

Title: Wednesday, April 27, 2005 Public Accounts Committee

Date: 05/04/27

Time: 8:30 a.m.

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. I would like to call this Standing Committee on Public Accounts to order, please. I would like to first off welcome the Hon. Dr. Lyle Oberg, Minister of Infrastructure and Transportation, and his staff and Mr. Fred Dunn.

Before we go any further, perhaps we should introduce ourselves to you.

[The following members introduced themselves: Reverend Abbott, Mr. Bonko, Mr. Chase, Mr. Johnston, Mr. Lindsay, Mr. MacDonald, Dr. Morton, Mr. Prins, Mr. Rogers, Mr. VanderBurg, and Mr. Webber]

[The following staff of the Auditor General's office introduced themselves: Mr. Dunn and Mr. Wylie]

Dr. Oberg: Lyle Oberg, Strathmore-Brooks.

[The following departmental support staff introduced themselves: Mr. Ghazouly, Mr. Ramotar, and Mrs. Yiu-Yeung]

Mrs. Dacyshyn: Corinne Dacyshyn. I'm the committee clerk.

The Chair: Could I please have approval of the agenda as circulated? Thank you very much. Moved by Bill Bonko that the agenda for the meeting today be approved as distributed. All in favour? None opposed? Thank you very much.

Now, I would please ask on behalf of all members of the committee for a brief overview from the hon. Minister of Infrastructure and Transportation, and I would remind all members of the committee, before the minister starts, that we have two ministry annual reports to deal with here today for 2003-04, Alberta Transportation and Alberta Infrastructure, and the Auditor General's annual report for the same year as well as the government of Alberta's annual report.

Thank you.

Please proceed.

Dr. Oberg: Well, thank you very much, Hugh. Good morning to everyone. I'm very pleased to have the opportunity to share with you the 2003-2004 results of the previous ministries of infrastructure and transportation. As you know, in 2003-2004 these departments were not the combined ministry that they are today. Therefore, I will be speaking to each annual report separately, starting with the former ministry of infrastructure and concluding with the ministry of transportation. I would like to highlight for you the accomplishments of these two ministries in 2003-2004.

Before I begin, though, I would like to introduce some of my senior staff that are with me today and to thank them very much for their continued support in the major task of merging these two departments together. First of all, as introduced, Jay Ramotar, my deputy minister; Rod Thompson, acting assistant deputy minister of policy and corporate services; Rob Penny, assistant deputy minister of transportation and civil engineering; Gregg Hook, assistant deputy minister of transportation safety services; Barry Day, acting assistant deputy minister of capital projects; Bob Smith, assistant deputy minister of properties; as already introduced, Winnie Yiu-Yeung, executive director of finance; and my executive assistant, Chris Ghazouly.

If I'm not able to answer any of your questions at the end of our discussion today or if you need additional information, I'm sure one of my staff will certainly be able to assist you.

As I said previously, I will begin with the former ministry of infrastructure. There were four core businesses in Alberta Infrastructure in 2003-2004. "Working with partners to provide cost-effective, innovative and sustainable building infrastructure to support the delivery of government services" was number one. Number two was "managing government owned and operated facilities"; number three, "providing realty services for government facilities"; and number four, "managing government air and vehicle fleets."

In the 2003-2004 fiscal year Alberta Infrastructure and the Alberta Research Council were recognized for their combined efforts to address environmental issues faced by facilities. The Building Owners and Managers Association presented their Canada Earth award for 2003 to this team. The Earth award is the association's recognition of excellence in resource preservation and environmentally sound commercial building management. This is the first time a government building has won an award at a national level.

Infrastructure co-sponsored the cross-ministry capital planning initiative with Alberta Transportation and Alberta Finance. A capital planning unit was established in Infrastructure that shifted the CPI to a longer term and more strategic approach. The unit developed a system to gather the capital requirements for the next 10 years and led to the development of a five-year capital plan. The Deputy Minister Capital Planning Committee endorsed the proposed five-year capital plan in November of 2004. Alberta Infrastructure, Transportation, and Environment continued to work together on a joint environmental committee to establish acceptable practices for the operation of contaminated highway maintenance sites as well as others.

Something that all Albertans certainly appreciate is the natural gas rebate program. In order to administer this program, Alberta Infrastructure worked with other ministries and 110 natural gas service providers to develop this program. Program regulations, guidelines, policies, and procedures were created and implemented to protect natural gas and other fuel users from high winter gas costs.

Overall Alberta Infrastructure managed their resources responsibly. Expenditures exceeded the original budget by approximately \$227 million, which primarily reflects approval received during the year for the natural gas rebate program in the amount of \$214 million, an additional \$30 million to the school boards for operation and maintenance of school facilities, offset by an underexpenditure in noncash items of \$10.4 million, that was primarily amortization. The dollars were allocated by the department to undertake priority maintenance projects to protect the integrity of existing infrastructure and taxpayer investment.

Of the \$1.4 billion operating expenditures funding was allocated to the four main functions of infrastructure: operations, preservation, expansion, and ongoing commitments. Infrastructure operations spent \$614 million for lights-on costs and includes caretaking, ground maintenance, utilities, and routine repairs, such as \$361 million to support the day-to-day facility operations of 1,466 schools, \$130 million to keep the more than 2,000 government-owned buildings opened, over \$100 million on more than 500 leases to accommodate government programs, and \$22 million to continue with the operations of the Swan Hills treatment plant.

The operating budget for preserving our infrastructure is \$172 million, of which \$80 million is for preserving our health care facilities, \$39 million for school facilities, \$24 million for postsecondary, and \$25 million for government facilities, with the balance of \$4 million going to seniors' lodges and site environmental services.

To expand or replace existing infrastructure, we spent \$337 million: \$137 million for health care facilities expansion, \$70

million for school facilities, \$100 million for postsecondary facilities, almost \$13 million for land services to facilitate the delivery of government initiatives as well as the costs associated with land management, \$13 million to support centennial legacy grants and projects, and the remaining \$4 million went to seniors' lodges and government facilities.

The balance of \$307 million was to address ongoing commitments including day-to-day administration costs, program support costs, and noncash items such as amortization and consumption of inventories as well as the expenditures associated with air and vehicle transportation services.

The year 2003-2004 was a very successful construction year for Alberta Infrastructure. Through Community Development the legacy grants program provided funding for municipalities and not-for-profit groups who wished to undertake major, publicly accessible capital projects in commemoration of Alberta's 100th anniversary. You can see how this funding was used to benefit your communities if you plan to attend some of the centennial celebrations coming up very soon.

8:40

Some other significant capital projects that got under way or were completed in '03-04 are the Calgary Courts Centre, the level 3 biocontainment lab for BSE testing, the Leduc agri-value incubator facility, and the Food Processing Development Centre as well as major rejuvenation of the Jubilee auditoria in both Edmonton and Calgary.

