to the tune of about \$32 million to government. The net difference, or the net deficit, is \$23 million.

Mr. Hinman: So why we would keep it? I guess I'll ask it once more because, obviously, I've not been able clarify this. The private sector brings in \$9 million. Is it that they're just paying you that? You pay them. I don't understand. It must be from waste disposal coming in.

Mr. Johnson: It would be from waste. The \$9 million is revenue from the plant.

Mr. Hinman: So that's the total revenue from the private sector. What else goes through there besides private-sector waste disposal? That's showing that as the revenue, but it's labelled as private sector, so I thought maybe there's some public sector or something going through there.

Mr. Johnson: Well, there could be some public sector coming from other provinces as well. Like I said, it's the only plant of its kind in Canada. But the \$9 million is coming in through the private sector and us disposing of the waste up there.

Like I said, we have to top up the operations of the plant by another \$32 million. That leaves us with a deficit, which is not a good place to be. We're not real happy about it, but we're in a situation where we've got this plant, and we need to find out what to do with it long term. We're working on that.

Mr. Hinman: It has been many years since you've been doing that. Basically, then, we have no idea how much we're subsidizing. I just don't understand why the Alberta taxpayers have to subsidize that if this is the only one in Canada.

If that's where things are coming from, why is the expense solely for the Alberta taxpayer and not being shared by other

provinces? Do we have to have one in Canada? Are we the ones that have to have it? Like I say, what percentage of the waste disposal, then, comes from outside the province versus inside the province?

Mr. Johnson: One of the things that has been mandated by the feds, I believe, is the elimination of PCBs by a certain date, and that's just fed into the decrease of the amount of toxins that they're processing out at the plant.

There just isn't the inventory or the demand going through that plant. Alberta has the only one in Canada – that's true – but we have the only one, I guess, because we stepped up and took that leadership role years ago. There certainly is the need to eliminate some of those hazardous materials within our province and right across the country. Do we shut it down and then maybe at some point in time in the future have to look at starting up another one in the province or in the country?

I know we've approached the federal government and tried to work with them to see if there's an appetite to partner or for them to take it over. I don't think there is a real appetite there from what I've heard in the past. There are some studies that have been done, and there are some reports that are being created for me right now. It's going to be a big priority to come to a resolution on what the future of that plant is and how we step out of subsidizing it every year, but we won't be able to do it this year.

Mr. Hinman: Okay. Because you have it, you know, as private sector coming in, is there Alberta public sector that we need to send there to dispose of? Is that our only option? The more that you're talking, the less convinced I am that we should have it there. Who are we actually serving, then, and what is the provincial government's responsibility to dispose of these things if they're private sector? Why can't they go somewhere else? This is a public service for who?

Mr. Johnson: I'd have to say that I think we're paralyzed in agreement here, because I don't see that there's a big reason for the government to be involved in this plant. We're undertaking some efforts to try and get out of that, make it strictly private sector, make it viable, look at all the options. Like I said, it's a very significant investment that the province made at one point in time, and you're dealing with hazardous materials. You don't just close the door and walk away, right? You need to exhaust all the options in terms of having other private sector come in to take it over, seeing what other opportunities there are in terms of what other materials can be processed and what other governments or partners may step in, too.

It's a priority to try and resolve that deficit, and it's one of the things we'll be working on.

Mr. Hinman: Do you have any contracts or obligations, I guess? Because you keep referring back to that. What obligations does the provincial government have to the other provinces, to Canada, to the public sector here in Alberta, to the private sector? What obligations do we have? Is it just that we own the facility, so we have the obligation to shut it down responsibly, if that's what we need to do, or to put it up for auction and see what it brings? I mean, if you're losing \$23 million a year, how many years have we lost that \$23 million?

8:50

Mr. Johnson: The amount of deficit in this project that we have to cover off is basically at its peak. I mean, it has been, I think, one year. A couple of years ago it was at \$25 million, but other

than that, it has been in the neighbourhood of \$10 million a year. One of the issues we've got, as I said, is that the amount of demand for what it does has been decreasing. I don't know that we're tied into any long-term contracts – I don't believe we are – with any groups that send materials there, but I couldn't answer that on the spur of the moment. We can probably get you that information if it's really important to you.

I go back to that when you have a facility of this kind, you don't just shut the doors. I mean, these are hazardous materials. It needs to be decommissioned properly. There are very large costs involved with just decommissioning a plant like that. It would probably cost us more to decommission it than to run it for two or three years.

