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First Session

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The Honourable Kenneth R. Kowalski, Speaker

Legislative Assembly of Alberta

The 27th Legislature

First Session

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[Errata, if any, appear inside back cover]

Legislative Assembly of Alberta

7:30 p.m.

Tuesday, May 6, 2008

Committee of Supply

[Mr. Cao in the chair]

The Chair: I would like to call the Committee of Supply to order.

Main Estimates 2008-09

Infrastructure

The Chair: The hon. Minister of Infrastructure has the floor now.

Mr. Hayden: Thank you, Mr. Chairman. First of all, I'd like to introduce my officials who are on the floor with me tonight. To my left Barry Day is my deputy minister; Winnie Yiu-Young, next to me, is our senior financial officer; and Angela Paterson is our director of financial planning. Also, seated in the gallery we have Bob Smith, assistant deputy minister of properties; Alan Humphries, acting assistant deputy minister, capital projects; Alec Waters, acting assistant deputy minister, policy and corporate services; Stuart Elson, my acting communications director; and Dan Hanson, my executive assistant.

Mr. Chairman, one of the Premier's priorities is to provide the roads, schools, hospitals, and other public infrastructure to meet the growing economy and population. Working with the President of the Treasury Board and other ministries to address this priority is the way we are going forward. The Premier gave me specific mandate instructions to increase the efficiencies of health and education infrastructure, design, and construction. To meet my responsibilities, I will ensure that our projects are taken forward with those with the highest need being approved first, that our infrastructure projects are completed in a timely, cost-effective, and efficient manner, and that existing public facilities are safe, well maintained, and in good working order.

The Premier's priority and my focus are reflected in the Infrastructure budget. Last year the combined departments of Infrastructure and Transportation received record levels of funding. Alberta spends more per capita on capital construction than any other jurisdiction in Canada. Mr. Chair, we've made significant progress with these funds, and we have a great deal to be proud of.

The Calgary Court Centre, phase 1. We have a \$300 million project that opened this past year. There are 600 people that work at this centre, and we have 73 courtrooms. It is one of the most advanced court facilities in North America, and I'm very proud to say that it is being built and was built to the LEED silver standard in design.

We are committed to upgrading 90 of our largest government buildings, and we're bringing those to the go-green standard over the next three years. Thirty-three buildings so far have been certified, and the government now is in a position that we can say that we use 90 per cent green power. These innovations have saved us somewhere in the neighbourhood of in excess of 200,000 tonnes of greenhouse gas emissions per year in our government buildings. The new facilities are all built to the LEED silver standard, and we are now as a department investigating the feasibility of going the next step, to the gold standard.

We've been working with our education partners to complete designs for a variety of elementary school sizes, plus the K to 9 schools, and we're doing this with a view towards improving the efficiency and flexibility of the school design and construction

process. Education has asked us to work on core designs for middle schools also.

The ministry has \$1.4 billion in budgeted estimates for 2008-2009. That represents a \$386 million increase, or 37 per cent, over the 2007-2008 forecast. Thirty per cent of our budget consists of noncash items and, of course, the funding for the natural gas rebate.

In the category of expense for equipment/inventory purchases: \$648 million, a \$106 million increase, or 19.6 per cent, from 2007-08. Of course, the natural gas rebate is not included. The natural gas rebate: \$325.3 million. In our budget it shows down 4 per cent, \$14 million from the previous year. That's based on our forecast of rebate amounts; natural gas rebates are funded from the sustainability fund.

Capital investment of \$459.9 million is a \$293.4 million increase, or 176 per cent. Of course, this number reflects our large investment in construction projects.

On our program expense breakdown I'll go into a little more detail. It's important to note that Infrastructure is responsible for 1,800 government-owned buildings, 460 leases. The total expense program is increasing to \$966.7 million in 2008-09. The natural gas rebate is included in that figure. It is up from the forecast level of \$873 million for 2007-08. Significant portions of the increase, of course, relate to higher operating costs: \$26.5 million to address market rate increases on lease renewals and new lease requirements, \$7 million to address inflationary increases in contract services for operating our facilities. That's in categories such as caretaking, snow removal, and security maintenance and such.

Noncash items are also reflected in our operating expenses, a \$20.4 million increase for the amortization of capital assets. Increased investment in facilities like the Calgary Courts Centre make up a large part of this number. A \$14 million increase in nominal sum disposals. As a government we must of course report an expense when assets are transferred to third parties for a nominal sum. Bow Valley College, as an example, gets the old provincial court building land in Calgary. The University of Alberta got two parcels of land in Kinsella for a research farm.

The capital plan breakdown. We're making a significant investment in capital. The province's 2008-11 capital plan allocates \$22.2 billion. Alberta Infrastructure's share of the three-year capital plan: \$1.3 billion. Alberta Infrastructure's major capital projects budgeted for '08-09: \$459.9 million, a \$293.4 million net increase. That reflects a significant number of projects, Mr. Chair.

The Alberta Remand Centre, of course, a 2,000-bed facility that will be completed in 2011, a component of our safe communities strategy: \$166.5 million budgeted this year for the first phase of construction. The foundation work has already started. The total project cost is \$623 million. The Calgary Courts Centre, phase 2, includes restoring the Court of Appeal building and demolishing the Court of Queen's Bench building and building an underground parkade, and we have \$46.5 million budgeted this year. The total project cost is \$54 million. The estimated completion date is late 2010. The Crop Diversification Centre in Brooks: almost \$10 million for the construction of a new production research greenhouse.

The capital budget also includes \$142.7 million for the Royal Alberta Museum. We obviously remain committed to the project, and we are planning now and looking at studies to assess the options that we have. Of course, it'll be a final decision of cabinet where we go, but it's approximately a \$200 million project.

To wrap up, Infrastructure is key in meeting government's priorities and addressing Alberta's exceptional growth. Infrastructure supports other ministries with capital construction and facility solutions as they manage growth pressures to help create a strong

and vibrant community out there and to reduce crime so that Albertans feel safe.

If there are any questions, I'd be happy to take them now. Thank you.

The Chair: I would like to recognize the hon. Member for Edmonton-Gold Bar.

Mr. MacDonald: Thank you, Mr. Chairman. I appreciate the opening remarks of the hon. minister regarding the budget estimates for Infrastructure this evening. Certainly, there's lots of spending going on in this department. I am worried about the sustainability in capital spending, as are taxpayers and various groups in the province. Also, I'm quite concerned about the steady but significant increases in the reliance on P3s. The hon. minister certainly broached the subject, but I suspect that in the next couple of hours it will be discussed in considerable more detail.

7:40

Now, in this budget estimate I have had a good look, and I'm disappointed in the lack of information on the provincial infrastructure deficit. The hon. minister is talking – and he's right – in his remarks about the increase in capital spending in this province whenever you compare it to other jurisdictions, but there is a reason for that. We have in the past paid down the Conservative debt, but we have ignored our infrastructure, and we have a considerable debt.

Ms Blakeman: Does that create an infrastructure deficit?

Mr. MacDonald: That did indeed create an infrastructure deficit, which we're paying the price to catch up.

With the capital plan, Mr. Chairman, and for the hon. minister: goal 1 of the ministry's business plans, page 181, is for safe, innovative, and cost-effective health and education infrastructure for Albertans. It is in the minister's mandate to provide the roads, schools, hospitals, and other public infrastructure to meet the needs of a growing economy and population, and this, I know, is directly from the minister's mandate letter. We often see school boards and health regions bringing forward their capital plans, but the government doesn't go by the same ordering in construction. Why is that, and who makes which project a priority?

Thank you.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chairman. In fact, the program ministries bring forward the list of projects and the priorities before us, but our ministry also plays a very active role in looking at the conditions of buildings in all program areas as well as government buildings to assist in the determination of which projects are of the greatest need. We list them out and rate them in three different categories, and we actually use that a great deal as our guide towards the ones that require, I will say, modernization and replacement first.

The other huge pressure, of course, that we face is that we build approximately a new Red Deer every year, and the infrastructure needs for that population quite often display themselves in the new areas of residential development. In the case of hospitals and schools, obviously, that's a great pressure, but our role and what we attempt to do is to take those projects, as they're listed priority-wise, of the greatest need and complete those first. We will run into situations through the guidance that we receive from regional health authorities or regional school boards where a facility may have found itself in a position of great need but the future plan is for a

replacement of that facility or a relocation in the case of possible closures where boards are considering that, so that's something else that might change our decision on how we go forward.

The Chair: The hon. member.

Mr. MacDonald: Thank you, Mr. Chairman. Last year we were told that the budget 2007-08 and capital plan '07 through to year 2010 were going to be the last of the big Conservative budgets, but here we have another year tacked on to the end of that, and many taxpayers are asking: when is this going to slow down? Does the hon. minister think that this kind of spending is sustainable, and if not, what does he think is the sustainable level?

Thank you.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. Out to 2011 – and these are combined Infrastructure budgets with Transportation, and I can break them out if the member wishes – we have a commitment of \$22.2 billion over the next three years for Infrastructure. As I say, Transportation is in there, and I can break it out. What we are doing is we are moving to catch up and, obviously, keep up. There is no question that there has been deferred maintenance, and it requires a substantial investment to ensure a safe environment for the people who use the buildings that provide our services. That, of course, is government buildings, education facilities, as well as health care facilities. The numbers that we have in our budget are based on the need that we see there. I feel that after this three-year period, of course, we will re-evaluate where we are, but I think that our commitment is going to see our buildings in far better shape.

I think that it's also important to note that the building that we're doing now, in fact, is doing more than taking greenhouse gases out of the air. It's showing a substantial savings with our new LEED silver design and the energy efficient changes that we're making in our buildings. Just as an example, our new buildings are operating at approximately 40 to 45 per cent less energy consumption along with healthier air and more natural light and a number of excellent benefits. Down the road I think that the investment that we're making now in improved design and higher standards than you normally find out there in the marketplace will pay benefits and dividends and will continue to do so into the future.

The Chair: The hon. member.

Mr. MacDonald: Thank you very much, Mr. Chairman. Now, my next question is centred around page 107 of the capital plan. It's the provision for cost escalation on approved projects. For the 2008-11 capital plan there is included \$803 million to address cost escalations on approved capital projects. I don't mean to be disrespectful, but I don't think this is a sound practice. I'm an old construction hand, an old gas plant hand, and for anybody to telegraph that there is an additional \$803 million available for cost overruns or price increases, I don't think, again, it's a very sound practice.

I know that last year it was not included in the capital plan. Your approach this year differs from Budget 2007, where \$1 billion was set aside for cost escalation. It seems here that you've got more money than you have common sense because you're telling the construction industry that there's another \$803 million on the table for cost overruns. I just can't understand that, particularly when you look at page 121 of your fiscal plan, where you note that Alberta's construction costs are going down. Granted, they did go up significantly. "Construction costs increased by more than 17% in

2007, but eased to an annualized growth rate of less than 13% by the final quarter of the year.” Now, my question again would be: why would the department or the government telegraph to the construction industry that you have another 803 million reasons to have cost overruns or cost escalations on some of these capital projects? Why would you let the world know?

Thank you.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. First of all, I think it's important to point out that it would be irresponsible not to report factually what, in fact, we see out there. You will see in our books that they're based on 15 per cent cost increases, that we've experienced over the past three years, so it's a number that industry and everyday Albertans understand, that there are inflationary pressures. I'm not afraid to point out that, in fact, there are projects out there that have come in as high as 22 to 25 per cent over the costs that we originally felt that they would come in at. I know we're going to discuss later, but we've put in place options for providing the infrastructure that Albertans need that are going to provide the assurance on costs as we go forward.