A number of health facilities were also under way in '03-04: the new Children's hospital in Calgary, the Alberta Heart Institute at the University of Alberta, the major development at the Ponoka hospital, the health research innovation centres at the University of Alberta and the University of Calgary, and the High Level hospital, officially opened last fall.

Of course, there are always a number of new schools being constructed or renovated in Alberta, like the beautiful, new, shared Catholic and public schools in Trillium Centre in Sherwood Park, the Jasper Place high school upgrading, and the Archbishop Oscar Romero school, which opened last fall.

So thank you very much for the opportunity to highlight the department of infrastructure's accomplishments in '03-04.

I would like to now continue with the highlights of transportation's '03-04 annual report. With the growing population and an expanding economy, of which 60 per cent is export based, it's vital that Alberta has a world-class transportation system in place. There were also four core businesses in Alberta Transportation in '03-04: number one, "manage transportation safety programs"; number two, "manage the provincial highway network"; number three, "support economic development," which includes managing water resource infrastructure such as dams, canals, and reservoirs on behalf of Alberta Environment; as well as "represent Alberta's interests in transportation policy."

In the '03-04 fiscal year the new Traffic Safety Act was brought into force, one of the most comprehensive pieces of legislation of its kind in North America. Also introduced was the graduated driver licensing system, that has had great success in other jurisdictions in helping reduce collisions, injuries, and fatalities involving new drivers. Traffic fines were overhauled, sending a message that we're very serious about dealing with violators. An independent review of traffic safety programs was also commissioned.

The first P3 project, Edmonton's Anthony Henday Drive south-east, was pursued and is presently under way in this fiscal year. We moved ahead with a number of very significant capital projects, and we helped numerous rural municipalities, hamlets, villages, towns,

and cities to expand and maintain their water and transportation systems.

In conjunction with the new Traffic Safety Act, Alberta Transportation enhanced the entrance standards for driver examiners to require more years of experience and the completion of an entrance test before candidates are accepted and trained as driver examiners. The department also acted on recommendations by the Auditor General and modified their criteria and processes for monitoring the performance of driver examiners to ensure that the program continues to be effective and valuable.

The department also increased its capacity to inspect and monitor commercial vehicles last year. Aside from our domestic commercial traffic we had about 12 and a half billion dollars in international trade shipped by truck in and out of Alberta last fiscal year. In comparison, \$7.8 billion was shipped by rail and \$4.4 billion by air. We are working with the commercial carrier industry on education and information initiatives aimed at commercial vehicle safety. We're also committed to Road Safety Vision 2010, a national strategy aiming to cut fatalities on roads in Canada by 30 per cent in 2009-2010.

Overall, Alberta Transportation managed its resources efficiently. Even though expenditures were lower than the authorized budget, this underexpenditure was primarily due to, first of all, a \$15.3 million lapse to help address critical spending issues experienced by other sectors; a \$32.7 million underexpenditure in noncash items. These noncash items related to amortization and consumption of inventory. A noncash item is not, quote, real money that we spend on programs.

Of the \$875 million spent on operating and equipment/inventory purchases, over \$294 million was spent on highway maintenance and rehabilitation. Approximately \$245 million was provided to municipalities for transportation and waste-water infrastructure needs, and about \$29 million was spent on transportation safety services.

On the capital investment side \$30 million was spent on government-owned water management infrastructure such as dams, canals, and spillways. Approximately \$118 million was spent on provincial highway construction, and \$209 million on the strategic economic corridor investment initiatives. The balance of \$14.8 million was lapsed due to project delays. These funds were subsequently carried forward in 2004-2005.

The year '03-04 was a successful construction year for Alberta Transportation as well. The north-south trade corridor from the U.S. border to the northwest border with B.C. is nearly complete. When it's finished, 1,175 kilometres will be twinned. To date we have almost 982 kilometres twinned on that route.

With the Canadian and American governments and the state of Montana we completed the new joint border crossing at Coutts and Sweetgrass to increase capacity and speed up flow through. As well, we're building with the B.C. government a joint-use commercial vehicle inspection station near the Alberta/B.C. border. By sharing the inspection station, we expect to save about \$2 million in capital costs and \$300,000 annually in operating costs.

The Little Bow River project was completed. This \$95 million undertaking means a more secure water supply to communities and irrigated farmland in southern Alberta.

In Calgary a 10-kilometre extension on the Deerfoot Trail and the McKenzie interchange were put into service. In Edmonton grading and structural work is on schedule or ahead of schedule on the Anthony Henday Drive southwest project. To help support the transportation priorities, both Edmonton and Calgary continued to receive funds based on 5 cents per litre of road fuel sold within city limits, and for other cities, towns, and villages Alberta Transporta-

tion continues to provide \$60 per capita grant funds to support local transportation needs such as road construction, road rehabilitation, and transit buses.

In '03-04 23 projects were approved under the resource road program. The program is unique in that it gives private industry the opportunity to contribute to project costs along with the municipalities.

Funding of \$24.8 million also continued for Alberta municipalities for the construction of high-priority water and waste-water treatment projects. A total of 125 projects throughout the province received funding through the Alberta municipal water and waste-water partnership.

Alberta Transportation received the gold Premier's award of excellence as well as two bronze awards this year. The gold award was for developing an innovative P3 delivery process for transportation infrastructure. This process is being applied to deliver the Edmonton southeast ring road project.

That concludes my comments today on the accomplishments of these departments, and I certainly look forward to leading the amalgamation of these departments into one diverse ministry and making it even better than it has been in the past.

I would certainly be happy to answer any of your questions. For those of you who are wondering, you have a second chance to ask me questions this afternoon as my estimates are also this afternoon, so way to go.

The Chair: Thank you very much, Mr. Minister.

If we could have Mr. Dunn give us his comments.

Mr. Dunn: Thank you, Mr. Chairman. I will be brief this morning. As I mentioned at the end of the last Public Accounts Committee meeting, our comments on this now-combined ministry are contained in three sections of our annual report.

First, we have a six-part comprehensive recommendation numbered 2 on page 63 of our annual report regarding public/private partnerships. This section runs from pages 49 to 72 in our report. Our recommendation 2 was addressed to the ministries of infrastructure and transportation as co-chairs of the Deputy Minister Capital Planning Committee. This recommendation now belongs to this one amalgamated ministry, as you've just heard from the minister. We've provided a summary of our international research on the subject together with our findings from reviewing the documents relating to the Calgary Courts Centre as it stood at that time and the southeast Edmonton ring road that the minister has just spoken about.

We also have a separate recommendation numbered 24 in the ministry of infrastructure section on page 216 of our annual report concerning establishing a process to assess whether the Swan Hills treatment plant is achieving its objectives.

