



Legislative Assembly of Alberta

The 27th Legislature  
Third Session

Standing Committee  
on  
Public Accounts

Infrastructure

Wednesday, February 24, 2010  
8:30 a.m.

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

**Standing Committee on Public Accounts**

MacDonald, Hugh, Edmonton-Gold Bar (AL), Chair  
Rodney, Dave, Calgary-Lougheed (PC), Deputy Chair

Anderson, Rob, Airdrie-Chestermere (WA)  
Benito, Carl, Edmonton-Mill Woods (PC)  
Calahasen, Pearl, Lesser Slave Lake (PC)  
Chase, Harry B., Calgary-Varsity (AL)  
Dallas, Cal, Red Deer-South (PC)  
Elniski, Doug, Edmonton-Calder (PC)  
Fawcett, Kyle, Calgary-North Hill (PC)  
Griffiths, Doug, Battle River-Wainwright (PC)  
Groeneveld, George, Highwood (PC)  
Kang, Darshan S., Calgary-McCall (AL)  
Mason, Brian, Edmonton-Highlands-Norwood (ND)  
Olson, Verlyn, QC, Wetaskiwin-Camrose (PC)  
Sandhu, Peter, Edmonton-Manning (PC)  
Vandermeer, Tony, Edmonton-Beverly-Clareview (PC)  
Xiao, David H., Edmonton-McClung (PC)

**Also in Attendance**

Quest, Dave, Strathcona (PC)

**Department of Infrastructure Participants**

Barry Day	Deputy Minister
Alan Humphries	Assistant Deputy Minister, Policy and Corporate Services
Rod Skura	Executive Director, Finance, and Senior Financial Officer
Bob Smith	Assistant Deputy Minister, Properties

**Auditor General's Office Participants**

Merwan Saher	Acting Auditor General
Doug Wylie	Assistant Auditor General
Cornell Dover	Principal

**Support Staff**

W.J. David McNeil	Clerk
Louise J. Kamuchik	Clerk Assistant/Director of House Services
Micheline S. Gravel	Clerk of <i>Journals</i> /Table Research
Robert H. Reynolds, QC	Senior Parliamentary Counsel
Shannon Dean	Senior Parliamentary Counsel
Corinne Dacyshyn	Committee Clerk
Jody Rempel	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Communications Services
Melanie Friesacher	Communications Consultant
Tracey Sales	Communications Consultant
Philip Massolin	Committee Research Co-ordinator
Stephanie LeBlanc	Legal Research Officer
Diana Staley	Research Officer
Rachel Stein	Research Officer
Liz Sim	Managing Editor of <i>Alberta Hansard</i>

8:30 a.m.

Wednesday, February 24, 2010

[Mr. MacDonald in the chair]

**The Chair:** Good morning, everyone. If I could please call the Standing Committee on Public Accounts to order, I would really appreciate it. I would like to welcome everyone in attendance. I would note that membership has changed since the last meeting, so there are some new and there are some returning members to this committee.

I would advise our guests this morning that they do not need to operate the microphones as this is taken care of by the *Hansard* staff. Please note that the meeting is recorded by *Hansard* and that the audio is streamed live on the Internet.

Perhaps we can start by going quickly around the table and introducing ourselves. We'll start with the hon. Member for Calgary-Lougheed.

**Mr. Rodney:** Very good. Thank you. Welcome, everyone. Dave Rodney.

**Dr. Massolin:** Good morning. Philip Massolin, committee research co-ordinator, Legislative Assembly Office.

**Mr. Dallas:** Good morning. Cal Dallas, Red Deer-South.

**Mr. Griffiths:** Good morning. Doug Griffiths, Battle River-Wainwright.

**Mr. Elniski:** Doug Elniski, Edmonton-Calder.

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

**Mr. Chase:** Good morning. Harry Chase, Calgary-Varsity.

**Dr. Humphries:** Good morning. Alan Humphries, assistant deputy minister, policy and corporate services.

**Mr. Skura:** Good morning. Rod Skura, senior financial officer, Infrastructure.

**Mr. Day:** Barry Day, deputy minister, Infrastructure.

**Mr. Smith:** Good morning. Bob Smith, assistant deputy minister, properties.

**Mr. Dover:** Good morning. Cornell Dover, office of the Auditor General.

**Mr. Wylie:** Good morning. Doug Wylie with the office of the Auditor General.

**Mr. Saher:** Merwan Saher, Acting Auditor General.

**Mr. Groeneveld:** George Groeneveld, Highwood.

**Mr. Sandhu:** Good morning. Peter Sandhu, MLA, Edmonton-Manning.

**Ms Calahasen:** Pearl Calahasen, Lesser Slave Lake.

**Mr. Quest:** Good morning. Dave Quest, Strathcona.

**Ms Rempel:** Jody Rempel, committee clerk, Legislative Assembly Office.

**The Chair:** Hugh MacDonald, Edmonton-Gold Bar.

Approval of the agenda that was earlier circulated. May I have approval of the agenda, please? Mr. Sandhu. Thank you. Moved by Mr. Sandhu that the agenda for the February 24, 2010, meeting be approved as distributed. All in favour? Thank you very much.

Approval of the minutes that were circulated for the February 17 meeting. Mr. Chase. Moved by Mr. Chase that the minutes for the February 17, 2010, Standing Committee on Public Accounts be approved as distributed. All in favour? None opposed? Thank you very much.

This brings us to our meeting, of course, with the officials from Alberta Infrastructure. We are dealing with the fiscal year 2008-09 this morning. We are dealing with the Auditor General of Alberta's April and October reports from 2009, the annual report of the government of Alberta 2008-09, and also the Alberta Infrastructure annual report from 2008-09. I would again remind everyone of the briefing material prepared for the committee by the research staff.

Before we ask Mr. Day, the deputy minister, to make a brief opening statement, the chair would like to welcome Mr. Benito this morning as well. Good morning, sir.

**Mr. Benito:** Good morning, Mr. Chair.

**The Chair:** Mr. Day, please proceed with your opening remarks.

**Mr. Day:** Thank you, Mr. Chairman. I'd like to take a few moments to highlight Infrastructure's activities and achievements in support of our key areas of responsibility for fiscal 2008-09. In 2008-09 ministry spending supported delivery of three core businesses. I'll start with an overview of core business 1, which is to the support the efficient provision of public infrastructure in Alberta. In '08-09 Infrastructure awarded Alberta's first contract for P3 procurement of school facilities. Phase 1 of the Alberta schools alternative procurement will deliver 18 new schools in Edmonton and Calgary in September of 2010. The P3 model resulted in savings of about a hundred million dollars compared to conventional delivery approaches, and this project has received national and provincial recognition, including six awards.

Also, in '08-09 construction began on the new 2,000-bed Edmonton Remand Centre, which is on track for completion in the spring of 2012. Construction is also under way for phase 2 of the Calgary Court Centre, which will provide parking and add new green space to downtown Calgary. In '08-09 the ministry also announced plans to rejuvenate the federal building and to construct Centennial Plaza. On that project hazardous materials removal, design work, and building envelope reconstruction have begun, and construction of the parkade began in the summer of 2009 and is under way. Construction also began on the replacement of a research greenhouse for the department of agriculture at the Brooks crop diversification centre. In '08-09 the ministry delivered \$47 million towards capital maintenance and renewal projects to preserve facilities the government owns.