I also would respectfully submit to the hon. member that, in fact, it's a competitive market out there. We are seeing some bid prices come in at a lower cost now, which is very refreshing. I'm happy to see that. These people, of course, are motivated to do business with the province of Alberta. I would suggest that if they're available for work and they have a sharp pencil, they'll have a good crack at it. I would like nothing better than to report to the hon. member that, in fact, these prices were too high and that we got a great deal more work done for the same amount of money.

7:50

The Chair: The hon. member.

Mr. MacDonald: Thank you, Mr. Chairman. Now, the hon. minister stated that there was a 15 per cent cost overrun in the last three years. If he could clarify that. That has to be on government-approved projects because certainly Alberta construction costs do not reflect that 15 per cent cost overrun on average over the last three years. Could the minister clarify that, please?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Chair. Yeah. Over the past three years, the member is correct, we're probably closer to 8 per cent overall. The type of structures that we are building do find themselves in a fairly specialized category. Our experience for budgeting purposes has shown a 15 per cent increase. It isn't all just new construction, though. In the 15 per cent, as we go through, you'll see that it's also modernizations and some of the rehab and maintenance work that we've included in our numbers.

Mr. MacDonald: Okay. Thank you very much.

Now, speaking of maintenance, the condition of buildings, if we could refer, please, to the performance measures on pages 182 and 183 of the business plan. We see the target condition quality of the province's public infrastructure. Looking at the last actual measures from 2006-07 and comparing them to what the government was hoping for in that year, on some of these the government is doing better than expected; on others it is doing worse than expected. The 2006-07 business plan had a performance measure of 72 per cent of health facilities in good condition, but we see here, performance

measure 1(a) on page 182, that the actual result was 67 per cent. Why did the ministry underperform here?

Mr. Hayden: Mr. Chair, there's no question that we have had extra pressures because of the growth in the province. The new construction that we've taken on and some of the projects that have been moved forward because of those growth pressures I think have probably cost us some ground on this; there's no question. The numbers and the totals going forward, too, for the hon. member's benefit, are all anticipated conditions based on the budgeted funding that's in place at this time. Of course, I'm hopeful that I can make the case that, in fact, there are areas that we need to probably address further.

The Chair: The hon. member.

Mr. MacDonald: Thank you, Mr. Chairman. If we could, please, hon. minister, go to the following page, 183. The '06-07 target was 48 per cent in good condition, but the actual result was 40 per cent. Again, can the minister give an explanation for this target as well, please?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chairman. If we take a look at the other categories, of course, it all balances out. We make up better ground in certain areas than we do in others. That particular graph, as we target out to this year, obviously the projects that we have in place are going to move projects from the category of fair condition. The modernizations or replacements for overall conditions of our buildings are going to move us up 5 per cent.

Unfortunately, on the bottom at the 4 per cent that's an area – and I'm sure that within that area we also have properties that are bleeding down from the fair condition into the poor condition. We probably have addressed situations in buildings that were in poor condition where they've been replaced or had major modernizations that have moved them up into good condition. They tend to move between those categories.

I don't know if that's helpful, if that helps with your question.

The Chair: The hon. member.

Mr. MacDonald: Yes. Thank you very much. Now, my next question for the hon. minister would be: why is the proportion of postsecondary facilities in good condition expected to decline this year?

Mr. Hayden: Okay. This is on line 1(c). I expect it simply because of the age. I would say that it's probably an age situation. Probably in the evaluations that we've done on the properties, you're looking at chillers, possibly boilers. So it's definitely an area that needs to be addressed. It's obvious from this page that of our postsecondary facilities we have a higher percentage that are in poorer condition than we do in the other two categories that we're reporting, health and school facilities.

The Chair: The hon. member.

Mr. MacDonald: Thank you. Now, if we could go to the capital plan summary by function, I would appreciate the minister's interest in this. How is the government spending over \$8 billion, yet we seem to be getting little or no improvement to the physical condition of our infrastructure? We're spending \$8 billion.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. The total spending for this year is \$8.7 billion. In fact, just so that we keep our numbers a little closer, we're probably looking at closer to a \$7 billion expenditure for capital projects outside of Transportation, but we also have to take into consideration that our waste-water systems are also coming out of that before we lower it down. If I have it here, I will give you a more accurate number on the vertical infrastructure, we'll call it – buildings, for lack of a better term – but it's considerably less than the \$8 billion. In fact, we are completing some very large projects this year that bring that total up considerably. We have, of course, a huge investment in the south Calgary health facility complex under way. We also have a large investment in the Edmonton Remand Centre that's within that total. There are a number of other very large capital projects that are seeing a real injection of cash this year, which brings that total up fairly quickly.

The Chair: The hon. member.

Mr. MacDonald: Thank you very much. Again, to the hon. minister. You're talking about health facilities. How are \$3.3 billion over three years getting us only a 3 per cent boost in health facilities in good condition?

Mr. Hayden: The increase in funding that we're putting in is also maintenance. It isn't all replacement. Major modernizations is probably the category that we need to look at. There's a great deal of that funding that's going into maintenance to in fact maintain or improve the condition of a number of the buildings. Also, I think that we can never forget the situation that we're faced with with the population increase and the demand for new infrastructure in communities where, of course, individuals are new to the province and have come here and require those facilities in areas where we've seen huge population increases.

The Chair: The hon. member.

Mr. MacDonald: Thank you, Mr. Chairman. Now, if we could ask some questions regarding the infrastructure deficit and the deferred maintenance, I would appreciate it. What is the current infrastructure deficit in this province? I know that in the past in this House there seemed to be a conflict of opinions between members who are now retired of what the deficit really is and how we should deal with it. What is the current infrastructure deficit? [Mr. MacDonald's speaking time expired]

The Chair: Please continue on. It's the second 20-minute period here.

The hon. minister.

Mr. Hayden: Thank you, Mr. Chairman. Within our budget, of course, are government buildings. The maintenance and replacement budgets for health care facilities and for school facilities in this year's budget are in those categories. But in speaking to government-owned buildings, we record the number at around \$200 million in deferred maintenance requirements for government buildings.

8:00

Mr. MacDonald: Two hundred million dollars just for government buildings. When will the total current infrastructure deficit be paid off under this government's current projections?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. Our 20-year capital plan comes into play here, too, our plan going forward. In our budget structure, as you see, we go forward three years. In the 20-year capital plan we believe that we'll have our deferred maintenance backlog taken care of within the next 10 to 15 years.

The Chair: The hon. member.

Mr. MacDonald: Thank you. In the next 10 to 15 years.

The Auditor General's report of 2006-07 on page 53 made clear that the current deferred maintenance backlog is many billions of dollars. He also said that he couldn't give an exact figure because the figures weren't being kept. Could the minister please tell us the exact amount, and if not, why hasn't the ministry acted yet on addressing this lack of knowledge?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. We, in fact, do identify the projects that are required to be done, and that's how we came up with the categories in which we have them placed with respect to their condition. The number, of course, changes with the cost every year. From my experience in some of the areas I've been involved in, even on the deferred maintenance, if we looked across our entire nation, you'd come up with different numbers with every group that you speak to. I don't believe that it's possible to nail it down to an exact dollar because it's not possible, in fact, to address that deferred maintenance in a one- or a two- or even a three-year period.

The hon. member mentioned when we first started out that you were surprised with the investment that this government is making in its infrastructure, yet now when we report the 10 to 15 years it will take at this accelerated level in order to address that situation, it seems like we're off track here a little bit. It's a huge number, and obviously with all of the infrastructure in the province it would be in the billions. All I can say at the moment is that for the component that we're responsible for within our department, it's \$200 million. That's the number that we have.

The Chair: The hon. member.

Mr. MacDonald: Thank you. That's very interesting. I appreciate where the hon. minister is coming from, but clearly there has to be a plan, and there has to be a figure somewhere on precisely what we need to eliminate this entire backlog for our bridges, roads, schools, hospitals. Now, as the deferred maintenance level is so high and we aren't seeing any significant expected change in the condition of our infrastructure – again, you know, I appreciate this \$200 million amount – why isn't the government putting in sufficient funds to address this backlog? Does the minister think that 10 to 15 years is going to complete it and that we're going to be back to the Lougheed era of infrastructure, where everything seemed to be built and maintained in quite a satisfactory manner? Right now we're essentially running our economy off planning that was done 30 years ago. Do you think you're going to be able to meet this target of cleaning up the entire infrastructure deficit in 10 to 15 years?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. Actually, I'm very optimistic. I think our 20-year capital plan is a very good document. I think it shows the way forward. We have a lot of work to do, of course, and

we're exploring options for how we will meet the capital infrastructure requirements for the province as we move forward. I think that we've made a very good start with the \$22.2 billion that is budgeted for capital infrastructure over the next three years. I also am hopeful that although we budget conservatively, as I'm sure the hon. member is aware, we will be taking any possible surpluses that come to our province and two-thirds of that surplus will go towards infrastructure, one-third will go towards savings, and of the two-thirds that goes towards infrastructure, 50 per cent of that will be directed toward deferred maintenance. With the good performance of our province, the type of performance that we've seen, I'm very optimistic that the 10- to 15-year number is a good one.

The Chair: The hon. member.

Mr. MacDonald: Thank you very much. On page 46 of the fiscal plan it is noted that to provide infrastructure support, there are significant sums of money, including \$53 million under the new federal public transit trust. Can the minister please give us a breakdown of who will receive this \$53 million amount and when they will receive it if they have not already done so?

Mr. Hayden: That's a public transit trust, and that's not our ministry.

Mr. MacDonald: That, then, leads me to my next question, of course, on the building Canada fund. I can appreciate that it's hard to keep track of all these changes that are made through the Government Organization Act. I for one think that the Ministry of Infrastructure should be dealing with the building Canada fund. It has several mentions in the fiscal plan. We on this side of the House and I think hon. members on all sides of the House would like to see more funding going to such vital infrastructure needs as municipal public transit – so would the federal government – but we haven't received a satisfactory answer from the ministry on this.

The building Canada fund money is potentially many hundreds of millions of dollars that Alberta taxpayers would appreciate getting. Now, I don't know what sort of political wrangling is going on over on that side of the House, but I certainly hope that the large rural caucus isn't eyeing up that money for their own roads and bridges. There are other places for rural Alberta to get money for roads and bridges. I hope there's not some sort of internal wrangling going on within that big caucus here. Big caucuses aren't necessarily good caucuses.

An Hon. Member: Oh, this one is.

Mr. MacDonald: That one is? Three years will test that theory if big is better or not.

An Hon. Member: It'll be bigger next time.

Mr. MacDonald: It'll be bigger next time. Okay. You know, oddly enough, Mr. Chairman, that's what Mark Norris said once.

An Hon. Member: Who?

Mr. MacDonald: Who? Exactly. I think he was sixth or seventh in that leadership race, wasn't he? Yes.

Why is the government stalling on this building Canada fund? I'm getting a little nervous here. I don't want to see the cities of Edmonton and Calgary left out and all that money spent somewhere else when it should be spent on improving mass transit systems for those two fine cities.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. I'll go into more detail than I probably should, but the answer remains the same, that the signing-off of that fund is under Treasury, and that is the better place to direct the question.