As well, we have provided follow-up comments on prior years' recommendations that have not yet been fully implemented, but there has been satisfactory progress regarding terms and conditions of construction grants, monitoring of construction grants, construction management contracts, physical security of government buildings, and deferred maintenance: its definition and disclosure.

8:50

In addition, we have two numbered recommendations in the transportation section of our report. Recommendation 29 on page 301 concerns strengthening the monitoring processes for the commercial vehicle inspection program and the motor vehicle inspection program. Also, we have recommendation 30 on page 303, to "improve the process to license inspection facilities and technicians."

We have also reported on a number of implemented recommendations from prior years' reports in both the infrastructure and transportation sections.

Those are my brief comments. I and my staff will answer any questions directed to us. Thank you.

The Chair: Thank you very much, Mr. Dunn.

Before we get started with questions from the members, Dr. Oberg, would any more of your staff like to join us around the table?

Dr. Oberg: Sure.

The Chair: They're welcome to join us if they would like.

Dr. Oberg: That's okay. We'll call them up as needed here.

The Chair: Okay.

An Hon. Member: They're not all rushing up.

Dr. Oberg: I know. I noticed that.

The Chair: To the hon. members, there is quite a long list of members who have indicated that they would like to ask a question this morning. Since we're dealing with two annual reports, we would appreciate brevity.

Dr. Oberg: Mr. Chairman, if I could ask, when the questions are given, if they could just cite a page number too, please.

The Chair: Certainly. And if there are any questions that you need further information from your staff, they can certainly be responded to in writing through the clerk to all members. Thank you.

Mr. Chase, could you proceed this morning, please, followed by Ray Prins.

Mr. Chase: Thank you very much, Chair. I'm going to try and avoid the preamble as much as I can. We'll try with a given-that format. Given that 2003-2004 was a P3 on-off year – some were brought on; some were taken off – my question has to do with page 81 of the Alberta Infrastructure annual report. It has to do with the Calgary courthouse that began as a P3 of \$300 million, escalated to \$500 million, went back to \$300 million but minus one of the aboriginal court facilities that was planned although the price was the same. It's note 14 under Subsequent Event that I'm referring to specifically. It says:

As a result of Treasury Board meetings held on March 30, 2004 and April 1, 2004, a decision was made to finance the Calgary Courts Centre project with Crown funds instead of third party financing. The results of this decision are reflected in these financial statements.

Can you please tell me where I could find these financial statements or what that reference refers to?

Dr. Oberg: We'll get you the page number, Harry.

Mr. Chase: It's just a matter of trying to understand why the aboriginal courthouse was left off that situation. We still had that same \$300 million price, but it was a considerably reduced courthouse facility.

Dr. Oberg: We'll get it, Harry. Sure.

Mr. Chase: Well, maybe in the interests of time if you could just provide us with those details, that would be appreciated.

My next question again has to do with a P3, and that was the Anthony Henday specifically. I am referring to page 63 of the 2003-2004 Auditor General's report. I'll just give you a chance to get to that report.

On page 63 the Auditor General recommends an improved definition of P3s. Then on page 15 of the 2003-04 transportation annual report it states that the southeast Anthony Henday Drive was a priority to the department that year. However, there seems to be a degree of conflict in the definition and tying it down. Given that the definition of a P3 was not clear at that time, did the department have a formal risk management process?

Dr. Oberg: I guess I'll address your question a couple of ways. First of all, to get an absolute definition of a P3 is extremely difficult because, realistically, each and every endeavour is significantly different. I don't mean just minimally different; I mean significantly different. Whether it's how it's financed, whether it's government financed and private-sector built and operated, whether it's government-operated and private-sector built: all of these other combinations are there. So we are working on this.

Again, it is very, very difficult to get an actual definition. In all fairness I think it would be very deleterious to have a specific definition of a P3 because then what happens – we've actually seen this since that point – is that people are closing their minds to the different ways that the dollars can be accessed, different ways that they can be utilized. So we are attempting to do this, but it's been a very difficult task on an actual definition of a P3.

You can keep it very broad and just simply say that it is a working together with private industry to do a project, so to speak, or you can get more specific, but the danger is that in getting more specific by exclusion, you're going to exclude certain ways that things can be built. So it's a very tough thing to do. We are looking at what we can do. We're attempting to keep the definition very, very broad, though.

Mr. Chase: Just a qualification of the question period.

The Chair: Mr. Chase, please, that was two questions.

Mr. Chase: That's what I was asking for. If you don't receive an answer, do you get to have a supplemental question?

The Chair: Mr. Prins, followed by Bill Bonko, please.

Mr. Bonko: Thanks, Mr. Chairman. If I could just please . . .

The Chair: Excuse me. Mr. Prins, and then followed by Mr. Bonko.

Mr. Prins: We're too busy laughing here.

Thanks, Mr. Chairman. I think a bit of air time has been spent on this issue already from time to time. My question, I guess, would be: why does the government operate a dedicated fleet of aircraft for their use?

Dr. Oberg: Well, thank you. This does sound like something I've answered a couple of times in question period.

Mr. Prins: Well, I have some other questions if I don't get the right answer.

Dr. Oberg: No, I love the question. I'd be more than happy to expound on that one, Ray.

I think there are two things that have to be taken into consideration when you look at the operation of the fleet. First of all, obviously, is the cost. Second of all is, actually, the time saving, and the time saving in flying to particular rural areas is immense. It's huge. There are 76 airports that are accessed in Alberta. These are airports that can be accessed by our airplanes, which enables government members to actually go out and talk to the general public, to ask their opinions, to find out what is happening in rural Alberta. That is something that you, realistically, have a very difficult time putting a monetary value on.

For example, what exactly is the Premier's time cost from a dollar-cost point of view for spending two hours waiting for an airplane or spending three hours in a particular place? It's very difficult to put a cost on that. So from a government fleet point of view it is an incredible way to access Alberta, and that's extremely important to us. Occasionally, the government fleet is being used to access other places in Canada. We attempt to keep that to a minimum, but there are, certainly, circumstances where that occurs.

Mr. Prins: Another question: do we use regularly scheduled airlines for outside of the province, and what percentage inside the province would be charter, or private?

Dr. Oberg: First of all, inside the province 80 to 90 charters a year is roughly what we average, and the majority of these charters are when our planes are down. I don't know if anyone flies here, but there are obviously standard maintenance protocols that have to be followed for the airplanes, and indeed they are down a significant amount of time. So we do charter on that basis. There are also times when we have three or four ministers going into different parts of the province, so that is another reason that we would charter.

When it comes to interprovincial or international flights, the majority of the interprovincial and international flights are done on commercial airlines. I think that realistically, when it comes to travelling across Canada, you're looking at three and a half hours to go to Toronto on a commercial airline, and you're looking at about eight to nine hours to fly in one of the government planes to Toronto. So, again, there are some time elements as well.