Core business 2 is to ensure effective environmental stewardship of public infrastructure. Alberta is a national leader in a number of projects targeting the leadership in energy and environmental design, or LEED, standards. All building projects funded by government are designed to meet the LEED silver standard. The new federal building is also going to be an environmentally friendly and energy efficient building once it's completed, and we're targeting LEED gold for that building.

Since April 2009 100 per cent of the electricity supplied to government-owned facilities is from green power. That's where our buildings have direct access to the grid. As of December '09 70 government buildings have been BOMA BEST certified to meet environmental standards for building operations set by the Building Owners and Managers Association of Canada.

Core business 3 is the goal of shared leadership and co-ordination of government accommodation and support services. In support of this goal in '08-09 Infrastructure acquired several parcels of land for government use. Support, I should say, was also provided for the Edmonton clinic project. We began work with Health and Wellness, Alberta Health Services, and the U of A to ensure the new facility will meet program needs and is being delivered in a cost-effective manner.

In 2008-09 Infrastructure spending was within budget. Almost \$815 million was spent on programs under the ministry's expense and equipment and inventory purchases vote. Of this \$815 million, \$89.4 million was spent on noncash items. The remaining approximately 725 and a half million dollars was spent on program delivery, which included \$150 million on lease agreements; \$178 million on day-to-day operation, maintenance, and security for government-owned buildings; \$34.8 million on Swan Hills Treatment Centre operation and maintenance; \$50.7 million for development and implementation of government accommodation and tenant improvement projects; and finally, \$32.6 million on government-owned building preservation.

Over \$188 million was spent on programs in the capital investment vote, which included 49 and a half million dollars on land to support delivery of government programs, \$108 million on capital projects, including the Edmonton Remand Centre and the Calgary courts phase 2, and about \$14 million on capital maintenance of government-owned buildings. Finally, about \$304 million in capital investment was unexpended. This was primarily due to rescheduling of funding for ongoing projects such as the remand centre, the federal building, and the courts parkade. These funds are still required to complete the projects and have been included in our '09-10 and future years' budgets.

The last year of the natural gas rebates program was '08-09, and in that fiscal year our expenditure on rebates was \$155 million.

The Auditor General report of October '09 made two recommendations. The first recommendation is to develop and implement an information technology risk management framework. I can say that other government ministries received similar recommendations. Service Alberta is leading the initiative to address this recommendation, and Infrastructure is participating.

The second recommendation identified a need to improve password controls or implement compensating controls to control access to our applications. This issue had been identified by our information management branch before the audit occurred. As a result, program changes have been made, and all upgrades are completed.

That concludes the highlights of activities within Infrastructure for 2008-09. On behalf of my colleagues at the table thank you for the opportunity to present. We would be happy to answer any questions.

8:40

**The Chair:** Thank you very much. We appreciate that, Mr. Day. Mr. Saher, do you have any comments?

**Mr. Saher:** Mr. Wylie has a few comments.

**The Chair:** Mr. Wylie, please proceed.

**Mr. Wylie:** Thank you, Mr. Chair. I won't repeat or go over the two recommendations the deputy referred to other than to indicate to the committee members that they're on pages 287 through 289 of our October report.

I'd also just highlight that our work also included the audit of the financial statements of the ministry as well as a review engagement of selected performance measures that are included in the 2008-2009 report.

**The Chair:** Thank you very much.

We'll now proceed to questions, but before we do so, the chair would like to welcome Mr. Anderson, Mr. Fawcett, Mr. Xiao, and Mr. Mason this morning. Good morning, gentlemen.

Now we will proceed to questions with Mr. Kang, followed by Mr. Dallas.

**Mr. Kang:** Thank you, Mr. Chair. On page 40 of the 2008-09 annual report it states that there's a shared service agreement between Transportation and Infrastructure. I just don't understand what benefit there is to have two separate ministries and, of course, money to always juggle the ministerial responsibilities. Over \$1.4 million can be saved if we just got rid of the entire set of deputy ministers, assistant deputy ministers, and executive directors. Can you explain what benefits there are to having two separate ministries and how taxpayers are saving money by having this bloated governance structure?

**Mr. Day:** Thank you very much. Good question. In 2008-09 government made the decision to create a separate Department of Infrastructure. Previous to that, we were combined with the Ministry of Transportation. When the decision was made to form two departments, we looked at what efficiencies we could carry forward in a two-department approach. We have since that time shared a corporate services area, so our finance groups, our human resources groups, our business planning groups are shared with the two departments. We think that's bringing some efficiencies into the process.

**Mr. Kang:** My supplemental is: you know, if the ministries were still going to share responsibilities, what was their pressing need to have two separate ministries?

**Mr. Day:** That's a decision that government made, and I can't comment further on that.

**Mr. Kang:** There must be some reasons behind it to do it this way. Just to accommodate maybe more people on the backbenches?

**Mr. Day:** Again, that's a decision that government made.

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

**The Chair:** Thank you.

Mr. Kang, if you could speak up, please, we would really appreciate it because we cannot hear at this end of the room whatsoever. Okay? Thank you.

**Mr. Kang:** Okay. Thanks.

**The Chair:** Mr. Dallas, please, followed by Mr. Chase.

**Mr. Dallas:** Thank you, Mr. Chair, and good morning to our guests. I'm looking at page 14 of the annual report. There is a discussion

there about Alberta schools alternative procurement, specifically, to begin with, phase 1 of that, which I think includes 18 projects. There's a mention there that those projects should be ready to open in September. I wonder if you can comment on progress, whether we anticipate those facilities being completed in that time frame, and also if there are any changes in terms of planned expenditures with that phase 1 project.

**Mr. Day:** The ASAP phase 1 project is on schedule. The schools will be open in September of this year, and there have been no significant changes to the project budget. We're still on track, on schedule, and on budget with that project.

**Mr. Dallas:** Thank you. On phase 2 can you reference any learnings in terms of how those arrangements were structured, any cost benefit that was derived on the basis of how those arrangements were structured, and also if current labour market and materials market conditions have positively impacted the cost of those projects?

**Mr. Day:** Phase 2 of the schools procurement project originally intended for 14 schools to be delivered through a P3 process. Based on feedback from the private industry and the condition of the financial markets at the time, a decision was made to take four high schools out of that P3 bundle and deliver those as a design-build initiative. We've closed tenders on the four high schools. They're under construction. Tenders came in about \$40 million under our budget. The remaining 10 schools are moving forward with a P3 procurement process, and bids will be received on the 10 schools on March 1.

**Mr. Dallas:** Thank you.

**The Chair:** Thank you very much.

Mr. Chase, please, followed by Mr. Griffiths.

**Mr. Chase:** Thank you. The average age of Alberta schools is over 40 years old. In the past decade many more schools have been closed than opened. On page 9, performance measure 1(b), only 67 per cent of the provincial school facilities are in good condition. I find that a surprisingly large number. The percentage of schools rated as poor is twice as high as its target, 4 per cent instead of the target 2 per cent. Why hasn't schools maintenance been a high priority?

**Mr. Day:** The Department of Infrastructure tracks the condition of school facilities on behalf of Alberta Education. Although the school capital funding is not in Infrastructure's budget, I can say that the amount of maintenance funding has been increased over the last couple of years since 2008-2009, and the maintenance in schools is being addressed on a priority basis.