Mr. Hinman: Have you actually, though, tried to sell it? Maybe someone would buy it for a dollar. Then we no longer have the losses.

Mr. Johnson: Well, those are the things we're looking at and we have been looking at. Like I said, we were working with the federal government, trying to see if there was an appetite with other jurisdictions and the feds to take it over, to partner. That wasn't successful. We have got a contractor in there now running it, so my hope is that we'll either find a private sector to take it over or that other jurisdictions will partner and we won't end up running deficits over the long term. There are big implications to just shutting it down. Some of those are environmental, some of those are fiscal – it's going to cost a lot of money to decommission – and some of those relate to the community that depends on the jobs there, too. So we don't want to alarm anybody by saying that we're going to close the plant tomorrow by any stretch of the imagination. We're looking for solutions, and it's not a quick, easy win here.

Mr. Hinman: I realize that. I don't think that I ever at any time said: let's just shut it down. I'm just asking and pursuing that to see what options we have for selling it, that direction.

Let's switch gears and ask a few other questions. One of the things that kind of intrigued me in your comment going back to Parsons Creek was you said that you sell those lots to the developers. It's very lucrative to them because they can flip it in a day. You're saying that those are always sold in lots and that actual individuals are not ever able to buy a lot there, that you only sell to developers? What's the actual process there?

Mr. Johnson: Well, with respect to Parsons Creek these really aren't retail lots. I mean, I suppose there's no reason that an individual couldn't buy some of those lots. But when you're selling hundreds or thousands of lots at a time, I mean, you don't hand it over to a real estate agent and say: here; sell each of these one at a time. What we do is put them out in a tender package, right? We put them out in an RFP.

Mr. Hinman: What size are those RFPs usually?

Mr. Johnson: Boy, what size were these? We put out 136 acres with the RFP. We actually put fences, or parameters, around how many of the packages any particular developer could buy because we didn't want one developer stepping in and having a monopoly on all the land in Fort McMurray. So there were some fences put around that. How many lots that turned into? I mean, roughly, I think you're looking at about six lots per acre, so 136 acres. We were looking at creating a thousand new homes with this 136 acres.

Of course, there are more ready to go here, too, this year, but those are mostly commercial and multifamily. The ones that we sold, I think, with phase 1 were primarily single-family dwellings, but again they were sold to developers. Developers are putting the houses on them and selling them. From my understanding there were developers from all over. There were certainly some from Fort McMurray but some from outside of the community as well.

Mr. Hinman: How many lots, then, I guess, if I can say that? If there are six to an acre, you said a thousand? How many packages did you put up at one time?

Mr. Johnson: You know, I can't answer how many packages we actually put out last year. Again, that was before my time in the ministry, too.

Mr. Hinman: Do you know how many developers actually participated, then, in those?

Mr. Johnson: No. But, I mean, those details: I wouldn't see any reason why we can't get you those.

Mr. Hinman: I would appreciate getting more details on that.

Mr. Johnson: You know what? Those would probably be better because that's last year's budget, the budget we're completing. This isn't within the '12-13 budget, so those are good questions for Public Accounts. But I'm happy to try and get you that information.

Mr. Hinman: I guess you have significant revenue coming in this year, though, in this budget from those lots.

Mr. Johnson: Yeah. But that's not the 136 acres I'm talking about in phase 1.

Mr. Hinman: I'd much rather see going forward than back what your plan is.

Mr. Johnson: Yeah. Okay. I can try and answer that, then, if we're talking about the balance of phase 1. If we're talking about phase 2 and phase 3 in the years coming forward, those lot parcels haven't been decided yet. Obviously, a number of developers won the bids. Those lots haven't been developed yet because we haven't come to that date in time yet, and we have no idea, really, what kind of revenue is going to come in. That's one of the reasons there are rough revenue projections of \$50 million this year. The problem with when you say that you're going to release Crown land and you're going to put it on the market is that if you show revenue in the budget, you never really know how much you're going to get. It's tough to forecast that, and you don't want to forecast it too specifically because then you're broadcasting to the market what you expect for those lots.