I think I'd like to go back to some of my opening statements. The infrastructure priorities in this province are being taken care of in the order of those with the most need, and my hon. colleagues from the major centres in the province have nothing to worry about from their rural cousins. Where we see the greatest need is where we make the investment. If, in fact, the greatest need is Calgary or Edmonton or any other urban centre, that's where the dollars will go.

8:10

Mr. MacDonald: Okay. Well, let's just use the city of Edmonton as an example. I would encourage the hon. minister to arm-wrestle the President of the Treasury Board for the right to negotiate that money and get a deal signed right away.

An Hon. Member: Not in the House.

Mr. MacDonald: Not necessarily in the House. You can do it wherever you wish, but I would really appreciate it if this deal could get done. Of particular interest to the city of Edmonton is this \$8.8 billion building Canada fund, which has been allocated to provincial and territorial governments on a per capita basis.

Ms Blakeman: Per capita?

Mr. MacDonald: On a per capita basis.

If Alberta's funding were to be allocated directly to municipalities on a per capita basis – I'm wondering if the minister of health is the chairman of the Calgary caucus. Yeah? Okay. You work hard. You're the chairman of the Calgary caucus?

Mr. Liepert: No way.

Mr. MacDonald: "No way," he says.

Mr. Chairman, if this money, the building Canada fund, was to be allocated on a per capita basis, the city of Edmonton would be eligible to receive about \$185 million because it has 22 per cent of the province's population. I would say Calgary would get a little bit more. That is a lot of money for these two cities to expand their transit systems.

Ms Blakeman: And they need it.

Mr. MacDonald: They need the money, and I think they're waiting for the money. I have a recommendation from the city of Edmonton, the deputy city manager's office. This is a report to the mayor and to council regarding this matter. I would really urge the government and the minister to read the President of the Treasury Board the riot act and get this deal signed and get the money from Ottawa to the respective municipalities in Alberta and get on with the deal.

Now, Mr. Chairman, I have more questions, and I appreciate the minister's time. Other questions are from page 274 of the budget estimates. On line 3.0.2 there is an amount of \$52 million, capital for emergent projects. That's an increase of over 700 per cent from 2007-08. What are these emergent projects?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. The capital for emergent projects, a \$44.9 million increase, is primarily due to budget transfers that were completed in 2008 to other ministries. I can break it down, just to give you a bit of an idea of some of the projects that we're talking about: Calgary-Buffalo, as an example, \$8.8 million, Alpha House addition, renovation; Calgary-Mountain View, \$6.5 million for the south Jubilee; Edmonton-Riverview, \$6.5 million for upgrades to the Jubilee. Those are some of the examples. NorQuest auditorium upgrade, \$583,000. All of these projects are in there.

The reason the increase is there is that there were transfers on projects that didn't get completed in the last year. In the budget numbers there are commitments that come forward, so part of the funding for this year, too, will be committed this year but, in fact, will probably be completed a year down the road. These are for exactly what they state. They're not for projects on government projects as such. They're for projects within program ministries based on projects that come forward to us from the community in many cases or brought to our attention by the MLAs, and they're distributed on a most urgent needs basis.

The Chair: The hon. member.

Mr. MacDonald: Thank you very much. That's quite interesting because I've never heard of this being done on a constituency-by-constituency basis. You listed off, I think, Calgary-Buffalo, Edmonton-Riverview, and another one. So this \$52 million fund is done on a constituency basis?

Mr. Hayden: No.

Mr. MacDonald: But you were reading off a list that was based on constituencies. Aha.

Does this line item include, while we're at the constituency base level, the construction costs for the rehabilitation or the renovation of the Forest Heights school in Edmonton-Gold Bar?

Mr. Hayden: No. In fact, it doesn't. I would expect that it probably is in the pipeline as projects that need to be done, and it'll be placed in that pipeline wherever its priority standing is.

I brought forward some examples, and I felt that that would be worth while. It isn't distributed on a constituency basis. It's distributed on a needs basis, and I brought forward examples because I felt that it's important to show that, in fact, this goes to emergent projects no matter where they are. After the hon. member's comments in the last go-around about being certain that funding got to the cities and that rural members didn't overpower anybody, I thought that those were worthy examples.

The Chair: Hon. member, you have two minutes, 35 seconds.

Mr. MacDonald: I certainly appreciate that.

Now, the significant increase in this program from one year to the next, over 700 per cent. Does this kind of increase defeat the purposes of budgeting altogether?

Mr. Hayden: In fact, it isn't increases. As I mentioned when we started the conversation on the emergent funding, it's carry-overs from projects that were approved but not completed. The funding is consistent. For the Infrastructure ministry, as an example, it's \$40 million per year, but because there are carry-overs for design reasons – it could be acquisitions of space or a number of reasons. Some projects are carried over. That would be the only variation in

budgets from year to year. That would be funds that weren't used for completion of a project in that budget year, but they're not lost, and the project is no less emergent. It still requires being addressed, but we don't want to see the funding disappear because of the nature of the emergent projects.

The Chair: The hon. member.

Mr. MacDonald: Thank you, Mr. Chairman. I know my time is near its end for now, but I would just like to express on the record my appreciation for the minister's diligence in this discussion this evening.

I believe I'm going to cede the floor to my colleague from Calgary-Varsity.

The Chair: Now I would like to recognize the hon. Member for Calgary-Varsity.

Mr. Chase: Thank you very much, Mr. Chair. I recognize that you're sort of the new boy on the block, and you're the actual fourth Minister of Infrastructure in the last two years. So trying to pick up where the others have left off for their short periods can be difficult, and I appreciate that the challenge exists.

My first topic, one that I have spoken on numerous times in this House as the former shadow minister for infrastructure and transportation . . .

An Hon. Member: Former?

Mr. Chase: Our shadow minister, I indicated.

An Hon. Member: He's just a shadow of his former shadow.

Mr. Chase: The Shadow.

Okay. It has to do with P3s. You mentioned with pride the new Calgary courthouse, and we're very glad to have that courthouse. That courthouse was originally going to be a P3 project. The cost escalations went from approximately \$300 million to \$500 million. There was talk about it being made plane-crash proof after the trade center terrorism aspects. The costs just kept going out and out and out of line, so we went back to the traditional approach. But one of the things you noted, I believe, was that the courthouse was built to silver standard, and that's two steps down from the gold and platinum kind of thing. I wouldn't say it's a second-class project, but it isn't built to the top standards. Cost-cutting did occur. The other thing that was missing from the courthouse was the aboriginal court. Originally the \$300 million was supposed to include an aboriginal court circumstance. Unfortunately, that got left out. That was part of the cost-cutting.

8:20

The government has touted the fact that they're extremely happy with the P3 progress on the Anthony Henday. They believe that the project has been built faster, that it's potentially built cheaper, the idea that it was built through bundling, which I must indicate is not just a part of the P3. Bundling can be done with any project. But I would like to know if the minister is able, because we don't have fixed interest rates, to tell me what the remaining debt on the Anthony Henday is over the next 30 years?

Mr. Hayden: This, of course, is in the Transportation budget, so that would be a more appropriate place to take a look to see what the costs are.

With respect to the costs themselves in general we do have very good indicators to do comparative price analyses on projects. I think that that's probably obvious because in the case of roads – and as I say, Transportation can speak for themselves. But the thousands of kilometres of road of different varieties that are being built give us an opportunity to do very accurate analyses on costs and estimates.

The same, of course, holds true for my ministry with respect to buildings. If I was to use a category that would probably be a good example in the three-year period, we're looking at replacement or major modernization of 131 sites. So we're able to get I think very accurate ideas of the costs that we're faced with when we look at the different options for the most economical way or the best value for Albertans on the projects.

Just as a correction on the courthouse in Calgary it always was slated at silver. Silver is the LEED standard that we shoot for in all of our new construction in provincial buildings, and I mentioned earlier in my opening remarks that we are now looking at moving to the gold standard. In fact, in some cases we've benefited and moved forward ahead of schedule. We actually have a platinum project in Calgary, at the University of Calgary, the U of C. We have a number of gold standard that we're able to make because of some design efficiencies and things that we were able to do, but we're looking now at moving to that standard.

When we look at that, of course, we have to look at it as a business case, too, because this is public funding that we're spending. In many cases the savings that you receive from doing the good planning and moving to the higher standard make good business sense as we go forward, so we definitely are paying attention to that.

Mr. Chase: I want to commend the government for its funding of the learning centre that you're referring to at the U of C, which is a platinum standard building. It has solar heating. It recycles its water. It's fantastic. Because of that and because it was built to such a high standard, there's an anticipation that it's going to last that much longer.

With regard to the P3s again the government, with regard to the schools, has solved one of the problems that Nova Scotia encountered, and that is from the day the school is built, it is owned and operated by the school boards. That was a major hurdle that caused problems with P3s prior. However, we had an announcement in June of 18 P3 schools, and then towards I believe it was the fall – and the former minister is here, and he can correct me if I'm wrong. But by the time the year 2007 ended or 2008 rapidly approached, we'd gone from 18 what I'd almost call imaginary P3 schools to now 32 imaginary P3 schools. The reason I say imaginary is that, yes, they're on paper – and I'm looking forward to being corrected here – but there's no evidence of physical progress. If the minister can tell me where one survey stake has been hammered into any particular field on one of these 32 sites, then that school board will be delighted to hear that at least somebody surveyed the area. Part of the reason that this P3 planning has not provided the speed with which it was suggested and, according to leaked documents from last December, has snowballed in its potential pricing has to do with a legal aspect.

I've mentioned that I have objections to P3s because of the 30-year mortgage payment associated with it. We don't know what our general revenue is going to look like 30 years down the road, whether it's to pay for highways, schools, or any other sort of P3 government projects. It's a concern to me that we don't know with our nonrenewable resource dependency whether we can pay the bills. What P3s do is they just sort of magically transfer the financial responsibility to another generation. So the children who are going to the school, when they finally get off the ground, will be

paying for that school, and then their children will be coming online, and the expenses just continue to multiply.

Another problem with the P3 schools is you can't define a specific interest rate over that 30-year period. So that's a concern.

Another concern – and please feel free to refute these ideas that I'm putting forward – with the P3 schools. The reason they're not off the ground is the liability, which has not been legally defined, between what is the builder's responsibility and that of the school boards in terms of maintenance, and until that fine print has been resolved, these won't go forward.

So please, Mr. Minister, if you could attempt to respond to those concerns.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. I was trying to figure out how to respond to the question, and the first thing that comes to mind is that it would be easier to confirm the things that you are right on than it would be to deal with the things where you missed the mark. You started out by saying that you haven't seen a survey stick in the ground. In fact, the development permits have all gone ahead and are all complete. Surveying is complete, and site information is available so that we can turn sod as quickly as a tender is awarded.

With the process that we're talking about now, with the 18 schools as an example, there was a lot of work that went in on the front end to ensure that the people that were taking a look at it and going to submit tenders were in fact qualified, reliable, a well-known commodity that could get the job done. We didn't want to waste the time of government, and we wanted to get on with the need that needed to be taken care of: the education of those children and a facility for them.

We are scheduled for tenders in July, and should it go forward as is expected – and I will say go forward as is expected. When the tenders are received and they're opened, because we've done our homework up front, we're very confident that we will receive a tender that, in fact, meets the requirements that we're looking for. As I mentioned earlier, we do have comparators with respect to costs. So that is always out there.

8:30

We expect that in July – we are very confident – we're going to receive quality tenders for the projects and that we'll go ahead. Because the work has been done up front with respect to the application and receiving the development permits and a lot of the preliminary work is done, we'll be able to move ahead very quickly on those projects. The advantage, especially in this particular case, will be the delivery of those facilities in a quicker fashion than I think we could have done conventionally.