**Mr. Chase:** Thank you. The deferred maintenance for Calgary schools alone is a billion dollars or rapidly approaching that sum.

The claim was made that through the P3 process \$100 million was saved, yet the ministry refuses to reveal the details of the interest that will be paid over the 32-year mortgage. Given that these 18 agreements were signed during a boom time and materials and labour are now 40 per cent lower due to the recession, why haven't you reconsidered a traditional build for the remaining 14 schools that are still in the bid process?

**Mr. Day:** As I indicated earlier, we did take a very close look, and we did some significant analysis on the second phase of the schools. We did make the decision to remove the four high schools from the P3 process. Tender prices have shown that that was a good decision. They came in \$40 million under budget. So we did use lessons learned from the first procurement of the 18 schools and applied those to the second phase.

**Mr. Chase:** Thank you.

**The Chair:** Thank you very much.

I would please like the co-operation of all members this morning. We've already developed a long list. There's a lot of interest from members in questioning the department. If you could keep your questions direct and short so that everyone can have an opportunity to get their questions answered, the chair would be grateful.

**Mr. Griffiths:** It's interesting you said that right before I spoke.

**Mr. Elniski:** Don't be paranoid, Doug.

**Mr. Griffiths:** Just because I'm paranoid doesn't mean somebody's not out to get me.

Performance measures are typically my area of interest, and on page 36 the one performance measure you have there in particular interests me. First, I find it very interesting that the performance measure – and maybe it's to show the decrease – makes it look like we've cut our energy consumption in half because of the way the graph is laid out, but it works out to 4 per cent. That alone is significant, but I understand why you did that. I'm wondering: is it simply the Calgary courthouse and its new LEED standard that reduced our energy consumption that much?

**Mr. Day:** The Calgary courthouse was the first LEED-targeted building of major size and major consequence that has come on stream for our government operations. I guess the answer to the question is yes. That building being designed and built to a LEED standard has made that big of an impact on our energy consumption overall. So going forward we're looking to much more good news on the energy consumption side with LEED silver being our standard.

8:50

**Mr. Griffiths:** Okay. Because I know you can only go so far in making buildings efficient, are there any other initiatives that the department is looking at in helping to reduce our energy consumption further? We are going to continue to build more buildings. What else have we got planned besides LEED standard to reduce energy consumption?

**Mr. Day:** I mentioned in my opening remarks that on the design and build side we use LEED silver. On our building operations side we've adopted a measure called BOMA BEST, and it deals with energy consumption, water consumption, waste streams coming out of the buildings that we use. We've had about 70 of our major buildings certified under the BOMA BEST standard to date. Our goal is to have all of the major buildings, our office buildings and so forth, certified under BOMA BEST.

**Mr. Griffiths:** Okay. I have one more question, right? We have one and then two?

**The Chair:** No, we have two questions.

**Mr. Rodney:** Two questions total?

**The Chair:** Then we move on, yes. But you can get your name back on the list.

Before we go to Mr. Anderson, the chair would like to recognize and welcome Ms Diane Dalglish, assistant deputy minister, capital projects. Good morning and welcome.

Mr. Anderson, please, followed by Mr. Fawcett.

**Mr. Anderson:** Thanks, Chair. I just was interested in discussing a little bit regarding the decision-making process that goes into which projects that you choose to fund in a year and which ones you choose to defer. I guess my question to start would be – I mean, I see on page 42 a kind of methodology and data sources. I wouldn't call that a decision-making matrix by any stretch, but it's some guidance. Does the department have a decision-making matrix for determining – I mean, you have a set amount of money in your budget – (a) what projects you're going to move forward on and then which ones you're going to defer, and (b) is there a list developed from that matrix of priority projects: projects for this year, projects for next year, et cetera, or just straight in order of priority?

**Mr. Day:** Okay. Thank you. Government does have what I would call a very rigorous capital planning process led by the ministry of Treasury Board. Yes, there are criteria applied to assessing projects. What moves forward in the capital plan is based on need. Infrastructure's role in the process is to assist other ministries in terms of budgeting, forecasting, costing, those sorts of things.

I'll use the example, I guess, of school facilities with Alberta Education. Education is responsible for identifying the need, determining where new schools and school modernizations should take place. We provide some costing support and technical advice. Those projects are submitted into the capital planning process and reviewed with other priorities across government, and the list goes forward to Treasury Board for final decision.

**Mr. Anderson:** Okay. Just so he answers the second question, is there a list?

**Mr. Day:** That would be within the purview of the department of Treasury Board.

**Mr. Anderson:** But there's no list. Like, is there a list or is there not a list of projects?

**Mr. Day:** There are a number of projects that are identified. Starting with the 20-year capital plan, which looks at sort of the strategic capital requirements of government on a 20-year time horizon, that's distilled down into what's approved in the current capital plan, which, I guess, is a list of capital projects.

**Mr. Anderson:** Chair, I just want to . . .

**The Chair:** Briefly, please, Mr. Anderson.

**Mr. Anderson:** For Infrastructure, though, for the Department of Infrastructure, you are in charge of building buildings. So is there a list of approved projects, order of priority; for example, the building you're doing here for the government, et cetera? Do you have a list of priorities – one, two, three, four, five, six through 10 or 50 or whatever – that you've used your decision-making matrix for the Department of Infrastructure?

**Mr. Day:** Okay. Treasury Board approves all of the capital spending. So the projects that are submitted or recommended to Treasury Board for approval: yes, they're on a list. Once a project is approved, for example the federal building, that money comes into Infrastructure's budget targeted for that specific project. So the capital dollars in Infrastructure's budget are tied to specific capital projects. We can give you that list.

**Mr. Anderson:** That would be great if you could. Thank you.

**The Chair:** Thank you very much.

Mr. Fawcett, please, followed by Mr. Mason.

**Mr. Fawcett:** Yes. Thank you, Mr. Chair. On page 70 of the annual report the grand total of unexpended funds for Alberta Infrastructure is listed at \$505 million. What's the reason for this? Why were these funds not expended?

**Mr. Day:** Sorry. Which line are you looking at?

**Mr. Fawcett:** It's on page 70 of the annual report.

**Mr. Day:** Part of that is expenditures under the natural gas rebate program. The way that program was structured, payments or rebates were based on the price of natural gas, which was estimated throughout the year. The payments are based on the actual rebates that were delivered, so there's a difference there.

The balance is within our capital project budget. I think I indicated in my opening remarks that the progress on some of the major projects wasn't as fast as we had originally anticipated, so that money was unexpended and carried forward to the next fiscal year. The money is still attached and budgeted to those specific projects and will be expended by the time the projects are complete.

**Mr. Fawcett:** I guess, Mr. Chair, my supplemental question is: is there anything being done? I mean, that's a big number for unexpended funds in times when money is tight amongst the provincial coffers. What is being done from your department to make sure that forecasting is more accurate so that we don't have these unexpended funds at the end of the year?

**Mr. Day:** Thanks, and a very good question. With the capital budget, traditionally, dollars that are unexpended in one year carry over to the next, and that would continue to compound year after year. What we have done over the last year is a very detailed analysis of cash flows and projected cash flows. We are bringing that number into sharper focus. Going forward, I anticipate that our carry-overs on the capital side will be significantly lower than they have been in the past.