Mr. Hinman: That's not my concern. What I'm more concerned about is that often – and again, you've referred to this – this is a very touchy situation there, and you can upset the market one way or the other. If you put too many on, is it going to drop and affect it? If you don't put enough, does it keep driving it up? You've said that you're trying to do your best to balance that out there. I guess one of my concerns is that if you've got a thousand lots going up out there, if 100 of them were to actually be sold directly to people who want to buy and develop – I guess what I'm saying is more direct marketing. I'm just concerned because there are never enough it seems like. You said these guys sell them in a day. Are there, you know, costs being added on for those people that are

trying to reduce the cost of housing there, which is the most exorbitant in Canada? What are you doing to address that?

Another question on Fort McMurray – and I'm not sure whether it fits into your budget – about the promised seniors' care facility. That's Infrastructure. What's the projected completion or start for that project in Fort McMurray?

Mr. Johnson: The seniors' care facility crosses several ministries because the actual funding, the project, the choice of the programming is really coming out of the Ministry of Seniors. They're funding it out of the ASLI program. We're delivering it in terms of building it. The funds have been transferred over to us from Seniors, so that would happen for this year. Those will flow over the next couple of years because we're in the middle of the design for it right now. We actually put an RFQ out for the bridging consultant. So we're in the rough design.

Mr. Hinman: Are you guys actually designing it and then putting out the RFP to build it?

Mr. Johnson: That's right.

Mr. Hinman: Okay.

Mr. Johnson: The build is starting in the 2012 year and will be completed 2014. There's a health care component as well, though. That funding on the operation side comes out of Health. This project crosses three ministries.

Mr. Hinman: You're responsible, basically, though, to get . . .

Mr. Johnson: To build it. We're the builder.

Mr. Hinman: When do you see the completion and opening of that facility?

Mr. Johnson: My information is early 2014, I believe. Okay. Summer 2014 we've got here.

Mr. Hinman: For seniors who are waiting, that's a long time.

Mr. Johnson: Even longer if we don't get started.

Mr. Hinman: I would have thought you would have gotten started. When did Premier Stelmach promise that, '08?

Mr. Johnson: You know, one of the interesting things on that project is that – and this is a good reflection of the issues in Fort McMurray – normally if we're doing a project like this through the ASLI program, we put out a tender, and we try to find a partner to build it. Because it's Fort McMurray and it is so much more money – the original budget was \$30 million – everyone that came in and bid on it was nowhere near the price and nowhere near within the specs. So once again like Parsons Creek the government had to take some initiative and think outside the box and do something we normally wouldn't do. And we're building it. We've got \$50 million budgeted to build it whereas in a community like – well, I won't say any of the communities, but we have similar projects that we're doing in other communities for around \$15 million, \$17 million.

9:00

Mr. Hinman: So would you say that you're hoping to be able to do this one up there for \$15 million or \$17 million?

Mr. Johnson: For \$50 million.

Mr. Hinman: So it's triple the cost of one like Strathmore.

Mr. Johnson: Triple plus, yeah.

Mr. Hinman: Okay. Utility/transportation corridors. Are we down to 20 seconds?

The Chair: Thirty.

Mr. Hinman: Thirty seconds. Well, rather than get cut off in the middle of a question, we'll let the next person go, then.

The Chair: Okay. Thanks.

Then we will call on Mr. Fawcett. Same option to you: you have 10 and 10 or combine for 20.

Mr. Fawcett: I think we'll combine it if the minister is okay with that. Okay. Thank you, Chair.

What I wanted to talk about, actually, is the department business plan, the three-year business plan. On, I guess, page 48 – this would be, I would assume, the government's three-year business plan – it talks about goal 1 of your department's business plan being "safe, innovative and cost effective public infrastructure." Then go down to the performance measures. I'm looking at school facilities, physical condition. The percentage in good condition for the 2010-11 actual is 61 per cent, and the target out to '14-15 is 53 per cent.

As someone who's got a constituency that has a lot of older schools, I don't need new schools in my area, but I need appropriate schools for the children in my area, ones that aren't falling apart, ones that are at least modernized to the point where they're able to offer the same opportunities that students in newer areas get as well as schools that are safe. What is your department's plan? Going in three years from 61 to 53 per cent of schools in good condition is not a trend that I like to see, and I'm concerned about what that looks like 10 years out, 20 years out. If you can provide some comments on that.

Mr. Johnson: You bet. A very good question. I know those numbers would draw attention from several folks, including myself as a parent and someone that has kids in the school system. The one thing to keep in mind is that just because we have fewer buildings in good condition and more buildings in fair condition doesn't mean those buildings aren't good buildings to deliver programs out of or doesn't mean that they're unsafe buildings. Just because a building is aging – and, really, what's happening is that our entire inventory across the province is aging.