You talked about a number of aspects with respect to the P3 projects, but of course the way it is set up and the way the payment structure is set up, we have in essence a 30-year warranty with these buildings, and there's a requirement at the end of a 30-year period for the building to be up to a satisfactory standard with respect to maintenance so that we've got a quality piece of infrastructure to serve the needs of the community well into the future. We have that on a maintenance schedule of payment that is predictable and is negotiated and is committed to within the contract.

I believe that it is without question irresponsible to think that if we build it, then we're done. That's not the case. When we put our building infrastructure in place, we understand that there are ongoing costs, and there are with every project that we do. I think that it's misleading to say that if we did something conventionally, we aren't in fact committing future generations to the responsibility of keeping

up that infrastructure that Albertans today have worked so hard to be able to put in place for the folks today. We need it there for the folks of tomorrow, too, and the children of the people that will be using those facilities in the very near future.

Mr. Chase: Thank you. Just for the sake of Albertans.

Survey stakes have been in place. There is some siting, so we have a sense of what the boundaries of the school will be. However, to date – and correct me if I’m wrong – no sod has been turned. Now, one of the advantages of the P3 project was that it was supposed to be that much faster. It was supposed to be that much more efficient. It was supposed to be that much more cost-effective. Yet when CUPE did a very intensive study – it was entitled: a hundred failed P3 projects – they indicated that by building in a traditional manner, you could get three schools for every two done in a P3 way of building things. I appreciate, Minister, that you’ve explained to me some of the benefits that you see with P3 building, but you still haven’t dealt with the liability associated with the maintenance by the school boards of the buildings they now own. The builder can come back on the school boards and, therefore, back on the taxpayer for a second bit of accountability and claim: you haven’t maintained the building to a set standard. The problem is – and this is where the legalese and the fine print come in – we haven’t clearly stated what that standard is.

Another concern. It’s not the board’s responsibility to move the modular units in and out. I think that was clearly laid out at the Greenwood Inn in Calgary when we were looking for bids for these schools. But the plan itself I agree with: the idea of the admin, the idea of the gymnasium, of the library as the central core. The adding and subtracting of modular units makes terrific sense. The Catholic board in Calgary has done wonders with that flexibility associated with modular units.

A question I would have is if you can tell me that it is clear whose responsibility it is, where the builder’s responsibility leaves off, and where the school board’s responsibility picks up. School boards that I have talked to have been reluctant. They’re desperate for schools – in Calgary we’ve got 40 districts without schools – but they’re not convinced that the P3 is the way to go. They were sold on the idea that this would get them schools faster, but it hasn’t materialized. So if you could comment on that.

Also, when we’re talking about the modular school approaches, the outfit in Carstairs cannot keep up with the provincial demand. Have you looked at other contracts using the same model but different plants to manufacture these modulars to speed up the process?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chairman. Going back, there were a number of questions in there, so I’m going to try to go back to the start of them and address them in their order.

I can’t comment on where the information from CUPE came from because I have no knowledge of what information they’re giving you, but in fact it’s spelled out very clearly in the agreements where the responsibilities on maintenance are. That’s all signed. It’s in contractual form. The maintenance requirements and the standard to which that maintenance requirement is met are set by the agreements that we put forward for the design and maintenance function as it goes out. The payments as they are made, too, are made in such a way as to ensure that if there was ever a default on the maintenance, there’s enough money on the far end that we would be able to undertake that and correct that situation. So I think that answers that end of it.

With respect to your observations on the modulars I’m very refreshed to hear the comments from the hon. member because I believe that you must have done some homework on this. In fact, they are amazing. They meet the classroom needs as set out by the professionals in education. I expect that the member also probably looked into it to the extent that these modulars are steel-framed modulars, which does allow us the flexibility to move them to the areas where they’re required. I’ve heard that because of the structural strength in them and the situation they are in, they would structurally be able to manage 40 to 60 moves, which amazed me when I found that out.

The other thing that I think is really positive – and again I think the hon. members did their homework and looked into it – is that these modulars are built to such a high standard that they will at minimum meet the LEED silver standard, which gives lots of natural light for the students. It improves the air quality and health environment for those students while at the same time achieving environmental and energy consumption targets that are well ahead of conventional construction that we see in the province, and that’s in that 40 to 45 per cent savings category.

The core design that we’re working on is innovative, and it will meet the needs of a variety of student numbers, you know, within a certain category. There are different pod designs, and those that I’ve seen are very appealing to the eye. The flexibility that we have with the modulars to match them with the core school design I think is a plus and a benefit to any community that would receive them.

I think that basically answers the questions that you had.

Mr. Chase: Thank you. I’m pleased because to me the legal aspects of who’s responsible for what in terms of structural damage or the maintenance has probably been the biggest holdup in getting these things off the ground.

A question that again goes back to P3s and the transparency and the accountability. I’ve mentioned that because of the 30-year period no lender is going to get into a fixed interest rate and say, “Okay, we’ll set it for 5 per cent” or “We’ll set it at 7 per cent over a 30-year period.” If I’m wrong, please correct me. So when we’re trying to account for what these projects are going to be like 30 years into the future . . .

The Chair: Hon. member, the first hour for the Official Opposition has expired. You can continue later.

Mr. Chase: Thank you. Could you put me back on the list, please.

The Chair: I would now like to recognize the hon. leader of the NDP opposition.

8:40

Mr. Mason: Thank you very much, Mr. Chairman. It’s a pleasure to welcome the minister and congratulate him on his appointment to Infrastructure. I have known the minister for some time, having served with him on Federation of Canadian Municipalities boards. I know him to be a fair and able person. I don’t always agree, but neither of us can always be right.

I just wanted to start with the minister and quote from a report from the Federation of Canadian Municipalities with respect to P3s, which is what I want to really talk about in terms of my questions tonight. The report says, “The more we delve into these issues” – meaning P3s – “the more we realize that any meagre short-term benefits are obtained by making sacrifices elsewhere and by sacrificing the future.” It goes on to say, “In simple terms, the Faustian bargain may be delivering very little . . . myopic method of

modernization that fails to appreciate the long-term consequences of such a strategy.” Clearly, the FCM has taken a position against the federal government’s plans to force municipalities to finance projects through the P3 method.

I’m going to ask my questions tonight, Mr. Chairman, specifically on the question of the P3 school projects, the 18 schools, and try to concentrate on that a little bit. I hope that we can use the method of going back and forth to answer the questions.

I’d like to begin by asking the minister what he believes are the advantages of proceeding with these schools through a P3 financing model as opposed to the traditional public financing model.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chairman. I will go into that, but first I’d like to thank the hon. member for his greeting and his welcome to me to this Chamber. We did indeed work together for a number of years, and I’ve always found you to be a man of principle and a man that works very, very hard on behalf of the public, and I appreciate that.

One of the more obvious things that I need to speak of with respect to P3s: they do in fact give us a fixed cost. I’m going to go into just a tiny bit of detail in these different areas, Mr. Chairman, just for clarification purposes. We have faced over the last several years some very high inflation rates on projects as we’ve gone forward and seen where these projects come back at a much higher price than we’d envisioned when we went through the engineering studies and got the best information we could from the experts that were out there. The fixed cost is, in fact, something that’s very appealing because when the tenders come in, we’ve already stated what we want and what we expect out of the project. When the tenders come in and we open them up, we do have cost comparators in mind when we go into it. There are situations – and we’ve experienced them in the province already – where we got very pleasant surprises at the opening of those tenders. So that’s one of them.

The other is that it’s stated that there are fixed delivery dates. We’ve seen delays on projects by conventional means before, so the fixed delivery date is something that we’re very happy with. The longer warranties are something else that I think is very advantageous to Albertans. We have a guarantee down the road on that piece of infrastructure that it’s going to serve people well.

There also is the protection from inflation because we’re dealing with the fixed costs. Also, because of the guaranteed delivery dates the weather delays that are put forward as a reason for delays on projects are not there. Of course, with respect to the quality of the infrastructure that we’re working with, we insist upon a design criteria, as I’d mentioned earlier, on all of our buildings that meets a minimum of the LEED silver design standard, which I know you’re very familiar with.

The Chair: The hon. member.

Mr. Mason: Thanks very much, Mr. Chair. I take from what the minister has said that he believes that the P3 model will transfer the risk of increases in the cost onto the private company. I would like to know whether or not the ministry has reviewed – well, I’ve got here the British Association of Chartered Certified Accountants, who quote Standard & Poor’s, that PFI companies in Britain – it’s a private financing initiative; it’s their word for P3 – “carry little effective risk” and that, in fact, the risk ultimately will be higher using the P3 model.

The minister indicated that they’ve yet to receive the tenders, and

I would like to know just how people who are bidding on these projects will break up the contracts. Will they be bidding on them as a group or as individual schools or individual school board jurisdictions, or do they have the opportunity to make proposals, you know, to pick and choose which schools they wish to group together? So that’s a question.

The minister has also mentioned a couple of times the issue of cost comparators, and I’m wondering if these cost comparators are going to be made public after the tenders are received.

I also have a question with respect to the borrowing rates. Can the minister confirm that the effective borrowing rate for the provincial government is about 4 and a half per cent? If that’s not correct, could he give me the right number and what the expected borrowing rate of the private companies is going to be, how the private companies will borrow the money, what form the borrowing will take, whether it looks more like a mortgage situation or more like a bond situation?

I wonder if the minister can confirm what the department’s projections are for equity returns by the companies that make these bids, whether or not they’re in the range of 15 to 20 per cent. I would also like to know what the transaction costs are going to be on a comparative basis between the province doing it, whether it’s a two- or a three-way agreement between the province, a school board, and a private company, and whether or not it’s fair to say that the transaction costs in a three-way deal might be expected to be approximately 12 per cent of the capital costs as opposed to much less if the province were to do that.

Mr. Chairman, I’ll just add one. Is it fair to assume that these projects will be financed through regular equal payments over the agreed period – I think the minister mentioned a 30-year period – and whether or not that is in fact comparable to a 30-year mortgage with constant blended payments rather than perhaps the bond issue? I asked that earlier, but I just wanted to elaborate.

The Chair: The hon. minister.

Mr. Hayden: Thank you very much, Mr. Chairman. First of all, it’s up to the individuals that are bidding on it to obviously make their own arrangements with respect to financing or however they’re handling the financial end at their end. Yes, the payments are set. When we accept a tender, we accept the lowest tender because there’s a requirement to meet our standards, and within the contract that we put out for a bid, it spells out the maintenance requirements. There are three parties involved in that there is an agreement between our government and the successful bidder on the tender with respect to the building, warranty, and maintenance of that structure right out to the end of the 30-year time period.

No, in fact, you can’t pick and choose on this. It’s all 18 schools, one package.

8:50

An Hon. Member: One win.

Mr. Hayden: One win, one package, one person that we deal with.

These people that are in the process and able to bid on this project have all been screened. All possible efforts have been put forward to make sure that these people are totally qualified, solid, substantial organizations that can carry out a project of this magnitude. I think it’s probably worth while to say that because it’s a package of 18, that in itself makes it easier for a person to bid on this and do very well with their purchasing. Just do the multiplication on the numbers of doors and different things, as an example. There are some amazing cost efficiencies that can be found there.