**Mr. Fawcett:** Thank you.

**The Chair:** Thank you very much.

Mr. Mason, followed by Mr. Xiao, please.

**Mr. Mason:** Thanks very much, Mr. Chairman and Mr. Deputy Minister. Good to see you again. I see that you didn't bring the minister today, so I'm expecting a somewhat different experience than we had last night.

I would like to ask again about P3s and specifically the cost comparators. The government has committed to providing cost comparators to P3 projects so that we would be able to compare the cost of doing it as a P3 versus the traditional means of financing the

project. We've found that the cost comparators are often hard to access and often not easy to make a clear determination. What do you do to make sure that cost comparators are readily accessible to the public and are presented in a way that makes it very clear what the advantages or disadvantages of the P3 project would be?

9:00

**Mr. Day:** Thank you, and an excellent question again. You're right, Mr. Mason. The financial details of P3s are quite complex. When we're building our cost comparators on projects, or what we call the public-sector comparator, we engage experts in financial markets in building construction, costing, and those sorts of things. All of that goes into the mix of generating the cost estimate. We do release as much information on the public-sector comparator as we can without compromising the commercial interests of the proponents who are bidding on our projects.

We are in the process of producing or developing a value-for-money report on the first school P3. That report will be completed within the next month or two, and hopefully that will help to demystify some of the questions and concerns around P3s.

**Mr. Mason:** Okay. Thank you. Mr. Chairman, for my supplemental, you know, I'll note that there was an Information Commissioner order that was issued relative to withholding information on a P3. That was in the Transportation department not in your department, but it continues to be an issue.

I'd like to direct the supplemental to the Acting Auditor General and ask him if in his professional opinion the cost comparators are accessible and understandable to the public so that they can be an effective means of determining whether or not the P3 was a good value for money.

**Mr. Saher:** Thank you. I'd like to pick up on the deputy minister's comment with respect to the ASAP 1 project. The department is considering making public a value-for-money report. In my opinion, a report of that nature designed to explain in relatively simple terms how value for money was achieved will be a very useful accountability document. I think that that's the right way to go.

I think the public is entitled to receive a report that is easily understandable. I think the contention that much information is available on the Internet is also true. There is a lot of complex information available that people can use to dig down into these projects and understand their merits, but in my opinion that's not the way that Albertans should have to discover whether or not a project does in fact deliver value for money.

**The Chair:** Thank you.

Mr. Xiao, please, followed by Mr. Kang.

**Mr. Xiao:** Thank you, Mr. Chair. Good morning, everybody. I guess I have two questions instead of a supplementary question. I'll just ask you one, and then you can respond. My first question is: what have you done in terms of improving our tendering process? I'm talking about the bidding process. As you know, in the past a few of the owners of a company, a medium-sized company in my riding, raised the issue with you about having a fair process in terms of P3 or other capital projects. It seems they are complaining that that is tailored for big companies, the PCLs and some other major players. Those companies have been building schools in Alberta for the last three decades. They built schools all over the place in Alberta, but now they are being excluded and are not qualified or able to participate. That's my question. What have you done in order to make sure it's going to be a fair process for all the players, for all the companies?

My second question. As a government we own so many buildings. I have been in a quite a number of the buildings, and it seems they are quite empty. I think some buildings have a larger space than MLAs. How can we utilize the spaces? If we don't need some of the spaces, then we can lease them out, and they can become a revenue generator.

Those are my two questions. Thank you.

**The Chair:** Mr. Xiao, I appreciate that.

Mr. Day, before you respond to those two questions, I would remind all members, please, that we're dealing specifically with the fiscal year 2008-09 for Infrastructure, the government of Alberta's annual report, and the Auditor's General's two respective reports. Okay? If you could craft your questions around the fiscal year, the chair and, I think, other members would be grateful.

Mr. Day, please proceed.

**Mr. Day:** Thank you, Mr. Chairman. Our procurement and tendering practices are the same today as they were in 2008-09. We go through a fair, open, public process on all of our construction tenders. We use several methods, I think, of procuring construction services; P3s is one. We use a traditional design-bid-build approach on some projects. We use a design-build approach or a construction management approach on others. What we do is analyze each project and determine the best method to deliver it to achieve best value on every project.

We have had some concerns over time in terms of, in particular, bundling a number of projects together, which we believe creates efficiencies. We don't think that it precludes smaller companies from joining forces. In fact, it's happened on many, many occasions that smaller contractors have joined together or formed consortiums and have successfully bid some of our projects.

With respect to the second question, on utilization of government-owned buildings, we have embarked on a process – and I realize this doesn't relate 100 per cent to the 2008-09 fiscal year. Let me say that we constantly look at utilization of our buildings, and we try to maximize or optimize utilization as something that is an ongoing part of our business. We are embarking on a full review of utilization of government facilities, and going forward, we will I think take a more disciplined approach to making sure that our facilities are utilized to the best extent possible.

**The Chair:** Thank you.

Mr. Kang, please, followed by Mr. Elniski.

**Mr. Kang:** Thank you, Mr. Chair. I apologize for not speaking into the mike on my last question, but I'll do my best this time.

On page 21 of the report more than half of the budget went to what is called general government. That's about \$483 million. What exactly falls under general government?

**Mr. Skura:** I'll respond to this question. In the expense by function table you see there, there are 12 standard definitions that the province reports on every year. The prime purpose behind these is to facilitate some interprovincial comparison. They're a standard definition of what comprises each of these functions.

As far as the general government function is concerned, it includes things like the nominal sum disposal budget, capital and accommodation projects, things like tenant improvements and minor capital renovations. It also includes the capital for emergent project, which addresses short-term or emerging capital needs. Those are the prime things that fall into that category. Also included there is the lease

budget. So the money we spend in government leasing space is included in the general government category.

Those are the main categories that comprise that function.

**Mr. Kang:** Thank you.

My supplemental, I think, is not related to this one. Why isn't there a performance measure for accessibility of government buildings? Is there any kind of performance measure for having accessibility to the government buildings?

**Mr. Day:** Are you referring to physical accessibility?

**Mr. Kang:** Yes.

**Mr. Day:** We don't have a performance measure. I can say that we do have a program. We spend an amount of money each year making government buildings more accessible. That's something that we can't do all at once, that we're doing over time. My recollection is that it will take about \$16 million to ensure that we have full accessibility in all government facilities. That includes washrooms, entrances, elevators: those sorts of things. We do have a program, and we're picking away at it over time.

9:10

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

**The Chair:** Thank you very much.

Before we get to Mr. Elniski, the chair would like to recognize and welcome Mr. Verlyn Olson to the meeting this morning. Good morning, sir.

**Mr. Olson:** My apologies for being late.

**The Chair:** That's okay. They're building many roads so that we can get here quickly, so we'll have to be patient with them.

**Mr. Rodney:** That's actually Transportation, though.

**The Chair:** No, it's not.

Mr. Elniski, please, followed by Mr. Chase.

**Mr. Elniski:** Thank you very much. I have a couple of quick questions here, primarily with respect to the building over here, the federal building. I'd just like to say thank you very much for your support of the forest products industry with respect to the plywood that's on the outside of it. Two questions with regard to this. Question 1: is it on time and on budget?

**Mr. Day:** The federal building project is on time, scheduled to open in spring of 2012 and the plaza, I think, sometime in the summer. I can report that the project is currently running about 20 per cent under budget.