The money that we're investing in maintenance and the money that we're investing in capital investment to a great degree is covering off the growth demands in the province. We're looking at a hundred thousand new students in the next decade. That's the entire population of the Calgary school board in terms of student population to be added to the province in the next decade. We do need to really look closely at some of the infrastructure investments that we're making on education and at all the important buildings, like in health care, that are going to be critical.

A couple of things to emphasize. These targets really are an indication of an aging inventory, but it doesn't mean that that inventory isn't still able to deliver some really good service. We're in a building right now that's pretty aged and would be probably listed in fair condition and decreasing – right? – especially with the deferred maintenance on this building right now. It serves us quite well. It may just mean, you know, that there are more roofs that are scheduled for repair and more boilers that are past their due date, but it doesn't mean that those buildings aren't real viable.

Mr. Fawcett: Did you say a hundred thousand school-aged children coming into the Alberta K to 12 education system in the next decade?

Mr. Johnson: That's the figure I have. The figure I've been told is that the student population of the province can increase by about a hundred thousand students over the next decade, which is roughly equivalent to the student population in Calgary. I stand to be corrected. The Minister of Education could probably give you some more accurate numbers, but those are the things that we're trying to prepare for.

As we have ramped up our infrastructure spend as a government over the last several years, you know, a big part of that is trying to cover off that backlog but get ahead of the curve for this growth that we've been seeing and the growth that we know is still coming. Alberta is the place to be, and more and more people are moving here because the opportunity is here. If we want people to move here, if we want to attract people, if we want to have a great quality of life, want a good economy, we're going to have to invest in infrastructure. We've been doing that, but we're going to have to sustain it.

Mr. Fawcett: Okay. I think that leads well, actually, into my second question, and it's under the same goal. Priority initiative 1.1 is: "Strengthen relationships with industry stakeholders and partner ministries to collaboratively incorporate best practices while implementing the 20-Year Strategic Capital Plan to meet the infrastructure needs of Albertans." My concern with the 20-year strategic capital plan that the government has is that I think it's an overly simplistic way of planning infrastructure in what is typically a very interconnected and rapidly changing province.

I talked about the challenges that we have with our older infrastructure. I do note that, you know, the percentage in poor condition is at 2 per cent, staying at 2 per cent. I mean, that's when the money goes into things, when they go from fair to poor condition. That's when the money definitely needs to be invested into those older facilities. Obviously, as that percentage in fair condition increases, at some point there's going to be a tipping point as to when there's going to be a lot more money.

My question is around the 20-year strategic capital plan, and it says: strategic. You talked about, you know, all the people coming to this province and the hundred thousand new students in a decade. Do we have our heads around: what is the total infrastructure cost or the total development costs? I'm specifically thinking about our two largest cities, where we do see a lot of urban sprawl, which requires new schools, new road infrastructure, money to municipalities, and that sort of thing. What is the cost to the provincial government?

I mean, if we have buildings, school buildings, are we building our cities properly? I know that that's not a question that you could probably answer, but in here it says that your department is to "strengthen relationships with industry stakeholders and partner ministries," obviously Municipal Affairs being one of them. What are we doing to get ahead of the curve and ask ourselves questions about how we are building our communities so that we're being able to build the infrastructure in a way that's affordable and makes sense?

Mr. Johnson: You know, that is a great question. Obviously, there are all types of infrastructure in communities. It's not all owned by this ministry or that ministry. Some is owned by postsecondary. Some is owned by the health region. Some is owned by the school board or the municipality. Everyone has a stake in that capital planning in that community, but often our

capital planning, you know, in the past was very fairly siloed, right? Health looks at health, Education looks at education, Transportation looks at transportation, and municipalities look at municipal infrastructure.

I know one area where we'd really like to do a little bit more work is on the collaboration side and on kind of community capital planning as a community. How do we leverage the investments that we're making in infrastructure with the investments that communities make in infrastructure? How do we integrate our capital plan with the municipality's capital plan so that when they build the multiplex, we can bolt a school onto it or share that space – that gym space, that field space – or share the library? At the end of the day Albertans are paying for this, and they should only pay for these things once if we can make that happen, right?