9:00

With regard to an actual percentage in-province I can only hazard a guess. It's really a tough one to say because the amount of travel, for example between Edmonton and Calgary, on commercial airlines is not recorded. It's recorded in the Legislative Assembly offices the majority of the time, so it's very difficult to compare. I would suggest that it's probably in the range of 50-50, but that is purely an estimate.

The Chair: Thank you.

Mr. Bonko, followed by Reverend Abbott, please.

Mr. Bonko: Thank you, Mr. Chairman. If I could just maybe have the Auditor General – I'm trying to go on memory of what you said previously on P3s. My recollection is that you indicated that P3s weren't necessarily the best route for public money but that we shouldn't discount that as a source or an alternative. Am I correct in that?

Mr. Dunn: No. My words were actually that P3s should be considered. So we actually say that it's a viable option. It is a viable option. I'm not political in any way, sense, or form. I look at the best value in the project for the public sector.

Mr. Bonko: I thank you for that clarification then.

In 2003 what were the key indicators, Mr. Minister, that suggested that the Anthony Henday would provide more value than other methods that are currently being explored?

Dr. Oberg: In 2003-2004 we were still under the assumption of the P3. It had not been approved at that time, so we were doing exactly what the Auditor General just stated. We were looking at the viability of the business case, we were looking at whether or not it was a savings to the taxpayer, and we were looking at the ultimate benefit to the taxpayer. What we were using as a comparator – and before I say this, I want to be perfectly clear on this. A public-sector comparator is a plus or minus 10 per cent figure. So there can be anything within that range plus or minus 10 per cent because it is just an estimate. We set that figure, so anything plus or minus 10 per cent would be acceptable.

We also first of all had it run by an objective committee of people who are involved in other businesses and had them take a look at it and see if it could be deemed a P3. We then went through the assessment of the P3 to determine whether or not it was a business case and whether or not it would be viable. In 2003-2004, as you well know, there had been no decision made at that time, and they were still going through the viability options to do exactly what the Auditor General just stated: to determine the business case and determine, quite simply, if it was a good deal for the taxpayers of Alberta.

The Chair: Thank you very much.

Reverend Abbott, please.

Rev. Abbott: Thank you, Mr. Chairman. Thank you very much, Mr. Minister and your department, for being here.

I guess I want to start off by thanking Mr. Dunn for his good work. I know that, you know, certainly in the last few days or so that's been questioned somewhat. But I did appreciate, Mr. Dunn, when you talked about the importance of innovation and encouraging to take a look at P3s.

I was going to ask a question with regard to the Calgary courts project, but that has been asked, so I'm going to switch gears a little bit here and ask you about page 82 in the infrastructure annual report. It's also, I guess, a bit of a P3; maybe it is or maybe it isn't. I'd like you to talk a little bit about it; that is, the Swan Hills treatment plant. I've noticed in the annual report that for '03 the budgeted amount to run that operation was \$24.6 million, whereas in '04 it dropped down to \$13 million budgeted, but then the actual came in at about \$1.6 million over budget. So I'm wondering if you could explain to us why such a dramatic drop, and then why did you go, you know, 10 per cent, 15 per cent over budget when all was said and done?

Dr. Oberg: Sure. In reality, with the Swan Hills treatment plant a lot of it is dependent on how much work is actually being done. Yes, we are subsidizing the Swan Hills treatment plant. It does not break even. It does have income which comes in, and the amount that has been subsidized is roughly the \$13 million. The actual amount was \$14.6 million. It comes down very much to a philosophy, and I think this government and certainly I follow this philosophy that the environmental wastes and serious hazards that are out there are critically important to our environment, and they're critically important to our lifestyle in Alberta.

Personally – and this is just personal – I think that this is a success story when we're not using this as much because, quite simply, it means that we have already burned a lot of these serious wastes and

serious hazards that are out in Alberta. Will there be more? Absolutely. There will be more, and that's why we need to continue having this going. It is not a viable economic tool for private industry to do, and we've seen that. However, I do feel that there is a very important place for this in the Alberta economy.

Rev. Abbott: I guess my follow-up – and you've touched on it a little bit – would be: is there some sort of timeline when a person may once again go to the market and attempt to privatize it or liquidate it? Or will there maybe be a day when you just shut it down?

Dr. Oberg: I would suggest that the answer to the first part of your question is no, and I would hope that the answer to the second part of your question is also no. I think we need this plant. Obviously, I was here in government during the construction of this plant, and we saw a lot of the hazardous waste being disposed of. I think there still are going to be hazardous wastes in Alberta, and we'll still need a place to dispose of them.

When it comes to the private sector, I think we have to be extremely careful because it is not a business that is being run on cost recovery. There is not a profit being made. Indeed, that was one of the issues why it was turned back to government when it was turned back. So if there ever comes a time or date when it can be profitable, then absolutely we should turn it over to the private sector. In the meantime, it is not profitable, but it does perform a very, very important service to Albertans, and I would like to see it kept going.

Rev. Abbott: Great. Thank you.

The Chair: Mr. Eggen, followed by Mr. Rogers.

Mr. Eggen: Thank you, Mr. Chairman. My question has to do with the Auditor General's report, the bottom of page 222. This is in regard to capital plans. While some of the recommendations have been implemented, I found it interesting to note that the Auditor General has made this observation before, and still the ministry is in the midst of developing this project capital funding request form. I would like to perhaps have some elaboration or illumination in regard to what the project capital funding request form should entail and why it hasn't been fully developed yet as per the Auditor General's recommendations.

Dr. Oberg: Sure. Keep in mind that this was 2003-2004.

Mr. Eggen: Yes, of course.

Dr. Oberg: What we were looking at was a new way to determine the capital needs of the province. Subsequently what occurred is that we put together a deputy minister committee, which actually brought forward its first recommendations in the fall of 2004 about the capital plans. So during 2003-2004 we were working on the Auditor General's comments and, indeed, have provided a very satisfactory conclusion.

One of the issues that we have, of course, when it comes to capital buildings and capital infrastructure in general is a very objective way of determining which one is better done: this one or that one? Certainly, we have come a long, long way on that, especially with the school audits, where we take a look, quite simply, from the top right down to the bottom of the schools. We've also done that on the postsecondary institutions, again, where there is maintenance needed.

I think you also have to play into this one as well when needs change. High demographic areas where you have a lot of kids, where you need more schools, things like that, are probably the best example. In 2003-2004 we were looking at this and subsequently brought it in using all of these factors: using the stage of the building, the demographics. All of these various components were brought in for the capital plan. It subsequently went to the deputy minister's committee and subsequently has come on to ministerial committees.