There is another agreement with the school board also. There's another agreement that a school board is a signatory to. Now, the maintenance, as I said, is in that other category with the builder, but the operations and day-to-day operations and whatnot are the responsibility of the authority. It requires a signature by all three parties, so everyone is familiar with their responsibility, and that's set out in the tender that people are bidding on now, in the request for a proposal. That's all set out.

The only thing that I would add is with respect to your question about equal payments, hon. member. I can't for certain tell you that it's actually equal payments all the way to the end. Where I had a concern – because of the schedule of maintenance as a building gets older, it can get more expensive. I wanted to be certain that we were safeguarded at the far end of the contract in case we're getting into an area where there was more expensive maintenance possibly required and that if someone happened to renege on it, we have enough money still available to look after that concern. In fact, I was assured that we do. The payment schedule as it goes out leaves us in a position where we will monitor the maintenance of these structures throughout the life of the agreement to ensure that they're kept up to standard, and if anybody didn't fulfill their obligation on it, we would still have enough outstanding money to address any deficiency that may in fact be in place.

You made reference to Great Britain and different situations. Our experiences, though they're small to this point, with P3s in the province have been very positive, and I think that we have very good indicators on what, in fact, comparable prices are out there for projects. Now, this is on the transportation end, but we've also used as examples areas – South Wales is an example where P3s have been used. In one project of nine buildings, a 7 per cent savings; in one of 10 buildings, 23 per cent over comparable costs. So I'm hopeful that we'll do very well.

The Chair: The hon. member.

Mr. Mason: Thanks very much, Mr. Chairman. I'll come back to the questions the minister missed: the borrowing rate of the province versus the borrowing rate that would be available to private contractors who may successfully bid on this, the transactions costs, what the normal return on equity would be, and whether or not the government is prepared to release, after the tenders are awarded, the cost comparator.

The question of debt is an interesting one given the political history of the province where the previous Premier and his government made their reputation on eliminating Alberta's financial debt. However, we are left with a very substantial debt in infrastructure, which in my view is a real financial liability to the province as a whole.

Debt is a dirty word in Alberta, and I'm wondering what the minister can tell us about the debt that's going to be incurred through this project indirectly; in other words, there will be long-term financial obligations to whoever wins the tender. Where will that money come from? Will that be counted in the capital debt of the province, or will it be ongoing operating costs in the operating budget? Is the minister aware that the accounting profession is increasingly moving towards forcing governments to count this ongoing operating obligation on an annual basis over 30 years as debt on the books? Will the government, in fact, count this as debt on the books?

I'll leave it there, Mr. Chairman.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chairman. This is designed to be a

very transparent way of putting things forward on meeting the capital needs. The capital asset will be recorded, and of course it will be consistent with generally accepted accounting principles. We are of course committed to following that. The capital asset and the corresponding liability will be recorded on the government's balance sheet as the project is constructed. So it will be an ongoing operational expense at one point down the road.

When we look at some of the situations that the hon. member referenced just recently with respect to some of the deferred maintenance situations that we're faced with now, as the hon. member is aware, I've been involved in that for a number of years and working on the same cause for a long time. I think the recognition of what this government is doing, especially when I reference the \$22.2 billion commitment to infrastructure over the next three-year period, shows a very aggressive and a very focused direction to look after that deferred maintenance backlog that we have and to move ourselves into a better position.

Also, in fairness, when we talk about the P3 projects – and I have to say up front that the P3 projects do have to fit within a cost comparator area. Obviously, it would be detrimental to the situation for me to release to you now what that is, but I'd be happy to share with you the cost comparators that were used on the two projects that we've done just recently on P3s. Even though they weren't through my ministry, I'd be very happy to share that with you and show you the process or at least the general process of how those numbers were arrived at to satisfy the hon. member that, in fact, those numbers were good numbers for projects of that sort at that time. The same method is being used on these 18 schools, as an example. As I mentioned, it wouldn't be in our best interests for us to share that information now, but I'd be very happy to share with you anything that isn't proprietary after we get through the tender openings in July.

The July date isn't anything that has been pushed back by complications. It, in fact, was the date that was set. Because this is a very large project, obviously, with the number of plants being put into place, we wanted to make sure that it's done correctly and that people have the absolute best opportunity to give us the absolute best bid that they can.

I think that covered most of them.

Mr. Mason: Thank you.

The Chair: You have 19 seconds.

Mr. Mason: Oh, then I'll just ask this question very quickly, and maybe the minister can respond in writing. The borrowing rates. Also, what happens if the company goes out of business before the 30 years is up? Who bears the costs? Perhaps he could supply those answers.

Thank you very much.

9:00

The Chair: Now I would like to recognize the hon. Member for Livingstone-Macleod.

Mr. Berger: Thank you, Mr. Chairman. Good evening. I'd like to first thank the hon. Minister of Infrastructure for his budget here this evening. I find it enlightening and very inclusive. One of the first questions that comes up, to me, is the business plan, page 184, 4.3, talking about utility corridors. To what extent are these corridors? Are we talking just transportation? Are we talking power, pipelines? If you could clarify that one for me. What is our investment in that at this time or upcoming?

From there I go to our government-owned buildings. We have gone from a usage of 1,779 megajoules in '02 down to 1,746 in '07. I find that to be quite a savings. Is there an investment cost to bring it down, or is that old buildings being retired or new LEED standard buildings coming on? Maybe you could just clarify those couple of questions for me first, hon. minister.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chairman. With respect to your question on the utility corridors, that refers to only the utility corridors associated with roadways.

With respect to your question on the savings that we've experienced with our power consumption, I want to talk again about one portion of power consumption that I'm very proud of because I think it merits repeating: 90 per cent of the power that is used in government of Alberta buildings is in fact renewable electricity in the form of wind power and biomass generated electricity. That's 90 per cent, and we would be at 100 per cent if it weren't for stranded government buildings in areas where the marketing availability for that power isn't there. Otherwise we would be at 100 per cent.

With respect to the actual reduction in the power on a square metre basis, yes, it's partially due to the new building design and the LEED standard that we're shooting for along with the modernizations that have taken place. I just forget the name that goes along with the abbreviation, but there is a green standard that we're meeting now with respect to our lighting and some of the electrical uses that we have within our buildings. We're going for more efficient operation in a number of areas, and one of them, of course, is with superefficient heat systems in our buildings now. So we're seeing a drastic reduction based on the number of square metres that we're operating both in our gas and heating consumption and in our electricity consumption.

It's a very positive story, and it continues to get better. As we replace the less efficient buildings, we can look forward to even doing better in that area.

Mr. Berger: Thank you, Mr. Minister. Clarifying that, that is upgrades as well as new buildings coming on stream, then, that has created that. Then I would assume, coming from the windy south, that most of that wind power is purchased out of Livingstone-Macleod, I would hope. We need more.

As we go through other areas, you had mentioned that our infrastructure needs grow by the equivalent of the city of Red Deer every year right now. Now, assuming that we could wave our magic wand and create that city like some people believe, we'd be all caught up. We had a discussion here earlier, and we discussed that we were at 72 per cent. We're down to 67 per cent on our buildings and their need for upgrades and that. In respect to the infrastructure and the deficit, that population as an increase is an instant deficit in infrastructure. If that same population was to pull out of Alberta, the infrastructure deficit would conversely go down, I assume, because we've got that much here already.

As we go back to that, into the buildings, the 72 to 67 per cent that you were asked about earlier, one weather event – a hailstorm or anything else ruining the roofs on a few buildings – and those things are going to fluctuate by a few percentage points, I would think, on a yearly basis. Is that accurate? Can that move in just over a month, at any time, if some event happens?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. Yes, it's very possible that that

could happen. But within those categories and where you see the percentage shift, those numbers are moving naturally at all times. There is a life expectancy associated with every piece of vertical infrastructure and horizontal infrastructure, for that matter. So there is a natural shift percentage-wise from one area to another. I probably wasn't clear enough when I explained it before. A number of the facilities that are in that middle area, where they're in fair condition, as an example, will move to the poor condition category, but we are addressing many of those infrastructure needs that are in that poor area every year, so they move directly from poor to good condition, at the very top. So there's some natural movement between categories depending on the investment that we make and the progress that we make.

As an example, over the next three years, with respect to the type of condition that we can look at in school buildings, there will be 131 new or majorly modernized school structures where we'll open the door, cut the ribbon, be under way by 2011. At that time it's possible that we could see movement within those figures that are on that page. If we experience a situation where we can invest in some of the deferred maintenance costs and maybe accelerate through good financial experience in the province – in other words, good positive return from the oil industry and the tax structure and everything else that takes place, and Infrastructure was to share in that – then we can move ahead much more quickly. So those numbers can change very quickly depending on a number of situations.

The Chair: The hon. member.

Mr. Berger: Thank you, Mr. Chairman. The \$8.7 billion that you had pointed out earlier, Mr. Minister, looking at it from the point of view of improving or increasing water and waste water, is that more refurbishing of our older municipalities and their systems, or is it basically in the new end of things, or is it a blend of both? Could you break that out just a little bit and say that one is the water end and the other is the waste water end, or are they completely combined throughout? I'm just wondering if we've got that combination of the recycling and those different aspects worked into those numbers as well.

Knowing what I have seen locally in our small towns in Livingstone-Macleod with their waster-water investments in the last couple of years, there are substantial changes taking place. Is a lot of it the old stuff being replaced, or is it complete new on stream bringing forward the deficit or replacing the old deficit?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. I wish I could answer that question for the hon. member. In fact, waste water doesn't fall within my ministry. I know that through the budgeting process there was a great deal of discussion about it, and there were indications in some preliminary listings of the areas of responsibility for different ministries that led a number of people to understand that waste water was going to wind up in my ministry, but in fact it hasn't. We've yet to have our presentation from Transportation, but my understanding from our preliminary discussions is that it's a good-news section of our budget also. So I look forward to that discussion, too.

The Chair: The hon. member.

Mr. Berger: Thank you, Mr. Chairman. Thank you, Mr. Minister. Sorry about that. I just assumed that had come across to Infrastructure.

One of your comments earlier was that there are 1,800 buildings under Infrastructure's purview in Alberta. Is that mainly made up of schools and public courthouses, the other agriculture buildings, different buildings that we have, or are we still including lodges and seniors' facilities in that number, and are they included in the upgrades, in that aspect of your budget?

9:10

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. In fact, no. Within my ministry it is strictly government of Alberta buildings. Schools are managed through, of course, the regional school authorities, hospitals and health facilities through the regional health authorities, lodges through housing foundations, and whatnot. Now, a lot of this infrastructure is infrastructure supported through the province, and absolutely we're involved in the technical end and design, but in fact where the asset is recorded is within those other areas. When we talk about government buildings, we're talking about the more traditional provincial buildings that you would be aware of in communities throughout the province. This building is an example, obviously. Also in that list are courthouses, remand centres, provincial jails, the two Jubilee auditoriums, as an example. Those are the types of buildings that make up the approximate 1,800 facilities that are government-owned and fall fully for operational and maintenance purposes under my ministry.

The Chair: The hon. member.

Mr. Berger: Thank you, Mr. Chairman. Thank you, Mr. Minister. One other question. There was a comment that you were telegraphing that there is \$803 million for overruns. Now, I would imagine that with the number of projects that the province undertakes, that \$803 million of overrun would be looked at over many, many projects, so essentially you're not telegraphing anything. You have many projects. No one is going to know where or what. That I assume to be correct, that there's not just one project we're talking here, and that's the overrun. So if we come in, which hopefully we can, well below that, it's a budget issue that was wise to be safe rather than sorry, and it's honest to have it in the budget, but that allows us some space into next year, which will really help to retire the infrastructure deficit somewhat sooner than we were expecting.