**Mr. Elniski:** Wonderful.

I guess as a supplementary question, then, I'd like you to tell us what are some of those cost savings on that 20 per cent?

**Mr. Day:** As I explained earlier, we look at the best procurement approach for each project. With the federal building we've employed a construction management approach, which means you can get the contractor on-site early, before the design is complete, so you're starting construction work as the design is progressing. You get a lot of synergies within the team that's working on the building

between the contractors, the designers, and government as owners. That's contributed, I think, in a significant way to savings. We were able to get on site very, very quickly and begin work.

We're also looking at every aspect of the building, and with the construction management approach you can sort of drive costs out of every piece or every component of the work as you go ahead, so a combination of factors but, again, with good results.

**Mr. Elniski:** Thank you.

**The Chair:** Thank you very much.

Mr. Chase, followed by Mr. Benito, please.

**Mr. Chase:** Thank you. On page 24 strategy 1.3, monitoring facilities: it doesn't do much good if you let them deteriorate further. On page 27 performance measure 1(a) states that between 2007-08 and 2008-09 the number of health facilities in poor condition has decreased from 9 per cent to 2 per cent, a magical undertaking. This is surprising. I notice the methodology section on page 42 states that consultants began doing the assessments. Would you speak more about the difference in methodology between 2007-08 and 2008-09, whether this is really an improvement, or is it a weakening of standards?

**Mr. Day:** Thanks very much. Again a good question. The Department of Infrastructure began evaluating health facilities probably late in 2007-08. Prior to that, the facilities were evaluated for condition by each of the nine health authorities that were in place at the time, each using close but somewhat different approaches to evaluating. Within Infrastructure we've adopted a process and a methodology called facility condition index, which is sort of a recognized approach that major property owners across North America use to evaluate their buildings, so some of the change in condition, as you say, didn't happen magically. It was because of the change in approach. We have a program to evaluate all the facilities that we're looking at – health, education, government-owned, postsecondary – on a five-year rolling basis. As we move forward, those numbers will be firmed up. I mentioned earlier that there has been an increased investment in funding maintenance for health facilities, schools, and postsecondaries. As that money works its way through the system, we will continue to see improved condition ratings on all sectors.

**Mr. Chase:** Thank you. There's a bit of a shell game going on, with buildings being shelled in with no operational funding to make them functional. The Peter Lougheed hospital was a blinding example of two government departments not working together. The east wing was added even though there wasn't the needed additional operational funding, and we saw 140 musical beds being raced around the hallways. What processes have now been instituted to prevent Infrastructure from building facilities that lack the required operational funding to get them under way?

**Mr. Day:** Again, I'm not sure that question relates directly to '08-09, so would you like an answer, Mr. Chairman?

**Mr. Chase:** Cross-ministry co-operation.

**The Chair:** No. We're going to move on. Absolutely.

Mr. Benito, please, followed by Mr. Anderson.

**Mr. Benito:** Thank you very much, Mr. Chair. Good morning. My question is about your financial highlights on page 8, the actual



expenditure. You saved more than \$400 million on your actual expenses compared to the estimates. Is that the result of a better value during the global economic turndown? Can you make a comment on this?

**Mr. Skura:** The decrease in spending is primarily a result of two big things. First of all, we reprofiled some money related to the capital projects to the tune of about \$300 million. That was more of an issue of probably overambitious scheduling initially, and we moved those projects forward, as Barry mentioned earlier.

The second part of it is related to the natural gas rebate program. The price of natural gas declined from the point where it was budgeted, so we saved about \$155 million there. Those are the two principal reasons behind that difference between budgeted and actual.

**Mr. Benito:** Thank you very much. My second question is about school construction. Is the modular type of model, you know, the one that you just put together part by part, being applied in Edmonton now?

**Mr. Day:** Yes, it is. The ASAP 1 P3 project is employing the high-performance modular classrooms. I'll call it a plug-and-play model, where classrooms can easily be added and taken away from schools. All new schools will be using that approach.

As well, we began a program, I think in probably 2007-08, with Alberta Education to begin to replace aging portable classrooms with the new modular classrooms, and that program is ongoing.

**Mr. Benito:** Thank you very much, Mr. Chair.

**The Chair:** Mr. Anderson, please, followed by Mr. Griffiths.

**An Hon. Member:** Mr. Anderson disappeared.

**An Hon. Member:** So did Mr. Griffiths.

**The Chair:** Mr. Mason? He disappeared.

**Mr. Rodney:** And Mr. Mason? Now that's an all-party committee isn't it?

**The Chair:** Yeah.

Mr. Kang, you indicated that you wanted to be on the list.

**Mr. Kang:** Yes, sir. Thank you, Mr. Chair. The amount of accounts receivable for rental and other on page 59, note 4, has tripled over the past year. That's with an allowance for doubtful accounts listed as over \$1 million. Can you explain this line item, please?

9:20

**Mr. Skura:** So you're referring to note 4?

**Mr. Kang:** Note 4. Yes.

**Mr. Skura:** I don't have the details on that with me, so if I could perhaps get back to the committee with those details?

**The Chair:** Through the clerk to all members. We'd appreciate that. Thank you.

**Mr. Skura:** Sure.

**Mr. Kang:** Thank you, Mr. Chair. And the supplemental one. At a time when fiscal restraint is of utmost importance to your ministry, your accommodation expenses have doubled, and the internal audit expenses were slashed, on page 74. Why is this?

**Mr. Day:** I think that, again, Mr. Chair, we'll undertake to respond in writing to this question.

**The Chair:** Okay. Thank you very much.

We will now move on to Mr. Groeneveld, followed by Mr. Anderson.

**Mr. Groeneveld:** Thank you, Chair, and good morning, Deputy. In your preamble you talked about it a little bit, and I see on page 30 the crop diversification centre in Brooks, which, of course, interests me just a tad as I happen to be one of the guys jumping on the spades to open that, to start the construction on that. I guess that for me I'd just like to – it's so important to the new technologies and, as you say in here, the innovative research and where we're trying to go. Have we had to scale back on that because of the economic downturn?

**Mr. Day:** No. That project is proceeding as planned. We'll meet the full program requirements that were identified by Agriculture and Rural Development. I believe it's on track to open this year, and it will come in on budget.

**Mr. Groeneveld:** That's great. You pretty much answered my supplementary question on that of where we were going, and how were we going to get there. So you don't foresee any unforeseen expenditures coming down the pipe on that one?

**Mr. Day:** At this point, no. The building of the facility is almost complete.

**Mr. Groeneveld:** That's great. Thank you.

**The Chair:** Thank you.

Mr. Anderson, followed by Ms Calahasen.

**Mr. Anderson:** Yeah. I just wanted to get your undertaking on a couple of things that we talked about in the last question, and I didn't have time to do this. Would you undertake to provide this committee, me in particular, your decision-making matrix for assessing the needed projects under the Ministry of Infrastructure as well as a list of priority projects for the Ministry of Infrastructure?

**Mr. Day:** I think that I've already committed to providing a list of approved projects. In terms of the decision-making matrix that, again, is the responsibility of the Treasury Board as a government-wide initiative. I would suggest that they be approached for that matrix.