9:10

Not only do we need to look at innovative ways of capital planning and more kind of as a whole community, but, like we talked about before, we need to look at creative ways to finance and partner on these things with industry, too. One of the areas of strength that this ministry has, again, is the core capacity, that expertise and that facilitation. We are the experts in infrastructure, but we don't have an agenda. We don't own any infrastructure the programs are delivered out of, so we can really be a value-add when we come to the table in terms of bringing the different groups in and an objective eye on what kind of programs really could be delivered out of what types of infrastructure.

If that means better utilizing schools in urban centres that are not being used for something else or bolting onto multiplexes in communities or connecting health with postsecondary, with education, I think all those things have to become a higher priority for government, and I think that's what we're talking about here, the better collaboration and community capital planning as opposed to just a ministry doing capital planning.

You know, the Premier's Bill 1 is on results-based budgeting, and I think that one of the first things I'd like to see us do is to have a look at our programs across government, not just look at a ministry's budget. One of the first things we should look at is our whole capital planning process and how that works across government and what kind of outcomes we want out of that and how we rejig capital planning and set those priorities as to who gets a school and how quickly they get a school and what that is based on. What does that bolt onto, and how do we leverage infrastructure we've already invested in?

Mr. Fawcett: Well, you know, I do appreciate that. After I was first elected in 2008, one of the things that I brought forward to the Legislature was a private member's motion on developing an urban infrastructure planning organization that brought in the various components of our communities, the school boards, the provincial government, the municipalities. In Calgary something like the Airport Authority has a major impact, obviously, on some of the infrastructure spending and planning that needs to happen, so it's not just within the various departments of the provincial government. It's across all of our agencies, entities, and decision-making bodies and authorities, where, I would suggest, there needs to be a little bit greater collaboration. As you mentioned, Minister, when you set that up, you have the potential to really leverage resources in the interests of taxpayers and citizens.

I like the direction that you're going. I would like to see this implemented as part of the 20-year strategic capital plan and not creating, essentially, a wish list but a more strategic plan that sets out some of the opportunities that maybe we as government

haven't been able to seize because we're stuck on doing things the way we have for the last 20 years. So I do appreciate that.

I do have a question along those lines. What is your department doing as far as looking at new ways? We talked about the P3s. You know, there's been lots of talk about maybe building schools differently or financing them differently, those types of things. There are all sorts of things that can be put on the table when it comes to building infrastructure that I'm not sure why we don't look at as a province; you know, for road transportation – and I know that transportation falls under a different department – stuff like toll roads or, if we're insistent on urban sprawl, levies on suburban communities that will build the schools? You know, homebuyers can amortize over the length of their mortgage. Why aren't we looking at those types of things?

Mr. Johnson: Well, I think that as a government we need to be open to looking at anything. Obviously, there's going to be more appetite for some things than others. Other provinces have done things like the toll roads, and there are all kinds of partnerships and alternative funding options. I know that one of the things we're doing is bundling our tenders with municipalities now to try and partner with them on some things. Any of the smaller projects that we can bundle into larger groups, we do that.

The modular classrooms are a great example, the P3s that are really, you know, in a sense a cookie-cutter school, where it's pre-designed and it's prefabricated. We save a tremendous amount of money on the time to roll those things out and the time to design them because it's the same core design from school to school, and we just add or move modulars as we need those. Those high-performance modular classrooms are incredible and are I think doing a good job for Albertans and are a great strategy.

You know, this kind of pilot project or this first test of the transportation co-ordinating committee up north is a great example once again because all the stakeholders, all the folks with a vested interest in that are at the table. We're asking them for solutions, asking them to come up with creative ideas so that we can work on those with them as opposed to government going and saying: this is how we're going to pay for it; this is how we're going to charge you for it, basically. Because it's Albertans that pay for that at the end of the day, right? I'm hoping that we get some really great ideas out of those folks. Who knows? Maybe the Minister of Transportation would like to adopt that into other areas of the north or into Alberta, too.

If you've got specific ideas on this stuff, I think that, boy, we sure need to talk about them. Like I say, with the potential of this province, the opportunity, the people that are moving here, the demand on infrastructure, we're so fortunate that we've been able to build the stuff we've built out of cash. You know, that's not sustainable. Either we can't continue to build infrastructure out of cash or we don't build as much infrastructure, right? We've got to look for creative ways to partner and leverage that dollar to make it stretch as far as we can.