As well as that question, can I get the minister just to comment briefly on the natural gas rebate, the \$325.3 million that is budgeted for that. I believe that program to be very beneficial, especially for our seniors and our fixed incomes, our senior citizens' lodges and that. Coming as a former chairman of one, that rebate was very important to us. Aside from the comments that it encourages natural gas use, I don't know that there is any other way of maintaining and heating a lot of those buildings or that those people could afford to change to any other way. So I hope the minister is committed to continuing with that program.

If you would just care to comment briefly on those things. Thank you, Mr. Minister.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. I can say that I personally very much support the natural gas rebate, but in fact it's a program that we manage on behalf of Energy. The numbers that we have in our budget to manage this are based on forecasts and projected natural gas costs. What I can say about the program that I think probably doesn't get the amount of coverage that it probably should is that

with respect to natural gas, Albertans, who own the resource, actually see natural gas rates that are approximately 40 per cent less than anywhere else in the nation. So it is absolutely a tangible benefit to Albertans, the fact that they have that energy resource within their province.

The Chair: The hon. member.

Mr. Berger: Thank you, Mr. Chairman. Mr. Minister, just that other question. Could you say how many approximate projects we would be saying that \$803 million is the safety valve for, that we have there? It doesn't have to be exact. I'd just like, for my own mind, to clarify that.

Thank you, Mr. Minister.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. In speaking with my folks from the department here, I was trying to come down with a number that was fairly close, but the closest that I can get is that over the next three years it will be several hundred new or major modernizations of buildings that are taking place in the province. As we go through the different program ministries that are going to require this infrastructure – and I use Education again as an example – we'll probably be, between new and major modernization to mid-modernization, very close to a couple of hundred in that category alone over the next three years, so it's very considerable.

Mixed in with those projects, obviously, are some very significant, large projects. The south Calgary health facility that I referred to earlier is an example, producing a facility for thousands of Albertans at a huge cost. Many of those projects are spread over five years. It's just physically impossible to do them in any less than a five-year period on some of the huge ones. The remand centre is another example that's over a number of years. So many things can change during the time of construction, from the start of it to the end, which makes some of the numbers that you're referring to happen.

The Chair: The hon. member.

Mr. Berger: Thank you, Mr. Chairman. Thank you, Mr. Minister. I appreciate the difficulty of your ministry in bringing forward all of this and keeping up with what we call the infrastructure deficit as both yourself and myself came out of the municipal arena, where one flood could change your road program for the next five years because what you had planned was now wiped out with other roads. It's a moving target. It's very difficult to ever come exactly to what you hope or want to achieve in a year, but I must commend you and the department on the effort you're putting in. I think you're doing a good job of bringing that forward to Albertans, and I thank you for your upfront and honest answers this evening.

Thank you.

The Chair: The hon. minister.

Mr. Hayden: Thank you. I'll only comment that, in fact, you're correct. A number of things can change very quickly, and we have to react to them, but I think our plan is solid. I think that as we look forward, not just the three-year plan that you see in this year's budget that you're talking about today but the 20-year capital plan will benefit Albertans greatly and look after the infrastructure needs for all of us well into the future.

The Chair: Now I would like to recognize the hon. Member for Edmonton-Gold Bar. Do you want to use 20 minutes?

Mr. MacDonald: Yes, please, Mr. Chairman. Are we allowed to have a question-and-answer exchange for the 20-minute period?

The Chair: Yes. Go ahead.

Mr. MacDonald: Okay. Thank you. For the record, Mr. Chairman, I was listening with interest to the last exchange. To the hon. minister and the Member for Livingstone-Macleod: I would refer them to page 77 of the fiscal plan, where there is an allocation of money for disaster and emergency assistance such as municipal flooding if it should occur.

My first question is to the minister, and I apologize. Again, it's difficult to keep track of what's Infrastructure and what's Transportation now. Does Alberta Infrastructure deal with the earth borrow agreements, or is that in the Department of Transportation? Department of Transportation? Okay. Thank you.

Now, I don't know how to address this matter, but on page 274 of the government estimates if we look at 2006-07, the actual numbers for the minister's office and the deputy minister's office, we see the estimate for 2008-09 has essentially doubled.

9:20

Now, the Department of Transportation is a stand-alone ministry now. Should not this number be reversed? If half the operations are moved out of the department, why are those budgets doubling and not going down? Surely, would not a lot of the staff and officials in the minister's office and in the deputy minister's office be vacating and going over with the hon. member for Innisfail-Sylvan Lake? How does that work?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. In fact, we've created a new ministry. The staff in my office as a minister, as an example, is all new staff in the ministry office. There is not a member in my office that transferred over from Transportation. My deputy minister, as an example, is an area where we were fortunate to have a person dealing with the Infrastructure area in the capacity of assistant deputy minister that is now a Deputy Minister of Infrastructure, so in that particular case that is someone that came to our area. When we break down the staffing and the costs of the minister's office and the deputy minister's office, I think that you'll find they're very consistent with respect to the cost of those offices for a ministry with the responsibilities that are represented in my ministry.

One of the things that you may find interesting is that when you look at the full-time equivalents that are associated with my ministry, in fact, we have been very consistent for a number of years with the number of full-time equivalents involved with this portion of the Infrastructure budget. I don't know if these were questions that you had asked, but I think, just for clarification, it may be helpful down the road. We're looking at a 17-person increase in the full-time equivalents in the next budget period, but I think that because of the pressures that we face, like many Albertans and many businesses and operations in this province, we are taking a fairly aggressive approach with respect to succession planning. We're faced with a situation where over 30 per cent of our employees in my ministry will be retiring in five years. There's a great deal of expertise there that we're going to lose, and we're very actively looking at getting qualified people in and getting them trained so that things work well into the future.

Mr. MacDonald: He's too young to quit.

Mr. Hayden: He's too young to quit. Yes. I agree.

There was one other portion to your question, and I can't just recall what it was offhand, so I'll let you re-ask it.

The Chair: The hon. member.

Mr. MacDonald: Thank you. Now, in the government budget estimates it states that in 2006-07 the actual expenditure in the minister's office was \$245,000, and in the deputy minister's office it was \$313,000. There has been an increase in both office budgets. When I look at the annual report for 2006-07 for the department, it indicates that the actual expense in the minister's office was \$490,000, and in the deputy minister's office it was \$626,000. Why are these numbers different?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chairman, and thank you for clarifying your question. In fact, basically what we've done is a simple split of the costs because the two ministries were connected in that year's budget that you're speaking of. At that time we were truly only operating one minister's office, one deputy minister's office. The collective costs were divided to try and represent the costs of the Infrastructure component on my side compared to the Transportation component that that ministry would have had. Whether that split with respect to expenditures or requirements on staffing, as an example, is truly representative of the two ministries I can't really say for sure. I'll be able to tell you better at the end of this year. But for purposes of trying to break out what those costs were based on last year's numbers, that was the situation.

Then I also recalled one of the questions that you asked and rightly so. I think there is confusion with respect to the areas of responsibility with my ministry. I think the quickest way to try to clarify them is that my ministry is responsible for everything vertical, basically buildings, but we also have things like the natural gas rebate program. That's within my ministry, and there are also utility corridor obligations and responsibilities, and there are some land obligations and responsibilities. I think that you probably have identified those in the budget papers and what their relationship to our ministry is. As an example, there's a land requirement for a health authority or for a school board where it is taken as a nominal sum out of my ministry. It's recorded, actually, at the full value of the asset, but that asset into the future would be recorded in the regional health authority or regional school board as an asset. We record the loss of the value on that when it goes to another entity that serves the public and is funded by us.

The Chair: The hon. member.

Mr. MacDonald: Thank you. Hon. minister, as I go down the entire budget here on page 274, am I to understand that the numbers of the 2006-07 actual have been changed and that those numbers are reflective of that portion of the budget in 2006 that was spent on Transportation programs and that that has been subtracted from the 2006-07 annual report? If that is so, where is it noted in the budget that these amounts have been subtracted and moved to the Department of Transportation? I don't know if that question makes sense. What I'm trying to get at is: am I correct in assuming that that money that is tabulated in the 2006-07 annual report and that has been subtracted from the Infrastructure budget has been all factored over into the Department of Transportation?

The Chair: The hon. minister.

Mr. Hayden: Yes. Thank you, Mr. Chairman. I'm sorry; I wasn't clear enough. It has been correctly adjusted from that budget based on that the two ministries that are two ministries now in fact were one at the time. Yes, it has been correctly adjusted.

Mr. MacDonald: Is it noted in these estimates somewhere where these adjustments have been made?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. Yes, it is all documented but not in this budget. It is documented in the reports that go to Treasury Board, you know, based on the overall expenditures. I'm not sure if this is what you're getting at – and I hope it clarifies it – but the overall expense was, as I say, the two ministries as they were combined. In order to record what Infrastructure's component of those expenditures would have been, I think it's quite simply that a 50 per cent cut was taken to give an indication in the actuals for 2006-2007. So what that represents, as an example, under the minister's office is 50 per cent of what the actual cost of the minister's office would have been this past budget year. Does that help clarify?

Mr. MacDonald: Yes and no. I appreciate that, but I really hope that in the future – and hopefully there's going to be no more splitting of departments like that – this is clearly outlined in these estimates because if I'm to look at consumption of inventories, element 4.0.2, in here it indicates that your government estimate for 2008-09 will be \$2 million. Going back to 2006-07 the actual amount was \$2,250,000, but if you look at the annual report, the consumption of inventory stated there is over \$30 million, with an overexpenditure of \$3.8 million. All of this has probably been moved over to Transportation, but I just don't think this is an accurate reflection of the splitting of the departments. There could be a footnote in here somewhere and I haven't seen it, but I think we could do this better in the future.

9:30

Now, the Swan Hills waste treatment centre. We see on line item 2.0.6 where there is a \$26 million allocation, and in 2006-07 it was \$22.8 million. There was an overexpenditure, actually, of over \$4 million. The budget authorization was around \$18 million. So we see an overexpenditure of \$4 million from one year to the next, and then we see it's going up again by that amount. That's over \$2 million per month, or five hundred grand a week. Why are these costs going up?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. In fact, in this year that's due to the funding of ongoing maintenance and repairs to the facility. The reason for the big bump this past year was – and I think I'm getting the terminology right – the replacement of refractory bricks, and that's the bricks inside the chamber. They had reached the end of their useful life, and of course that's what brings the temperature inside the chamber to the degree that it needs to be in order to properly treat the toxic waste that goes through this facility. So that was a very expensive part of the maintenance.

Further to that are the areas of the facility that are no longer used, as an example. If it is the decision of government down the road to in fact end the operation of that facility somewhere along the line,

the handling equipment and different components that are in the facility will need to be treated and to go through the same treatment as the waste that is being sent to that facility. So on an ongoing basis we will see costs to reclaim, I will say, the facility in a safe and effective manner.

Mr. MacDonald: Certainly, with the Swan Hills waste treatment plant the last time there was an unfortunate environmental release, it was the result of the faulty installation or the absence of insulation and the bricks. I'm pleased to hear that at whatever the cost there have been repairs done in a timely fashion.