**Mr. Anderson:** I will approach them for sure, but I guess I'm just saying that if you have a list of priority projects for Infrastructure, you had to have come to that list by, hopefully, a logic that went into those decisions of how you compiled that list. So what is that? I'm assuming there's a matrix or some kind of decision-making process that goes into that, and I would just like to see a hard copy of it.

**Mr. Day:** Maybe I'll just provide some clarification. The buildings that Infrastructure builds are on behalf of the rest of government so that other ministries can deliver their programs, so the needs and the

priorities are developed within those ministries. For example, the Ministry of Solicitor General and Public Security determines the point that they need a new remand centre, and they go through the process of defining what that need is and giving it a priority, which then goes into the bigger government-wide process. Infrastructure per se does not generate the requirement for the major capital projects. I see that you're gesturing toward the federal building. That is based, again, on a government-wide need for accommodation, and based on the requests and the requirements of ministries across government for office space and accommodation, then that's how that need is generated.

**Mr. Anderson:** So that's out of Treasury Board, then, that that decision, that need would be generated?

**Mr. Day:** All funding decisions for the capital plan are made by Treasury Board.

**Mr. Anderson:** All right. Okay.

**The Chair:** Thank you.

We're going to move on now, please, to Ms Calahasen, followed by Mr. Chase.

**Ms Calahasen:** Thank you. On page 28 of the annual report there was a target not met for the percentage of school facilities whose physical condition was rated as good. I think this is same question as Mr. Chase, similar on the heels of what he had to say. It specifies that the target was 73 per cent of schools to have a physical condition rated as good, but actually it was 67 per cent. Could you tell me why that goal was not met? I do have schools in the same kind of situation, where their physical condition is not rated as high.

**Mr. Day:** Thank you. Again, a good question. The ability to improve the condition, whether it be schools, health facilities, government-owned, or whatever, is a direct function, I think, in terms of the amount of money that's put into maintenance budgets. We do some projections based on the amount of money that is allocated to maintenance each year. It becomes a little bit more complicated in the school program as that money is then grant-funded to individual school boards, who then do the maintenance. Some of them have the ability to move more quickly on projects than others, so by the time that money and the construction and the upgrades work their way through the system, there could be a year's lag or so. Again, we use our best efforts at estimating what's going to happen. We're not always a hundred per cent accurate.

**Ms Calahasen:** Thank you. It also states on page 28, the same page, that there are approximately 60 major school modernizations that are under way. With the completion of these projects what percentage of schools would be considered to be in good condition, then, if that's the case?

**Mr. Day:** Are you saying: what percentage would be in good condition today?

**Ms Calahasen:** Of the projects, yeah.

**Mr. Day:** After those constructions?

**Ms Calahasen:** Yes, after.

**Mr. Day:** Off the top of my head I can't say, you know. We do evaluate on a rolling five-year basis, so every year we evaluate about

20 per cent, then, of the schools, and those reports are made available on Infrastructure's and Education's websites. I don't have, I guess, an up to date. I can't tell you what that would mean to the portfolio overall.

**Ms Calahasen:** Next year you will probably?

**Mr. Day:** I hope so.

**Ms Calahasen:** Okay. Thank you, Mr. Chair.

**The Chair:** Thank you.

Mr. Chase, please, followed by Mr. Sandhu.

**Mr. Chase:** Thank you. Alberta's postsecondary institutions are not immune from the decay evident in other public infrastructure. The University of Alberta is 100 years old, and the University of Calgary is rapidly approach 50 years. Why isn't the Infrastructure ministry balancing the need for maintenance and new construction?

**Mr. Day:** I think I'll again refer to the process where Advanced Education in conjunction and in collaboration with the postsecondary institutions determines what the priorities are in terms of capital development. On the condition side you'll note by the measures that are published that the postsecondary sector had a very high number of facilities in poor condition. Over time and as government has increased funding for maintenance of postsecondaries, again, we'll see that number decline.

**Mr. Chase:** Hopefully, with this 40 per cent reduction in materials and labour this will be a major push along with long-term care facilities. I just want to get postsecondary education on the priority list.

9:30

**Mr. Day:** That's a very good point. In today's economy we are able to do, you know, a lot more with the same amount of dollars.

**The Chair:** Thank you very much.

Mr. Sandhu, please, followed by Mr. Mason.

**Mr. Sandhu:** Thank you very much, Chair. On page 15, annual report 2008-09, the Edmonton Remand Centre approved budget of \$620 million. I'd just like to know where we're at on the status of the building.

**Mr. Day:** Okay. The remand centre is on schedule to open in 2012. We've used on that project, again, the construction management approach, which is, I think, a successful approach on these major projects. As of today we're tracking about 4 per cent under budget. The bulk of the tender packages have been issued, so we're confident that the project will end up on budget.

**Mr. Sandhu:** Okay. The second supplementary. You also say "state-of-the-art" facility. What is that referring to?

**Mr. Day:** That's in terms of the overall design of the facility. It's what I believe is referred to in the correctional business as a fourth-generation design. That means that if you look at the existing remand centre downtown, it's a high-rise building. The new remand centre design is based on a pod basis, which makes it much more effective from a supervision perspective for corrections staff. I could get into some of the sophisticated security systems, but I don't think I will. We like to keep that information under wraps if we can.

**Mr. Sandhu:** Thank you.

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

Mr. Mason, please, and he will be followed by Mr. Griffiths.

**Mr. Mason:** Thank you very much, Mr. Chairman. I'd like to come back to my previous question because I don't think I got an answer from the Auditor General with respect to what I actually asked, and that was whether or not the present use of cost comparators by the government is accessible enough and useful enough that the public can make a determination as to whether the P3 approach is the most cost-effective in the given circumstance, not that the government is going to do some report but whether or not the process that they follow and the information which they provide is an effective way of determining the cost-effectiveness of P3 projects now.

**Mr. Saher:** I think that if there's scope for improvement, the implication is that what's happening now is not as advanced, good, effective as it can be. My response was intended to convey that I believe and the Auditor General's office believes that the preparation of value-for-money reports will improve the information flow to Albertans, and the use of such reports will make it easier for Albertans to understand the value for money obtained in a P3 project.

**Mr. Mason:** Okay. The answer, then, essentially is that the current system of doing that does not provide adequate information to determine the cost-effectiveness of P3s. What should be in the report in order to make sure that that doesn't continue?

**Mr. Saher:** The Treasury Board has guidelines as to what value-for-money reports should contain. Essentially, it's an explanation of the cost of the public-sector comparator compared to the private proponent option that's chosen. It explains in mathematical terms the difference between a traditional approach and the proposed approach. It also explains qualitative benefits of proceeding with a P3. It's not always just a mathematical comparison of traditional and P3 approaches. In effect, such a report brings together in an easily understandable way why the P3 project, if that was the option chosen, makes sense from a value-for-money point of view.

**The Chair:** Mr. Griffiths, please, followed by Mr. Kang.

**Mr. Griffiths:** Thank you very much. Just to follow up on the previous questions I had when we were discussing LEED standards. Sorry if I expose my personal stupidity and ignorance of the situation, but there is the LEED silver standard, and there is the LEED gold standard, too, isn't there? Why doesn't the province build to the gold standard rather than the silver? Why the choice for the silver standard?