Mr. Fawcett: Okay. I think I'm going to shift gears here and go to goal 2, which is sustainable public infrastructure, and priority initiative 2.4 is to "Implement the Greening Government Strategy to reduce the environmental impact of government's operations and procurement practices." Can you indicate to me how much money the government is spending in this area? You know, have we spent money on it? What have we spent on it before? Are we increasing, decreasing in this area? I'm just reading the performance measure here. Is there a correlation between the money that we're spending on it and the targets that you're

looking at saving in energy consumption in the performance measure?

Mr. Johnson: The short answer is yes. You know, sometimes I think folks think that building for the environmental impact on buildings is nice, but the reality is that what we look at is the entire life cycle costs of that building. As a government we want to be as environmentally sensitive as we can and minimize the impact, whether it's carbon footprint or water or any of those things, and we want to be as responsible as we possibly can.

You know, there is actually a benefit to that. One of the things that we've done is tried to purchase green power. We basically have green power that we've purchased, and we've paid a premium for that, with forward contracts for all of our buildings where we can access that, which is virtually a hundred per cent of the government buildings. The calculations are that that's taken the equivalent of about 42,000 vehicles off the road. The other side of that is that by buying those in forward contracts, with the large contracts we've actually got very affordable power, especially when you look at the prices of today. So there are significant cost savings.

When we look at the buildings on a total life cycle cost, not just the upfront cost to build the thing, in terms of savings on utilities and other things, the payback, there's a pretty good business case there. That's why government moved to kind of a LEED silver standard for all of its buildings.

9:20

One of the concerns that's come forward from the forestry sector in Alberta, in particular with the LEED buildings, is that there is a point awarded in the LEED system for FSC wood, so there's a concern from Alberta forestry that we're actually locking out Alberta lumber products because there are no FSC lumber products in Alberta. The reality is that we've directed through our RFPs and with our contractors that we don't want folks to go after that point. There are actually two points awarded for using local products, so we direct folks to go after those two points instead of the one point for FSC wood.

I should put a plug in, though, that Al-Pac, Alberta-Pacific Forest Industries, which is one of the largest pulp mills in the world and manages the largest forest management agreement in America, is actually FSC, Forest Stewardship Council, certified.

The Chair: I didn't want to cut you off mid-sentence, but the time for this discussion has ended.

We will go back and forth. I'm assuming, Mr. Hinman, that you'd like to get back in. I want to point out that while we have been going in 20-minute segments, the clerk tells me that we don't have 20 minutes left, so you go back and forth until the clock tells me that it's 9:35.

Mr. Hinman: Yeah. Super.

One of the things that I really enjoy is going out door-knocking. It's amazing what you learn from the local people. The hon. member to my right here brought up one of the issues, but five issues that I've found here recently are: schools, health care, parks, ring roads, and even the federal building. I ran across a subcontractor who was very concerned and said that it was chaotic working inside the federal building. Again, you didn't answer all of my questions earlier on that. I'm interested in where you saved a hundred million dollars. That would be good.

The question that I really want to address in the few minutes that we have left – hopefully, I get one or two other ones in – is on the schools in my community of Haysboro. I grew up in

Haysboro. A new school was built. I transferred when I was in grade 1 to a new school. It's been a lot of years since then.

Mr. Johnson: That was a few years ago.

Mr. Hinman: It truly was. I outlasted the building, though.

People have been moving in. You know, people moved there from 1958 to 1962, and those seniors that bought there and raised their families there now are passing on or they're moving into seniors' care facilities, and there's an incredible amount of new young families. Just on one street alone – I went down it – there were five mothers with a three-year-old and a one-year-old. They moved into that neighbourhood because there was a school there, and last year that school closed down.

In your facilitating, what are you going to do to keep a school like that? Like, are you tracking the demographics good enough to realize that, wow, you know, we're just going to start the cycle over again when people are saying: "Oh. There's nobody here. Why do we have this school? We're going to shut it down." I mean, last year – and I'm not sure whether it was the school board or whether you have jurisdiction or accountability over that area – they rented it out to build a movie there. What are you doing in those areas on tracking them? With these people coming in, there is this flip in the communities. Right now you can say: "Oh, the demographics are old, there are seniors, there are hardly any kids, and there aren't any going to the school," but in three years there's going to be a significant change. What are you doing on that, and what's going to happen to that school in my neighbourhood in your opinion, possibly?