9:10

Mr. Eggen: Okay. Thank you. Just a supplemental to that. I think that a lot of different groups in this province would like to have a greater degree of transparency as to how these decisions were arrived at, how we weigh one thing against the other, say, for schools.

Dr. Oberg: Yes.

Mr. Eggen: So would this capital funding request form or developing the transparency extend to the public being able to see, you know, how these choices are being made in regard to, say, schools being built in different areas?

Dr. Oberg: Yeah, they certainly can. One of the truly hard issues is determining – when you have so much money and you have a school need in one part of the province versus the other part of the province, weighing them out is very, very difficult because, in essence, you're making a choice based on very similar criteria, yet a choice has to be made. Why does one school potentially get a wing added on and the other school gets portables put on? All of these things are very, very difficult. We have come a long way. We purchased a maintenance software program that, again, objectively takes a look at it. We did that in 2001, and we're currently in the process of getting that to the point where it should be.

The audit scores though, I think, realistically have revolutionized the whole idea of renovations on the school side because now we have an objective. Quite simply, what we can do is go from the top down to the bottom. We know that a school with an audit rating of 600 is in considerably better shape than a school with a thousand, and it does give us something very, very objective to look at and very, very objective to put forward to the public.

If you noticed, for example, in question period yesterday when LeRoy Johnson asked me about the Millet school, I was able to say that the audit score for the Millet school was 1,040, which automatically signifies something to people. It means that, you know, it's in poor shape.

Mr. Eggen: It's in jeopardy, yeah.

[Mr. VanderBurg in the chair]

Dr. Oberg: Right. Very objectively, I think that is very transparent. Could we be more transparent? Yeah, but it's hard because it's hard to weigh when there are projects that are very, very similar. Why you pick one versus the other is very, very difficult. The audit scores on both the postsecondary and the school buildings have come a tremendous, tremendous way in putting us in that direction though.

The Deputy Chair: Thank you, Minister.
George Rogers, followed by Harry Chase.

Mr. Rogers: Thank you, Mr. Chairman. Mr. Minister, first of all, congratulations to you and your staff. I think you've done a very successful job of amalgamating two very significant areas of government programming. In that vein I've got a two-part question for you. Could you share with the committee the amount that was spent on the building of schools in '03-04? I don't expect you to list them all, but could you highlight the more significant projects?

Dr. Oberg: I certainly can, and if you'll give me two seconds here, maybe more than two seconds, I shall find you the exact number. We had about \$1.9 billion for Alberta infrastructure over three years, but when it comes specifically to schools, the amount of dollars which I have here is \$39 million for preservation, and to expand was \$70 million. So there was \$109 million put into school projects. That includes new school projects as well as preservation and renovation of existing school projects.

As I mentioned in my opening comments, we actually did some pretty amazing stuff that year. The Trillium Centre I think is a landmark school in Sherwood Park where we have both the public and Catholic coming together with other services between them. I think that's a landmark. For those of you who haven't been to the Archbishop Oscar Romero school, I would really suggest that you do take a tour of that. It's a classic design. It's a round design, and it's quite amazing, so I would ask you to do that. Again, both of them are very, very significant and great, of course, for the schools.

Mr. Rogers: Thank you.

The Deputy Chair: Harry Chase, followed by Dr. Morton.

Mr. Chase: Thank you. My question is based on page 71 of the 2003-04 Auditor General's report, whereby the Auditor General recommends a clear definition for "what constitutes a significant change in project scope." The backgrounder for these questions would be, for example, Anthony Henday, that went from \$242 million to \$350 million and then doubled to \$493 million; in that same area, the definition of what is a new project when it applies, for example, to the tar sands and the Firebag project, where it's a major difference between a 1 per cent and a 25 per cent royalty. Given that the Auditor General recommends that there needs to be a clearer definition for what constitutes a significant change in project scope, what steps have been taken to establish this process?

Dr. Oberg: First of all, when it comes to the Firebag project, that you referenced, we are in court on that one. Ultimately, it will be the courts that decide whether or not that was an actual change in project.

I think it's a good question on the scope. We have had numerous projects that have come back with changes in scope. They have attempted to be – how shall I put this? – disguised as very necessary needs in some of these buildings.

If I may, Harry, I'll give you an example. We had one building in a constituency that shall remain unnamed, a school, that actually came back with about a million and a half dollars in change in scope. They said that it was for all sorts of reasons and that we all know that costs have accelerated in the last while, but when you actually broke it down, what we saw was that close to a million dollars was for the exterior of the school. So instead of having stucco, they wanted brick, which was one particular case. We went further, which can be, you know, pros or cons, and there was \$300,000 that was for a two-storey window, which is probably pushing it a little bit more even, and \$300,000 is huge for a window. Then it went to the pièce de résistance, which was a koi pond in the school. The koi

pond was for \$80,000. So these are all the types of projects that we have looked at on a change of scope concept.

So we do have to be extremely careful, and we are extremely vigilant in taking a look at ensuring that the changes in scope by the particular boards or areas are kept to a minimum. There are some, though, where it makes sense. For example, if you're building a seven-storey building and the particular group comes back and says, "Well, we need an eight-storey building," it makes sense to build the eighth storey at the same time as you build the other seven storeys purely from a cost savings point of view. These are the types of things that we look at.

We're in the process of ensuring that any project scope change is defined and is classified specifically as such and has to be approved by Treasury Board, so it's not something where they can simply come back and say: the scope of the project has changed; just give us more money. It does have to go through the same processes as the original approval.

Mr. Chase: Thank you. My supplemental has to do with project cost overruns and particularly in transportation. In the 2003-2004 year, referencing the *Gazette*, there were a number of projects that went over a third of their budget, and I'd like to know whether the problem was in the initial bidding process. Was it underestimated but approved and then later realized that it had to be topped up? How do we ensure the risk? Instead of going to supplemental budgeting, how can we improve the process so that the actual figure that was bid is the figure that is paid?

Dr. Oberg: One of the issues that occurs in this and is very much tied to this is the building season. For example, there are many projects that are bid and are not necessarily finished because of an early season, or more are added because of a late season. That is reflected in the year-to-year budgeting as the dollars in this particular year. You saw about 13 and a half million dollars carried over to the next year because I believe it was an early fall in this particular year. So that's one issue.

9:20

There are also other issues on the exact costs. Again, as I mentioned on the P3s before, these are estimates. They are estimates of cost. There are a lot of other factors that are taken into consideration, such as in a paving contract. The majority of them are set-cost contracts, but there are some, for example, where you have the price of oil, you have the price of labour, you have the price of, you know, everything involved in that. We have seen cost accelerations starting in '03-04 that probably were not planned on in '03-04.

Jay, do you want to add to that? Thank you.