Now, my next question. I looked at the website – and I bet it has changed since I looked at it – but the contracts for the privatized road maintenance were in the Department of Infrastructure. Am I to assume that they have moved to the hon. Member for Innisfail-Sylvan Lake?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. No, in fact, they didn't move. They never were with me, thank goodness. That's the responsibility of Transportation, and it never was indicated that it was part of mine unless someone messed up on a website. It was never part of the Infrastructure ministry. It has always been Transportation.

Mr. MacDonald: Okay. I appreciate that because when I was appointed as critic for Infrastructure, I was looking at the website and I saw where there were contracts to be tendered or renewed. I was wondering what had happened.

Now, I have a question regarding the government estimates on page 280, the premiums, fees, and licences that are collected to gather \$2.7 million in revenue. What are these premiums, fees, and licenses?

Also, hon. minister, other revenue collected by the department: there's an amount of \$25.3 million, and just in 2006-07 the actual indicates that there was \$54 million collected, so we're collecting about half in the other revenue allocation of what we did in 2006-07. If you could also explain what that other revenue is and why it is half of what it was in 2006-07, I would be grateful.

Thank you.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. The premiums, fees, and licences is actually pretty straightforward. That's civil service parking, the \$2.7 million. Yes, it's a great gig if you can get it.

With respect to the other revenue, revenues include refunds or expenditures. In this budget, as an example, \$1.7 million is projected refunds due to overaccruals from previous years. At year-end contract payments and natural gas rebates are accrued based on the estimates, so if the estimate is higher than the accrual invoice amount, the difference is recorded under refunds and expenses.

Swan Hills Treatment Centre, \$13 million, is revenue that's generated from the processing of hazardous waste, which helps to offset the costs of the plant.

Property rentals are also a major item, \$10.6 million, and that's the rental revenue from agencies of government and other entities that utilize our government-owned buildings. Just as a matter of interest, there are approximately 1,074 nongovernment users that occupy spaces in provincially owned buildings that lease and pay in.

Mr. MacDonald: Thank you. Hon. minister, on page 109 of the fiscal plan, the capital plan 2008-11, the P3 project, the portion

that's been completed of the Anthony Henday Drive. I'm sure the hon. minister has had a few cruises east and west on that completed portion. I am surprised at how rough that road can be in places. There doesn't seem to be much of a transition from one section to the other as far as smoothness. The northwest ring road I hope is going to be a better surface than that.

The Chair: I would like to now recognize the hon. Member for Lethbridge-West.

Mr. Weadick: Well, thank you very much. Mr. Minister, I'd like to thank you for putting in so much time and effort tonight to answer our questions. One – and it's a little bit of a bigger picture question that stems from some discussions earlier today – is around the optional funding, whether we fund through the government or fund through the P3 model. There's been a lot of discussion that funding it ourselves may be a better way to do it or it might be a little bit cheaper in interest rates than if we go through the P3 model. I'm just wondering if you could give me kind of a good overview of how the funding models work between those two because I think there's probably a lot of misinformation or information I don't know, and I'd like to get an understanding of that. As we go back into our ridings, it is a question that comes up consistently because I know that a lot of the union folks really don't believe that the funding model of the P3 is the best way. We do get some questions about it. I'd just like you to maybe give an overview of how the two funding models work or the options between the two.

9:40

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. In fact, there are a number of things that go into the determination of what the best way is to construct our infrastructure. With respect to the P3 it is not the answer for every project. We have a number of indicators that we can look at on projects as they come forward, and there are certain things that trigger us right away to know that we have to go to a conventional model of construction. There are only certain types of projects that fall within the criteria that we would consider to be a candidate for a P3 model. From there we have to make a determination if there are, in fact, people out there that would be willing and qualified to undertake the project and if there would be enough of them that they would go through a process that would give us a competitive bid and give a reasonable chance of a tender that we would be able to accept.

When we make that determination, I would say that without question in this province the government of Alberta is the very best source of information with respect to what actual costs are for infrastructure projects because we are either ourselves or through the agencies that we fully support, the infrastructure, the largest builder of that category of building. We can establish an opening and a closing end or an area within which we would consider it to be a conventional build unless we could hit costs that fit within that area. So we do that. When we look at a project, we take a look at what is the conventional cost, the conventional build, the conventional design, the whole works, where we would be costwise. That helps us to determine if, in fact, it is worthwhile to go out on a P3.

With a P3, just for clarification, there are huge expenses involved for companies to take a look at it. It takes a great deal of effort for them to do the bids because our requirements and the standards which we force people to follow – and I'm talking about the LEED silver standard; we're talking about design standards that are well above normal industry standards – are very stringent. So there are

only a small number that would in fact qualify under the P3 model.

Our experience has been very good. The first project – and it's been mentioned tonight – the Anthony Henday, fit well within that scope. The other project, the Stoney Trail in Calgary: in fact, by our model showed that we saved between \$350 million and \$450 million on that project. Of course, I can say those figures now because it's all over. It's been awarded, and the whole thing is out there. We've seen experiences in other countries where P3s that are done in a very similar fashion to the way that we do them have in fact showed those sorts of good returns.

I think, to be honest with Albertans – and that's what Albertans expect – that after you build it, you're not done with it. How much of our conversation tonight has been around the cost of ongoing maintenance and the expenses associated with infrastructure as we go down the road? As you use it, you have to maintain it. As you use it, there's an expense to it. It would be dishonest to lead people to believe that after it's built, you're done with it. You are not done with it.

All of these things are taken into consideration. We have extended warranties on the structures that we build, and we also have guarantees of a maintenance standard. At the end of the 30-year period that these P3s are designed to cover, we are left with a building that is in good condition and will serve the needs of that community well into the future because those things are all demanded in the agreements that take place. They're built by qualified tradesmen, they're maintained by qualified people, they employ Albertans right from the start to the finish, and it's done in a cost-effective manner.

The Chair: The hon. member.

Mr. Weadick: Thank you. Maintenance was going to be my second question, so I really appreciate you already touching on that and how maintenance standards are required. While you were talking earlier and said that you had 1,800-odd buildings to take care of, I did the quick math and figured that if a roof lasts about 30 years, you've got about 60 of them to do every year. So it is a lot of work to try to manage and maintain on an ongoing basis, and that's just for one part of the structure.

I want to try to understand a little bit more, too, because the other thing that we get when we go back into the ridings – we're talking often to health regions or to school boards about their facilities. There's a bit of a blurry line between where infrastructure sort of ends and where the school boards take over. I want to just talk a little bit about kind of where your department fits in there. Just to lay it on the table, I guess, if I had a concern, it would be that as schools or hospitals are challenged with finding operating budgets, if they take away from some of the maintenance budgets that they have – we all know that when infrastructure is not maintained, a 30-year roof might become a 20-year roof if you don't take care of it well, or a 30-year parking lot becomes a 20-year parking lot if you don't crack seal it. So I want to get a sense of how your department relates, both at the front end and then on an ongoing basis, with those districts and with those facilities so that we can ensure that they're being maintained to the highest levels.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. I know that we've improved our monitoring of maintenance over the years, and we continue to improve on that now. I believe that what you've said is true. I think there are instances where the attention to maintenance probably

wasn't up to the standard that was required to get the best life expectancy out of that plant or that piece of infrastructure. I think there is room to do a better job, and in fact we are doing a better job.

There is some confusion with respect to those facilities in some people's minds. My ministry makes sure that the technical expertise is available with respect to the needs of those buildings, whether they be the build part of it or the maintenance part of it or the modernization part of it. We also oversee projects. I think that over the next while the clarification of the roles will be better defined, and there'll be less opportunity for duplication. I think the more that we can do for the program ministries to take off of their hands some of those areas that are taking time, the better service we could do for them. By that I mean to allow people that educate to concentrate on education and allow people that provide health care to work on the health care and not be concerned with the infrastructure, and I think there's potential for us to do a better job.

The needs, though – and I think this is an area that's interesting. At least it's one that I found interesting. Every day the needs in those facilities change, and there are better ways to deliver services, and for those sorts of things we will always need that expertise from those program ministries.

One of the things that I'd like to mention that I thought was very interesting was when I toured a hospital and I spoke with some people that are very, very dedicated health care providers. They explained to me that an awful lot of the studies now are showing that private rooms in health care facilities in fact may be the way that we have to go in the future to get the best efficiency. There is less infection spread, one of the things that, of course, provides better health care, but the other is that with a private room, they actually show that patients recover more quickly and are on their way home. In fact, where we look at construction costs of individual private units in a facility up front, when we think about it that way and say that that's a more expensive build than a double room as an example – if we look at the costs of the provision of that actual health care and the possible savings that could take place in there with a change of design to that building, the endgame could be not only a savings to Albertans but actually better health care for the individual. So it's interesting how building design and program delivery need to work together to make sure that we get the best bang for the buck and the best option for the client, be they an education component, a student, or a health care client.

The Chair: The hon. member.

Mr. Weadick: Thank you. Well, that's really, actually, an interesting example on how you work together to make that happen.

Specifically, probably looking as much at schools as anything, because there are so many of them out there, how comfortable are we that we've assessed them all and have a pretty good understanding of the conditions of all of them so we know where we're going in the future?

Secondly, my understanding would be, then, that maintenance is done across the province as needed as opposed to you don't just go into districts and put money in whether it's needed or not. You've kind of assessed them all, and you can say: we know these schools really need new roofs. Is that kind of how it's being done now? I know that in the past it may not have. I'm trying to explain that to the citizens. I'd just like you to explain if that's where we're going and how it's being done.

9:50

Mr. Hayden: Absolutely, Mr. Chair. That is how it's being done. We have a rolling assessment that takes place on a five-year basis,

so in the case of schools every five years every facility is assessed as to its condition and the requirements that that particular facility needs. Those assessments are the basis that we form our decision on which projects go forward. Those with the greatest needs are the first ones that are dealt with. So those are existing facilities.

I did mention earlier that there is one other factor, and that's that communities are appearing where they weren't before with the growth that we've got in this province. Part of the priority, obviously, is there are no facilities existing in the spots where these population increases are huge. We have a number of communities that lead the entire nation if not North America in percentage increase of populations. So those have to be addressed also, and they go into the mix. But with respect to the facilities that you were concerned with, the Alberta public can rest assured that if there is a facility that is being done ahead of theirs with respect to a modernization or a deferred maintenance project, it's being done because their need was greater.

The Chair: The hon. member.

Mr. Weadick: Thank you very much. The five-years is extremely reassuring to me. I know that's exactly the same requirement that we place on condo associations when they are formed, for them to do their capital reassessments as well, so they can make sure that their capital is well managed.

Those are all the questions I have right now, and I thank you very much for the answers you've given.

The Chair: Thank you.

I would now like to recognize the hon. Member for Calgary-Varsity.

Mr. Chase: Thank you very much. Pursuing the P3 angle. A number of individuals refer to P3s as private, for-profit at public expense. Other people refer to it as the old Irish expression of buying a pig in a poke.

Now, the minister suggested that he has already counted the savings from the Anthony Henday and from the Stoney Trail, but I would suggest that you can't basically count your savings until the end of the term. If the projects have just been recently started, I would suggest that they can't truly be evaluated from a cost-efficiency point of view for another 27, 28, 29 years, depending on when they were started. By that time the accountability for this minister and for anyone associated with that project is long gone; however, the taxpayers still have to deal with the accumulated debt.