Mr. Johnson: Well, far be it from me to speculate on a school in one particular neighbourhood, as important as it is. We have approximately 2,000 of those buildings across the province. When you look at, actually, all the buildings from postsecondary, health, and our buildings here, you're in that 7,000 range. That's how many buildings we have to kind of keep an eye on, look at, and put into our plans in terms of maintenance and replacement as a province. So that's significant in itself. That's why we have really capable and really good locally elected school boards that have the autonomy and the responsibility, as tough as it is, to manage those schools, set the priorities for the maintenance and where the dollars go for those.

In the four years that I've been serving my constituency, I've had three schools close out of my 25 schools. Those are really tough decisions to make for a school board, but that's where the responsibility lies.

Our department is there to support the Minister of Education as he sets his priorities and his lists with his stakeholders and to help build and manage those projects. We also go out and work with school boards every year. We have people in my department that work with the Minister of Education's department, that visit every school board every year and help them with their 10-year capital plan. When they have schools like, for example, the Colchester school in Sherwood Park, that has been affected by the power lines, or the Grimshaw school, where school boards really feel there is a pressing need to come up with a strategy on a school, we go in and do a value-scoping exercise with them to help them decide: "Okay. Do we renovate? Do we replace? You know, what's the best strategy and the best value for the taxpayer and the students here?"

So we're involved in those ways, but we don't track every school, and we don't mandate what school boards have to do. We support the Minister of Education with his exercises and programs with those school boards.

Mr. Hinman: Okay. Well, I appreciate that.

I guess another question is: what do you have as a number? I think you said it tonight but maybe not the actual provincial infrastructure deficit. Again, going back to schools and looking for I guess I want to say new technology, it just seems like the number one failure in all of these buildings is the roof. Our local YMCA got to the point where the cost of redoing the roof wasn't worth keeping it open, and it's been closed. These other schools are closing. You know, with all the new technology and everything else do you have anything new coming up to save our schools because we can't keep a roof over our head? Anything in that area? Like I say, what is the total provincial infrastructure deficit in your calculations?

Mr. Johnson: We estimate with the government buildings – you know, the school boards or the postsecondaries, even the health would be a separate bucket that I'm not quite familiar with. But within the government buildings the deferred maintenance is in the neighbourhood of \$340 million.

The other piece with respect to the roofs. I don't know if the roofs are failing us any faster than boilers are or other things within some of these older buildings. I know that the standards for construction are very high, especially when you look at the modulars that we're building, and there are many companies that don't even bid because the standards are very good, and not everyone can meet the specs either.

As one point of interest those modulars that we bolt onto the schools use less power, I'm told, than a toaster. So just incredible designs and some really neat . . .

Mr. Hinman: A quick question if I could. You talked about that you have a great price on your electricity for your renewable energy. What's that rate at if you don't mind sharing with Albertans who are trying to lock in at 8 cents?

Mr. Johnson: Well, we could probably dig that out, but it varies because we have several different forward contracts.

Mr. Hinman: An average would be wonderful, if you could say what it is, how many kilowatts, megawatts you're using.

Mr. Johnson: We could look into that. I don't want to give you any misinformation, but I can tell you it's a lot less than what I paid last month for my home bill; 6.7 cents is what I've got, which is pretty impressive.

Mr. Hinman: That's impressive.

Mr. Johnson: For green power.

Mr. Hinman: Somebody subsidized it. Must be the federal government.

Have we got a bit more time yet?

Mr. Johnson: A little bit more.

Mr. Hinman: Whereabouts did you save the \$100 million on the federal building? That's the best news all night.

Mr. Johnson: You know, that news has been out for some time. The federal building was originally scoped out at \$365 million for all the work that was going to be done, and like I say, we've got a boatload of experts that work on this stuff all the time, so usually they come in right where the industry is at. By doing it when we did and the recession hitting and getting it done as opposed to letting it rot and sit there for another decade, the way it looks now

is that we're coming in close to \$90 million under the original budget.

Mr. Hinman: Where were the savings? Through labour?

Mr. Johnson: Well, the savings are in the decrease of construction costs. In 2009 when the recession hit, we started getting projects in up to 30, 40 per cent less than what we would have paid three years earlier for them. Just less competition for those workers and increased competition for the jobs. Whether you're looking at road crews, whether you're looking at constructing buildings, everything got much more affordable in 2008-2009. I'm sure you know that.