Mr. Ramotar: The other thing that happens is on the highway contracts, although we have a fixed price based on the estimated units of work that need to be done; for example, excavation. When you go in there and open up the ground, you may find that you're dealing with swamps, and the excavation has to be bigger, you have to bring in more dirt, and since it's a unit-price contract, you have to pay for those extra units that you're ringing in. So the cost goes up. The unit price doesn't change. One of the advantages of a P3, for example, is that all those things are tied down, and the risk is transferred directly to the proponent whereas with a conventional contract we pay on a unit-price basis because it doesn't make sense to drill test holes every 10 metres along the road.

Mr. Chase: Thank you.

The Deputy Chair: Dr. Morton, followed by Bill Bonko.

Dr. Morton: Thank you. Am I right in thinking that the natural gas rebate program falls under your jurisdiction?

Dr. Oberg: That's correct. If I can, actually, on that, Ted. It falls under my program in that we administer the money. The decision-making process on the program actually came from Energy down.

Dr. Morton: Well, then, you may not be able to answer my question. This has always struck me as somewhat illogical, the fact that it's not means tested, because it subsidizes those who don't need it. Of course, from an environmental point of view we all know that the biggest stimulus for conservation of a resource is price. So I wanted to ask you: do you have any data on what kind of savings could be realized if the program was means tested, or could you generate that?

Dr. Oberg: No, we don't. The only way that we could generate it would be to tie it into those means tested programs that we already have. For example, we're not going to go out and means-test all Albertans. There are some existing programs that we have that are means tested. I think your point is very well taken, but on the other hand, we have to remember what happened in '03-04, and in '03-04 we saw an inordinate price spike of natural gas. Subsequently, it has come down, but it was quite an inordinate price spike, which led to these natural gas rebates.

We felt at the time when it was put in – certainly, the means testing issue was brought up – that it would potentially cost a significant amount of dollars to go out and means-test, in essence, almost every Albertan. You could do it on income tax, but that again is not necessarily a true form of a means test, so it was very, very difficult to do. We also felt that all Albertans should receive the benefit regardless of how much money they made, how much means they had, and that's why we put it in the way we did.

Dr. Morton: Didn't the Auditor General address the difficulty of means testing a program like that?

Mr. Dunn: Well, actually, I think the minister gave a very good explanation of that. Indeed, there are means tests in a number of government programs. As we heard on seniors, that sort of stuff, there are a lot of means tests enacted around the Alberta's seniors' benefits program, and it's very difficult to administer. There are a number of means tests also within Children's Services, et cetera, and those are very, very difficult programs to manage on a continuous basis. You could take a point in time for a means test, but of course subsequently it will change. So to maintain the currency of the evaluation process is very difficult to do.

Dr. Morton: Great. Thank you.

My second question concerns the highway construction. I don't know anybody, except maybe members of our caucus, who thinks that Alberta's highways are in very good shape. Whether you live in the city or live in the country, there seems to be universal dissatisfaction. I'm just curious: do you have or can you give us a figure of government spending on highway construction and maintenance as a percentage of total budget over time? My concern and the concern of a lot of people is that other parts of government programs are basically just eroding our highways program, and the highways program is fairly important to the long-term economic health of this province. Is that the kind of data that you can pull out of your budget and make available to us?

Dr. Oberg: Absolutely. I think there are two points that I need to answer first of all. One is the state of our highways in Alberta as compared to the rest of the country, and I'll give you an anecdote. I talk to the road builders' association, and obviously in this new ministry I'm very intimate with the road builders' association. There is potentially a lobby effort that is coming on from the road builders across Canada. The lobby effort centres on the 800 worst roads in Canada, and the Alberta road builders have not taken part in this because, quite simply, we don't have any of the 800 worst roads in Canada.

So we have to be very careful, and certainly Alberta's expectations are extremely high and deservedly so. Our highways are deteriorating. We are not keeping up with the amount of repair, with the amount of new pavement that we realistically should be, and I think we all see that, but our highways are still very, very good. In direct answer to your question, we went down somewhere from about 10 per cent to about 4 and a half per cent of the budget for roads in the province of Alberta.

Dr. Morton: How much again?

Dr. Oberg: From 10 per cent down to 4 and a half per cent.

One of the challenges that I have, quite simply, is to bring the infrastructure in transportation in this province, accelerate it to such an extent that we can get these back. If I can, Ted, I just want to touch on a P3 because I think they do tie into this one. What the P3 on the Anthony Henday enabled us to do was to take \$500 million and pay it off over a period of time. If we would have taken \$500 million in the conventional financing way, there basically would not have been any other highway projects in Alberta. We do have needs all around Alberta. By P3ing this one specifically, which is the only one that has been done to this point in time, what it has enabled us to do is free up other dollars to use for some of the other projects that are equally – equally – as pressing as the Anthony Henday.

I think that certainly we have to get value for money – there's no doubt on that one – but it does give us some financing alternatives that have not been available to us before. As we have now paid off the debt, I think we're into a whole new world of what we can potentially do on catch-up on infrastructure in transportation in this province.

The Deputy Chair: Thank you.

Bill Bonko, followed by Dave Rodney.

Mr. Bonko: Thank you, Mr. Chairman. You spoke about real estate or some of the holdings that fall under your department in your earlier opening statements. Can you tell me what percentage or what portion of real estate was sold in the 2003-2004, that we're talking about?

Dr. Oberg: What percentage?

Mr. Bonko: Or how much was sold in dollar amounts.

Dr. Oberg: We sold about \$14 million or \$15 million.

Mr. Bonko: They were leased government buildings or whatever, right?

Dr. Oberg: Yeah. Basically, it was excess infrastructure that was deemed not to be needed by the government. We have a very explicit process as to how infrastructure is removed. There has to be no need for it. There has to be no need from a government-funded, not-for-profit organization that could theoretically use it, and we go

through all of those first. Then it is put on the market. It has to be fair market value. It's tendered in the same way as you would tender your house, in essence. It is put out. It's very transparent.

Mr. Bonko: Okay. Then of those places that were sold, do we lease back any of those that we held previously?

9:30

Dr. Oberg: No.

The Deputy Chair: Is that it, Bill?

Mr. Bonko: That would be two questions, Mr. Chairman.

The Deputy Chair: Okay.

Dave Rodney.

Mr. Rodney: Thank you, Mr. Chair. And thank you, Minister, and your fine staff. As the minister knows, I represent Calgary-Lougheed, which is in the extreme southwest portion of the city, and there's phenomenal growth going on there. About 8,000 people, one at a time, during the election told me that schools and roads in the future are very much a concern for them, but of course we can't go there because we're looking at 2003-2004. I believe you have answered the questions about that already, so I'll tell you about the third and fourth priorities of Calgary-Lougheed constituents. Those include health care facilities and seniors' lodges. And I do have to say that I've heard a lot of this from my parents as well.

I just hope I'm reading this right. Please, Minister or members of your staff, if you can tell me if this is indeed correct. On page 88 . . .