**Mr. Day:** The decision was made initially to go to LEED silver for a number of reasons. LEED is an emerging system first developed in, I believe, the U.S., in California. It's grown since then to become sort of the system to design and build to in terms of environmentally friendly and efficient buildings. LEED is a point-based system, so you do certain things, and you get points. You reach a certain threshold as LEED certified, then silver, gold, and then finally LEED platinum.

There is a group called the Canadian Green Building Council that is the steward in Canada for the LEED system. Not everything in the LEED system originally could be applied to northern climates because it was developed, I think, in California or somewhere in the

southern U.S. We took the approach that silver would be a good threshold. If you achieve LEED silver, it means you're using about 40 to 50 per cent less energy than you would in a conventionally designed building. We have and we continue to evaluate the merits of going toward LEED gold.

We're also involved or engaged in another project with the Canadian Green Building Council where a number of buildings across Canada are being monitored. We've got four buildings, I believe, in that program. One is the Calgary courts. We've gotten a good comparison of LEED versus non-LEED, new versus older facilities. Over time, as we get more comfortable with the LEED process, with the LEED rating system and maybe develop it or tweak it to be more in line with cold climate building, we'll look at jumping to gold. In fact, with a number of our projects where we have targeted silver, we have achieved LEED gold.

**Mr. Griffiths:** Okay. Thank you. Excellent. To build to LEED silver standard would, I assume, require perhaps a bit more in architectural design, different input materials. The cost might be higher. Has the department done a cost-benefit analysis on how many years it would take to return the initial investment to get up to a LEED standard on the savings on energy so that we have an idea about how many years it will take us to earn back what we've invested?

**Mr. Day:** Yes, we have. Our analysis was done when we looked at LEED silver as the minimum standard and determined that the incremental cost is around 5 per cent higher than conventional design and construction. The payback is about five to seven years, so it's a fairly quick payback.

**Mr. Griffiths:** That is exceptional. Thank you.

**The Chair:** Thank you very much.

Mr. Kang, please, followed by Mr. Fawcett.

**Mr. Kang:** Thank you, Mr. Chair. The ministry failed to spend its authorized budget of just over \$1 billion, leaving almost a quarter of the budget on the table. The reason given is the reduced natural gas rebates due to reduced natural gas prices – that's on page 20 – responsible for the \$102 million difference on page 37, but on page 22 under core business I the actual spending for public infrastructure was \$333.6 million less than the authorized budget due to aligning costs with the actual construction progress. Would you explain this a little bit?

9:40

**Mr. Day:** Sure. I think I referred to this earlier, but on our major capital projects, when they're approved, we have an initial cash-flow forecast. That's based on what we think the progress of that project is going to be. With some projects – and I'll use the remand centre as an example – it takes longer to find the proper site than we might have projected. You can imagine that with the building of a facility like that there's a lot of controversy and discussion and debate that has to go into the proper location. As I said, we're not always able to determine or to predict the progress of projects. That \$333 million is based on those projects not progressing as quickly as we thought they should.

I mentioned earlier as well that the way the capital budgeting process has worked, money carried over from one year to the next continues to be carried over year by year, so there's actually a compounding effect. We've gone to some lengths to fix that. We have taken a full and fairly in-depth review of all of our ongoing

capital projects and cash flows, so I expect that carry-over number to decline in the coming years.

**Mr. Kang:** Okay. Does that money get reprofiled to some other projects, does the money just sit there, or does the money go back to Treasury Board?

**Mr. Day:** The money gets carried forward in our department's budget. It is still committed to those projects that it was approved for. For example, again with the remand centre's \$620 million budget, even though we don't spend what we thought we were going to spend in a given year, that money still needs to be set aside to complete that project.

**Mr. Kang:** Okay. There are two supplementals, but I'll combine them. If the excess funding was due to falling natural gas prices and if the excess funding was due to cost alignment with the construction progress on a number of projects, then why wasn't that funding redeployed to other priority area projects such as maybe crumbling schools or, you know, other areas with serious problems?

**Mr. Day:** As I said, because that money isn't spent in one given year doesn't mean that it's not needed for that specific project. If we were to redeploy that money for another capital project, we would end up short on the project that that funding is targeted and committed to.

**Mr. Kang:** Thank you.

**The Chair:** Thank you.

Mr. Fawcett, please, followed by Mr. Anderson.

**Mr. Fawcett:** Thank you, Mr. Chair. My question is sort of following the same line as Mr. Kang's and my earlier question on this money that has been unexpended. The way you explained it is that some had to do with the natural gas rebates, and there was some that, essentially, was pushed over to the following years to complete the capital projects that had not yet been completed. Was there also any money in there that was as a result of capital projects being completed under the allocated budget amount for those specific projects?

**Mr. Day:** No. That wouldn't have been built into this budget year. As I mentioned, the federal building is currently 20 per cent under budget. Those savings will be reported when the project is complete and we know the final costs versus the original budget.

**Mr. Fawcett:** Okay. My supplemental, Mr. Chair: when there are cost savings realized, what is the process or the parameters as far as what happens with that surplus money? Is it reprofiled to other projects, or is it sent back into general revenue?

**Mr. Day:** That money stays within the capital plan and goes back to Treasury Board for decision in terms of redeployment to the next priority or whatever within the capital plan.

**Mr. Fawcett:** Okay.

**The Chair:** Thank you very much.

Mr. Anderson, followed by Mr. Elniski, please.

**Mr. Anderson:** Thanks, Chair. I want to just thank the staff and Barry for their comments today. I learned a lot, so it's been, I think, a very useful session.

Just one question, last question, and it relates to the first two just so I can understand it. Maintenance needs are, I'm assuming, also determined in the individual departments before they come to you, or do you have specific Ministry of Infrastructure maintenance needs and a priority kind of list of what those are? Like, how does that work?

**Mr. Day:** Good question. Infrastructure owns and manages and maintains all of the buildings on behalf of government, so that funding is budgeted within Infrastructure, and we do set the priorities for major maintenance.

**Mr. Anderson:** Okay. Could we get that list as well as the maintenance needs?

**Mr. Day:** As I said, we're doing condition evaluations on all of the portfolio, including government-owned, and as those reports are completed, you know, they are available to the public on our website. I think the best way to get that information is to look at the report. Because we haven't got all of the buildings into the system, we haven't yet published the report in terms of what the needs are. I think if you worked on the top floor of this building and saw where the buckets are deployed in a major rainstorm, you'd know at least one of our problems.

**Mr. Anderson:** All right. Thanks.

**The Chair:** Thank you.

Mr. Elniski, please, followed by Mr. Chase.

**Mr. Elniski:** Thank you very much. A quick question for you here with respect to the LEED standard yet again. I noticed that the ASAP schools are being built to a silver standard certification, yet with the 1921 building over behind us here for some reason you are going for gold. Why?

**Mr. Day:** That's a good question. We've targeted LEED silver as a minimum for the schools. In fact, when the final assessment is done, we may achieve LEED gold on some of them. With the federal building we've employed and I think gone beyond in some cases some of the design requirements. We're going with a green roof on the building, which delivers a couple more points on the LEED rating scale. Some of these things, from our perspective, I guess I could call them, perhaps, pilot projects. We need to get it right before we redeploy some of these initiatives on a broader scale. [interjections]

**Mr. Elniski:** Okay. That's good. And thank you for the various and sundry comments in the background here. I appreciate that.

Really, when it comes down to it, is it an economic question with respect to standard of performance or an environmental question?