Mr. Hinman: One other quick one, then. With the projections you're spending about \$1,500 per person. In another two years what do you foresee? I see it dropping off. You know, you've got that amount in the sustainability fund, everything that you were talking about. Are you planning on being able to just continue at \$1,500 per person? Or are you going to be ratcheting that back in two more years?

9:30

Mr. Johnson: Well, the budget that we've got is, you know, \$5.7 billion this year, \$16.5 billion over three years, so it's in that \$5 billion range, which is very close to that \$1,400, \$1,500 per person. I guess the real question is: it depends who wins the election. If we win, this is our budget. If you win, you're going to cut \$1.6 billion out of this infrastructure. Last year you were going to cut \$2.4 billion.

Mr. Hinman: We're just going to reprioritize it and stretch it out because we don't want to see the building stop in two years because we're broke and don't have the money.

Mr. Prins: Don't worry about that.

Mr. Hinman: That's the problem. You guys don't worry about it. You spend like drunken sailors.

The Chair: Well, it actually kills me to say this, but we were five minutes late starting, so we have another five minutes added on.

Mr. Hinman: And here I kept thinking we were ending because you said that we're quitting at 9:30.

The Chair: No. I said 9:35.

Mr. Hinman: Oh, this is wonderful, another bonus. I tell you, this is better than the 8 per cent return on the slot machines, that Hughie is so concerned about.

Let's go back to the waste-water program. You said that that's not in your department, or is that in your department? You said: just the one in Kananaskis. Because you're the facilitator in a lot of these things, what is the province looking at? A lot of municipalities throughout Alberta are really at the end of life in a lot of both their water treatment and their waste treatment. What's happening there that you can share with us?

Mr. Johnson: The water/waste-water program lies within Transportation. If you're looking at some of the other groups that we work with, there are some water programs in Environment and water for life, and I think Transportation and Environment partner

on some of those. Essentially, my ministry is vertical infrastructure, so anything that's above ground. We don't deal with the roads. We don't deal with the regional waterlines or the sewer lines or the water treatment facilities per se. There is just the one facility, which is a government-owned facility in Kananaskis, that we're involved with.

The way those two differentiate out on the books, too, is that typically the water/waste-water facilities are capital grants that go straight to municipalities or straight to regional water commissions. Those are good groups that do great work. The Evan-Thomas water treatment facility, that we're working on in Kananaskis, is a government-owned building, which is one of the few in that kind of scope. That would be a capital investment. The bookkeeping is a little bit different.

Back to the whole point of if you're going to cut dollars out of the budget for capital in order to reduce the deficit – your plan was to cut \$2.4 billion out of capital last year, out of \$7.6 billion. That \$2.4 billion has to come out of capital grants to eliminate the deficit. It can't come out of capital investment. If you eliminate the federal building, the courthouse, the remand centre, the museum, it doesn't affect the deficit. That \$2.4 billion has to directly come out of the \$4.5 billion in capital grants, which means you'll be cutting schools, that you'll be cutting municipalities.

Mr. Hinman: In your opinion.

Mr. Johnson: No. If you understand the books and if you're going to use the capital grants to balance the budget.

Mr. Hinman: Do you know what your operating increase of the government is this year alone? It's 6.9 per cent. We're talking \$1.6 billion.

Mr. Johnson: We're talking about capital.

Mr. Hinman: Well, no. Again, you always seem to go and talk about front-line cuts, and you never talk about management.

Let's switch the last question here. Your minister's office increased slightly, from \$530,000 to \$570,000, your deputy minister's office increased from \$705,000 to \$765,000, your communications increased from \$487 million to \$537 million, and your strategic – well, that wasn't significant. Perhaps you could explain why we had such increases in each of those departments and why they were necessary and you couldn't cap it.

Mr. Johnson: These are just increases that were negotiated by Treasury Board. Was it two years ago? Some of them are for pay grid increases and some of them are just . . .

The Chair: Well, I want to thank everyone. I apologize for interrupting this wonderful conversation that's under way, but the time for this business has expired.

I'd like to remind committee members that with the exception of that happy-looking group at that end of the room, the rest of us will be back here again tomorrow night quizzing another happy group at the other end of the room as we consider the estimates for the Department of Treasury Board and Enterprise.

That being said, pursuant to Government Motion 6 the meeting is adjourned.

[The committee adjourned at 9:35 p.m.]