Dr. Oberg: Of the Auditor General's report?

Mr. Rodney: Sorry. That's in the Alberta infrastructure annual report. I'm looking at page 88, 2.2.4 and then line 2.3.1. I just seek a little clarification. Is this indeed what was spent on health care facilities and seniors' lodges in 2003-2004, and/or are there other areas I should be looking at for clarification?

Dr. Oberg: Line 2.2.4 was the amount that was spent on seniors' lodges. This would include new lodges as well as renovations.

And your other number was . . .

Mr. Rodney: Line 2.3.1.

Dr. Oberg: Right. The actuals were about \$112 million.

Mr. Rodney: Right. So this would be all inclusive? There's nothing in addition to this? This covers both of those categories?

Dr. Oberg: Yeah, in essence.

Mr. Rodney: Okay. So that was my first question.

Only one supplemental, of course, and that is: can you just highlight some of those health care facilities and seniors' projects that are of special note? As you've just mentioned, some of them are upgrades. But are there certain projects that you'd like to highlight? Well, let's put it this way. I like passing on good-news stories in these respects, and if I can quote a few examples, that would be much appreciated.

Dr. Oberg: Yeah. Absolutely. One of the things that we did in 2003-2004 which was probably very beneficial – there were, in essence, no new hospitals per se, but in Edmonton, for example, there were five continuing care centres. There was also the Wing

Kei nursing home in Calgary, which is the Chinese nursing home, which has been very beneficial to the Chinese people in Calgary. The other one is one that was long overdue, and that was the Alberta Hospital redevelopment. That took place in that year as well. So that was one that was great.

We did do some things. The Children's hospital, obviously, was started although not finished. It was started in '03-04 and has kept on going. You had the Heart Institute at the Royal Alex. You had High Level, and you had the Red Deer regional hospital. Again, these were redevelopments as opposed to building new ones. The Children's hospital, obviously, was new but, again, was not in development.

There was a lot of money put in. The interesting point about these things is that you don't necessarily see immediate gains because it takes four or five years to build them. Realistically, things like the Heart Institute, the Children's hospitals are leading the way when it comes to health care delivery in this province and certainly in Canada if not the world.

Mr. Rodney: Right. Thanks. I'm very much looking forward to an exciting future. Best of luck to you and all your crew.

Dr. Oberg: Thank you.

The Deputy Chair: Harry Chase, followed by Fred Lindsay.

Mr. Chase: Thank you very much. My reference is to pages 65 and 66 of the 2003-04 Auditor General's report. On page 65 the Auditor General recommends that there needs to be an improved timeliness of information. My two questions have to do with risk. Have you established a formal risk management process?

Dr. Oberg: Go ahead, Jay.

Mr. Ramotar: Yes. The word "risk" is interesting. Everything that we do 24/7 involves risk. Our department is very complex, and for the routine work that we do, we incorporate a risk management process into the process itself for delivery.

For the bigger projects, for example the P3, we require our staff and our consultant to identify the risk associated with a project like that, a developer risk management plan, and then we manage the risk management plan against the identified risk. So in every facet of our work we have some risk management incorporated into the system.

The other example – and I think this comes up all the time about hiring consultants, the risk with hiring consultants and preferential treatment. We have a process in place that I think is very, very good. It's written guidelines, written policies, and eventually it ends up at the desk of what we call a contract review committee, comprised of all the ADMs, and if there is an issue, I get involved.

So we have a risk management plan for just about everything that we do. Some of them are written; some of them we embed in the head of the employee because it's routine.

Dr. Oberg: If I can just add, Harry, as well. Inherent to every project is that everything this department does is risk. Jay in a previous answer alluded to the fact that you may be constructing a road and all of a sudden find a swamp. Intuitively we cannot just say, "Well, continue at the same pace," because if you put the road through the swamp, it's not going to be there very long.

Mr. Chase: So you keep putting it on.

Dr. Oberg: It has to be repaired.

So inherently in this department every single project that is put

forward has an element of risk. Our estimates are just that, and I think that's very important. Our estimates are just that: estimates. Risk is taken in: risk on the price of materials, risk on unknowns that are out there. All of those things are built in, but it's almost impossible to build in every element of risk that is there. That's why, when we did the P3, we looked at 10 per cent either way.

The nice thing – and I will put in a plug, as well, as Jay just did, for the P3. Because risk is such a huge, huge issue for our department, the assumption of risk by someone else is just absolutely a critical component of any P3 project. If I had to put one thing that was beneficial on the P3 in Anthony Henday, it would be risk assumption by the private contractor.

Mr. Chase: Thank you. My second question also has to do with risk, and it may be difficult to define. What is the risk tolerance you've established for principal risks?

Mr. Ramotar: Again, it depends on the project. For construction projects it's automatic that anything plus or minus 10 per cent is acceptable. For anything up to 20 per cent we go back and review the consultant's estimate for that project, and if there was an error in the estimate or something changed due to the economic conditions since the project was tendered, we take that into account, and we may let the project go. For anything over 20 per cent we do a rigorous analysis of that project, and it may not go if we think we are not getting the best value and if we think that the consultant's estimate is correct.

Dr. Oberg: Again, though, I will add – and this was something that came up in the House when it came to P3s. This is what I meant when I said plus or minus 10 per cent. This is the risk assumption, and an estimate is purely that. There was some criticism, for example, in the House about whether or not we had lost \$40 million or something. Well, in actual fact, it wasn't. This was the acceptable risk factor – it could be above or minus that – that is available on every project that we do.

Mr. Chase: Thank you.

The Deputy Chair: Thank you.

Fred Lindsay, followed by Dave Eggen.

Mr. Lindsay: Thank you, Mr. Chairman. To the hon. minister: what an interesting ministry you have. On page 35 of your transportation annual report there are indications that \$37.9 million was underexpended on provincial highway networks, and part of that was partly attributed to project delays. Other than weather, what types of delays were experienced?

9:40

Dr. Oberg: Probably in this particular year the biggest one was weather. This is when we had an early fall, and that shows the sort of vulnerability we have to unknown factors in this particular budget process.

What I will add to this, Fred – and I think that this is extremely important – is that the advent of the capital account makes so much sense for us in this particular department because we are so at the whim of a lot of different factors. Everyone here knows that when you put in a construction project, the odds of your getting it on the exact day that you want it done are almost nil. It could quite easily be six weeks late; it could in some rare cases be early. So these are all the types of things that we have to deal with.

The new capital account allows us to carry forward, which is tremendously advantageous to us because there are times when we don't spend the money. There are times when we may need to spend more money because, for example, the fall is clear.

Mr. Lindsay: Thank you. What I was hoping to hear was that contractor shortages are a part of the reason for that delay. I guess my supplemental question would be: are you experiencing contractor shortages driving up the cost of maintaining and building new infrastructure? If so, it seems like an excellent opportunity to do more P3 investment.