**Mr. Day:** I think it's both. You know, as I said, there are some significant savings and a short payback period with going even with LEED silver, and we have to find that right balance. We know from our initial research that to go the extra mile to get LEED platinum is not the best bang for the buck. The payback stretches out a number of years. So we need to find I'll call it the sweet spot, and we're pursuing that.

**Mr. Elniski:** Okay. Right on. Thank you very much.

**The Chair:** Thank you.

Mr. Chase, followed by Mr. Olson.

**Mr. Chase:** Thank you. I just can't help but comment that as a former school teacher I'm not sure about a silver standard for students but gold for government.

My question, though. Last year's Public Accounts debate dealt with the doubling of remediation costs at the Swan Hills Treatment Centre. This year the Swan Hills treatment facility, a money-sucking budgetary black hole, is again over budget by \$4.2 million, page 34. In last year's Public Accounts debate it was stated that the plant will be demolished in 2018. In the meantime, the liability has increased by \$5 million, page 57, and the revenue generated by Swan Hills was less than expected. Why has the liability increased so significantly, and is the ministry still on the timeline to shoot this white elephant by 2018?

9:50

**Mr. Day:** We undertake an assessment of the Swan Hills Treatment Centre, again, on about a five-year basis. The most recent report has been completed and is before government for a decision in terms of the future of the facility.

**Mr. Chase:** Well, hopefully, this will be one recycling project that will quickly get recycled.

**The Chair:** Thank you very much.

We're going to move on to Mr. Olson, please, followed by Mr. Mason.

**Mr. Olson:** Thank you. My colleagues have pretty much scooped me on LEED questions, so I just have one. Does your department have any kind of policy in terms of just turning the lights out? I look at this building when I go by at night, and the lights are on all over the place. Is there some sort of mechanism that can automatically turn lights out with motion sensors and stuff like that?

**Mr. Day:** Very good question. In a number of our own facilities we have implemented measures. In fact, in the building that we work out of, the Neil Crawford centre, those of us who work late find that the lights automatically turn off at 6 o'clock, and if you're still working, in the dead of winter sometimes that's a little disconcerting. We will be implementing more of those measures across government as time goes on. We do it usually in connection with other maintenance work that's taking place in our buildings.

**Mr. Olson:** I would think that's a relatively cost-effective and efficient way of just being environmentally responsible, so I'd encourage you to do that.

**Mr. Day:** Thank you.

**The Chair:** Thank you.

Mr. Mason, please, followed by Mr. Benito.

**Mr. Mason:** Thanks very much, Mr. Chairman. I was hoping that my question could be added to the list of written questions. Could you maybe come back to me at the end?

**The Chair:** Sure.

Mr. Benito, please.

**Mr. Benito:** Thank you very much, again, Mr. Chair. I'd like to ask a follow-up question to the question I asked about the construction of schools in Edmonton. In Edmonton school construction these are all silver. There's no gold in any other areas? I'm just wondering.

**Mr. Day:** Yeah. Like I said, we've targeted LEED silver. Until the schools are operational, up and running, and we have some data on utility consumption and those sorts of things, we won't know what level we've actually achieved. I guess once that information is available, we'll make it public.

**Mr. Benito:** Thank you very much, Deputy Minister. My second question is: can you give an example of site-specific projects where the cost impact of the projects of Alberta Infrastructure, you know, with the downturn in the economy is in our favour?

**Mr. Day:** Well, I think a good example, as I've mentioned a couple of times today, is the federal building. You know, by employing an approach to the construction that, again, allows us to fast-track design and construction together, we've achieved some significant savings, and some of those savings, there's no question, are a result of today's economy. We'll continue, as I said, to evaluate every tender package before it goes out to make sure that we are achieving best value. We're using the same approach with the new remand centre in Edmonton and the Brooks crop research centre. I can say that with all of our projects we're employing a best-value approach.

**Mr. Benito:** Thank you.

**The Chair:** Thank you very much.

We'll now quickly proceed to questions that will be read into the record. Mr. Day, if your department could provide written answers – we're out of time, unfortunately – through the clerk to all members.

We will start with Mr. Mason. If you could read your question into the record.

**Mr. Mason:** Thanks very much, Mr. Chairman. My first question is for the department. I would like to have more information on the value-for-money report that is planned with respect to the first group of schools that were built. I'd like to know what it's going to cover, when it's available, and I'd also like to know whether or not other groups of P3 projects will be the subject of a report back. I'd like to know who the report is going to be provided to as well.

From the Auditor General, Mr. Chairman, I'd like to know what in the Acting Auditor General's opinion is required in order to ensure that the value-for-money report is an effective means of determining the cost-effectiveness of a P3 project with specific reference to the use of cost comparators.

**The Chair:** Thank you.

Mr. Sandhu, please, followed by Mr. Chase.

**Mr. Sandhu:** Thank you, Mr. Chair. Mr. Day, my last question I asked was on the Edmonton Remand Centre. If I heard right, completion in 2012, but you said today that it'd be in 2011.

**Mr. Day:** Sorry. To clarify, it's completion by 2012.

**Mr. Sandhu:** Referring to page 15, you said it was going to be completed in 2011.

**Mr. Day:** Okay. We'll check into that. But it will be operational in 2012.

**The Chair:** Thank you.

Mr. Chase, please.

**Mr. Chase:** Thank you. Possibly, the Auditor General could supplement the answers here. The questions come from his 2009 report. On page 287 the Auditor General recommended that the ministry develop and implement an information technology risk framework. What progress has the ministry made on implementing this recommendation?

On page 288 the Auditor General recommended that the ministry improve password controls. Have there been any examples of data security being jeopardized because of previously inadequate password controls?

Thank you.

**The Chair:** Thank you.

**Mr. Kang:** On page 15 it states some of Infrastructure's key activities: Edmonton clinic, Edmonton Remand Centre, and Legislature Grounds. To the folks from Infrastructure: why aren't there more key activities in Calgary? What is the process to determine key activities and priorities?

**Mr. Day:** I believe I've covered in answers to previous questions how the needs and priorities are developed across government. I can reiterate again, Mr. Chairman.

**The Chair:** We would appreciate that, Mr. Day. Thank you. In writing, if you don't mind.

**Mr. Day:** In writing. Yes, we will.

**The Chair:** If you'd be kind enough to do that, we would appreciate it.

That concludes the list. On behalf of the committee, Mr. Day, I would like to thank you and your department for your attendance and your attention this morning. I think your answers today, your diligence were really appreciated. You are the LEED gold standard for other ministries.

**Mr. Day:** Thank you, Mr. Chairman.

**The Chair:** It is worth noting to all members that there are 257 outstanding recommendations in the back of the Auditor General's report from last fall, and I don't see any for this department.

Thank you very much. Again, we appreciate your effort. We really do.

Is there any other business that at this time the committee wants to raise?

Seeing none, the date of our next meeting. Next week I would remind you, please, is a constituency week, so there will be no committee meeting. The next meeting is scheduled for Wednesday, March 10, at 8:30 a.m. with Alberta Energy.

If I could have a motion now to adjourn. Mr. Griffiths. Thank you. Moved by Mr. Griffiths that the meeting be adjourned. All in favour?

**Hon. Members:** Agreed.

**The Chair:** None opposed. Thank you. Have a good week.

[The committee adjourned at 9:59 a.m.]