Dr. Oberg: Well, first of all, I agree with you on your second comment. First of all, you have to realize one thing on infrastructure. I'll talk specifically on the infrastructure side as opposed to the transportation because they're two very, very different things. In Alberta the public sector accounts for around 9 or 10 per cent of the actual infrastructure that is being built. So albeit a major player at 9 to 10 per cent, we are not enough to completely manipulate the market. Ninety to 95 per cent in some years are actually in the private sector. I think that when the consideration is \$107 billion in Fort McMurray, obviously we're not anywhere close to those kinds of numbers. So contractor shortages, albeit they can be an issue and certainly will be an issue, are not specifically. You know, in some areas they have been the case.

One of the other issues, though, and probably much more important is on the transportation side, where we do in essence dominate the market. That's something that we have to be extremely careful of. One of the issues that we have to deal with is the whole idea of stability in funding for the highway contractors because we just absolutely can't go high one year and then low the next year and then high the year after that. Because we are the main consumer of the road builders, we just can't do that. We have to give them some stability. We have to allow a gradual increase so they can ramp up. They're not going to invest, you know, \$100 million in equipment if next year we're not spending the dollars. So that's absolutely critical.

I think that we can expect that there probably will be more delays due to contractor shortage. We're certainly seeing that on our bids. For bids that we used to have five and six and seven contractors bid on, we're now down to two or three or, in some cases, one. So it's not as good a position, but on the other hand, you know, it's still pretty fine to live in Alberta, and it's a nice problem to have.

The Deputy Chair: Minister, I have four left on the list. Now, we can give you the questions, and you can get the answers back, or we can take the four and stay till 5 after 10. It's up to you. It's your call.

Dr. Oberg: We can take the questions and get answers back to you if you like.

The Deputy Chair: Okay.

So maybe we'll have Dave – you know, you can have your full question – then Art and Harry, followed by my question, and that's it.

Ted Morton, are you saying you had another one?

Dr. Morton: Well, I'm happy to submit it in writing.

The Deputy Chair: Okay.

Mr. Johnston: And I can too.

The Deputy Chair: Okay. We'll have the rest in writing then, but I'll have them read off the question for you.

Dr. Oberg: Do you want me to answer them then?

The Deputy Chair: No. We'll just do Dave's full question, and then the rest will just be the questions. You can record them and get them back to Corinne.

Dr. Oberg: That'll be fine.

The Deputy Chair: Go ahead, Dave.

Mr. Eggen: Okay. Thank you. My question stems from page 304 of the Auditor General's report for 2003. This section has to do with the licensing of inspection stations, and the Auditor General made some specific recommendations and criticisms in regard to documenting the condition of licences as well as developing a code of conduct and doing some background checks as well for people picking up these vehicle inspection station licences. So my question is: is there any development in regard to documenting the terms and conditions of licensing and the code of conduct of these licensees and, you know, any greater degree of accountability in this area?

Dr. Oberg: Yeah. First of all, these are well under way. The code of conduct is well under way. I think the other point that I would make is that in the Traffic Safety Amendment Act, which is currently before the House, what you see is actually regulations extended to those people who do regular vehicle inspections as well as opposed to commercial vehicle inspections. I believe that this is a very important element also.

So it is well on its way. We're monitoring these guys very, very closely, and we will be coming out with the code of conduct for them.

Mr. Eggen: Thank you. My supplemental – actually, it's perhaps for Mr. Dunn as well. You know, this is indicative of this contracting out of various services or regulatory responsibilities that the government has, and I'm just curious to know if it's creating more auditing. My guess is that it would create sort of an exponential increase in the need to do forensic auditing for all of these different contracting-out procedures. I mean, this is usually the area where the Auditor General has problems because, of course, you're expanding and changing the criteria. I guess my question is: does this create more problems than it's worth in regard to the government being accountable for these services that they provide: you know, drivers' licences and vehicle registration? This is the vehicle check system.

Mr. Dunn: Can I answer this?

Mr. Eggen: Yeah. Actually, it's more for you.

Mr. Dunn: Does it create more problems than it's worth? No, because you're dealing with people, and people can behave ethically and morally regardless of whether they are a servant of the Crown, a public servant, or they are free enterprise or private sector. So we would look at those areas regardless of whether it was Crown provided or private-sector provided.

Does it add a different degree of complexity? It adds a slight degree of complexity because we have to go there to visit, and

certainly within the mandate of my office I have the right to go and enforce our present laws. In fact, you'll see it in my forthcoming report where we actually went to visit various facilities run by the private sector. So it does add an element of complexity there, but it doesn't remove at all the risk if you bring it all into the public sector. We would still look at those areas.

Mr. Eggen: So you can go just as deep into a private company that is under contract with the province? Okay.

The Deputy Chair: Thank you. We'll go to reading the questions into the record. We'll start with Art Johnston, and if you could tighten it up, please.

Mr. Johnston: Sure thing. My question is just regarding Swan Hills. There is some revenue generated there, I understand. Is that from the processing of industrial waste from companies? My second question was: do we bring in waste from out of province?

9:50

The Deputy Chair: Harry Chase.

Mr. Chase: Thank you very much. Two questions. The advantage of a P3 has to do with offloading of risk. Are there any conditions that would allow a private P3 contractor to reopen or renegotiate a contract based on previously unforeseen circumstances; for example, First Nations or pioneer graves, methane from previous decomposition, underground streams, swamp, crude oil discoveries? Is there anything that allows a contract to be reopened?

Secondly, why did the Sheldon Chumir, or Health on 12th, revert from a Bentall Real Estate-financed P3 like the SouthLink health centre to a publicly funded project?

The Deputy Chair: Thank you.
Ted Morton.

Dr. Morton: Thank you. I'd first like to repeat my request for some data on highway construction spending as a percentage of total government spending over time and also, if possible, have a rural versus urban breakdown on that spending.

Then, secondly, a question concerning capital maintenance and capital maintenance deficit. What is the process in place for tracking capital maintenance needs? Do we have a capital maintenance deficit? How big is it, and how are we addressing it?

The Deputy Chair: Thank you.

I have the final question. If you'll all just look to the north of us, that's my question. I didn't see any recommendation from the Auditor or from the department regarding the questions that I had last year: why have we not seen the recommendation for sale or for implosion?

Dr. Oberg: That's the estimates this afternoon.

The Deputy Chair: Thank you very much. I think that all of us have had a good morning. Thank you, Mr. Dunn.

We will have the Hon. Guy Boutilier, Environment minister, next week, May 4.

I'd ask for a motion to adjourn. Fred Lindsay. All those in favour? Thank you very much.

[The committee adjourned at 9:52 a.m.]