With regard to the debt I fail to understand why the government, which has such a high credit rating, feels the need to go to a second or third party for the borrowing and not take direct control of the projects themselves given the fact that – and correct me if I'm wrong here – the sustainability fund, which the Liberals suggested as a way to save without dipping into the heritage trust fund, is somewhere in the area of \$8 billion. When it comes to 18 or 32 schools, the cost of those done in a traditional fashion, especially when the majority of the 18 that were first announced are of the K to 3 variety – when those schools were originally considered to be built, they fell in the range of between \$10 million to \$15 million, but that cost seems to have gone up considerably.

Now, when I said not a single stake had been driven into the ground, it was mentioned that actually the sites have been laid out. So I am assuming that's by some other contractor, or is this because you mentioned that the tenders are to be received in July? So I'm wondering who it is that has been contracted. Are they contracted directly by the government Infrastructure department to survey these

sites? Why has it taken basically a year and couple of months since these first 18 schools were announced to just be receiving tenders at this time? That's not completely a rhetorical question.

When I've talked to builders who've built the last couple of schools in Calgary using the traditional methods, they indicated to me that they weren't even the slightest bit interested in bidding in this process because they didn't have faith in the government's timelines and the government's contractual obligations. One of the individuals who had built I believe it was the Battalion school in Calgary had commented to me that he had considered having his company potentially buy out the outfit from Carstairs that was building the modular homes. But when he looked at it, he didn't see it as a strong financial plan, and he didn't want to have his company go on the hook for this, so he passed it by.

Now, I'd be interested to know, if it's possible, who some of the potential tenders are going out to. My understanding from the research I've done is that larger companies, for example, like PCL aren't interested in these projects because they're too small. If you're looking for one individual company that can handle and build in a timely fashion 18 schools, whether they're subcontracting or bundling or however they do it, if they're the head honcho in terms of the contracting out, what guarantee is there that 30 years from now these companies – my understanding is they're smaller, and they may have spread their risk out amongst other members of the consortium. That may be partly how they do it, or they sell. But one of the problems associated with P3s is that it comes as a very attractive investment. A company provides the financing. They sell four years down. They've taken all the money up front, and they sell it off to another company to another company to another company. So what you started with 30 years previously has then broken down, and everybody's taken their profit out of it at public expense, and what we're left with is a company that may in fact not have the assets, but because of this turnover the accountability is questionable.

Now, when the Member for Calgary-Mountain View brought forward the idea of reclamation and costs and responsibilities potentially falling to the taxpayer, there were great guffaws from across the way suggesting: how could industry giants like Suncor and Syncrude possibly go bankrupt? Well, they're not going to go bankrupt in the near future, but that liability extends, and as the tailings ponds expand, the liability for them continues. So how can the minister crystal ball the notion that these companies will be in fact ready and prepared, and what kind of insurance liability is there as part of the contract that will prevent the taxpayers from getting hosed in the end run?

I'll look forward to that answer, and then I'll talk to you about hospitals and health care.

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. Just for clarification. Have we gone back to the 10 minutes for you and then 10 minutes for us?

Mr. Chase: That's my understanding. The 10 and 10.

Mr. Hayden: Okay. I just thought that if that was the way, Mr. Chair, they wanted to proceed, then that's fine.

Okay. I'll start as close as I can to the front. There is a great deal of the statements that were given that, in fact, bear no resemblance to the actual situation that we're dealing with, Mr. Chair.

10:00

We, in fact, as the government have undertaken the responsibility to get the development permits for the sites in question. We also,

because we are the people that are going out with the design and the specifications and the technical expertise on the project that we're doing, are able to take that development permit and get people to do the actual design information that's required for how that plant will be located on that particular site. All of that work is done up front so that at the time of the awarding of a tender, in the case of a tender that came in and qualified, sod could be turned immediately. The way that our process is structured, it would in fact be in the best interest of the successful bidder to get under way with the project as quickly as possible because there are timeline restrictions within the contract as to when the completion of the building has to take place.

I did mention earlier that, yes, all 18 of the schools will be done together. In order for that to happen, the hon. member asked if we could say who the three companies that are bidding on this were. There was a news release naming the three groups that did bid on this. Obviously, a project of this size requires a number of people involved in each group in order for this to take place.

The assurance that we have and the reason that we can speak very much in favour of the process and the advantages that are associated with it is that there are fixed costs out to the end of the term of the agreement in our P3 agreement. We do in fact know the costs up front. When we open the tenders, we know what those costs will be. The costs are weighted in such a way that if anyone were to be found deficient with respect to the maintenance or the areas that are to be warranted on an ongoing basis, we would have enough money at the end of that agreement to rectify that situation and ensure that the maintenance that was required is put in place.

So we have the fixed costs, we have the fixed delivery dates, and we have the cost comparators that we can use. I come to that last, Mr. Chair, but I think the most important part of this process is that, in fact, people through our department and people through the program ministries are very well equipped and very knowledgeable on where those numbers should fit with those cost comparators. In July, when the tenders are opened up, as I mentioned to one of the other hon. members, we already have the numbers. We have an opening and a closing position. You know, anything that fits within that area will qualify.

Right down to the last day in July, when we open them up, if they're not able to perform within those financial parameters that we have identified up front, we always have the option of conventional construction. Having said that, we are already ahead of the game in that we've been very proactive on these projects with respect to design. We know exactly the type of facility that is going to go there. We have the total design criteria for the requirements. I'll use a core school design as an example. We know the core facility. We know the capabilities of the facilities that we have these people bidding on. There is no possibility for a bad outcome other than if a price came in that didn't fit within the parameters that are required for this to go forward.

As I had mentioned, Mr. Chair, not all projects will qualify for P3s. Not just our experience but experience throughout the world where P3s have been undertaken gives us an opportunity to look and see what, in fact, will qualify and perform the best for Albertans. We are able to take a look at the cost comparators. With our experience we're also able to take a look at the costs involved with maintenance as it goes down the road. As I had mentioned before, it would be irresponsible for us to try and tell Albertans that if it's built, your problems are over and that's the end of the game. There are costs associated with projects all the way out.

There were questions with respect to financing and abilities to finance. Mr. Chair, that is not the responsibility of this government; it's the responsibility of the people that are submitting their bids,

submitting tenders on these projects. It's their responsibility to go out and find the best financial instrument that they can in order to bring forward a competitive bid in order to do business with the province and join into this partnership to provide the facilities that are very much needed, a huge advantage for these consortiums that have come together to bring forward a bid on this because we are talking about 18 schools. They will be buildings that communities and the students and staff that are in them are going to be very, very proud of and will have the use of well into the future.

Remember that when we go by this model, at the end of the 30-year period we will have a well-maintained structure still there, with flexibility of design built into it for larger student populations or smaller student populations because of some of the design criteria and design methods that, in fact, we're incorporating now. Of course, those design criteria are those that meet the LEED silver standard. So we'll have an atmosphere for students where they have wonderful use of natural light, will be breathing cleaner air, have a healthier environment than in any of the schools, of course, that we have today, and will also be able to be proud because of the reduced amount of energy used with these highly efficient buildings. They'll be producing an opportunity for cleaner air once they leave the school and go outside.

So it's just good news stacked upon good news stacked upon good news, Mr. Chair.

The Chair: The hon. member.

Mr. Chase: Thank you. All that good news reminds me of the other definition of PhD. From a farm standpoint that's: piled higher and deeper.

The minister is starting to spin his wheels and become repetitive, so I'll try and give him some new topics to consider. However, the minister mentioned that the designs are at the point where they're ready to be applied. Now, when I've talked to school boards, all they've seen is basically what I saw back at the Greenwood Inn in Calgary, and that's a generic design. No school board that I'm aware of has seen an actual blueprint with the measurements, the drafting for the plumbing and heating and air ducts, or the potentials of how large the gymnasium is going to be. Those specifics that you were referring to for the 18 schools to my knowledge have not been placed on school board trustees' desks or the maintenance people's desks. So if you have some news that you can tell me that, yes, they have and that once the tenders in July take place, it's gung-ho; we start building. I'd also like to know if all 18 buildings will be commenced at the same time or if there's a staggered timeline for those buildings.

One of the complaints that parents had for the nine schools in Calgary was the fact that they were K to 3 schools. There were no middle schools. There were definitely no high schools in the announcements, and we're desperate where I live in northwest Calgary to have another high school built. I would like to know what the timeline is for the other 14 that make up the 32 schools. If we're a year and a bit behind on this first 18, we must be that much farther on the next 14 unless the successful bidder automatically qualifies for the other 14 school projects. That's a concern for me.

10:10

Something else I'd be interested in knowing from the minister: has he, in potential consultation with the minister of health, given any thought to the Tom Baker cancer clinic that the Premier promised for Calgary over two years ago? At that point he talked about a \$500 million project. When I've met with members of the south Shaganappi area advisory planning group, which meets once a

month, they talked about the possibility. Bob Holmes talked about the possibility of building that cancer centre where the old parking lot is at the Calgary Foothills.

It was also suggested that that cancer clinic could potentially happen right at the U of C in the west campus area. This is another potential place for it. A third place that has been suggested would be out in the Spy Hill area, where the vet clinic with the U of C is currently being built, although there are difficulties there given the fact that we have a large dump there and the traffic and the smells and the methane that comes up. But at least people in Calgary are talking about it and looking forward to the promise that Premier Klein made that Calgary would have a cancer centre the equivalent of the Cross clinic here in Edmonton. It's very much needed, and we hope that it's going to happen.

Now, with regard to P3 or not P3 . . . [Mr. Chase's speaking time expired]

The Chair: I would now like to recognize the hon. leader of the NDP opposition.

Mr. Mason: Thank you very much, Mr. Chairman. I'm pleased to rise and ask a few more questions with respect to the issue of P3s. I wanted to continue the line of questioning that I was pursuing earlier with the minister. I wanted to ask about the risk and the management of risk and the assumption that we could manage construction cost risk more effectively through P3s. The assumption of this is that under the P3 this is assumed by the contractor. I'm wondering how much the risk would have to be to justify the higher cost of working with a P3. The contractors will build the risk into the price that they charge for doing the project. Certainly, by aggregating all of the 18 schools into one package, you make that much easier for them to do. But the question is: how much more do we have to pay for the overall contract in order to cover the amount of risk that they built into their bid?

Under P3s the companies that get the contract seek to manage their risk through a couple of strategies: first of all, to establish a stand-alone corporation so that the risk accrues only to that particular entity and not to the whole corporation that won the bid. I'm wondering if there's anything in the tender documents or whether the minister anticipates putting language into the contract to prevent that from happening. Obviously, then, if there was risk that they absorbed and it was substantial, that interfered with their ability to make a profit on the contract, they could simply declare bankruptcy and walk away from the project. What steps does the government have in mind to prevent that sort of strategy?

The other strategy that they follow is to include a fairly high ratio of external borrowing to finance the project. Of course, it's clear that they will borrow at a higher cost than is available to the government, and therefore it will increase the cost of the project.

I will just leave it there in terms of what factors the government takes into account in managing the risk in P3s. I asked just before the bell rang in the last group: how do you protect yourself against a company that might go out of business eight or 10 years or 12 years into a 30-year contract, and what steps does the government do to protect against that?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. I guess the best way to clarify where the protection is, in fact, for us is that when the bids come in, we have a set amount that is paid out throughout the contract, but it is based on knowledge that if there were deficiencies, there is enough remaining that we would be able to correct the deficiencies

that were in place. I think the safeguard that we have is that these buildings will be monitored on an ongoing basis so that we are always able to ensure that the maintenance standards are where they should be. We have the advantage of the extended warranty and a fixed price. We know what that price is. We also have it structured such that if there was a deficiency or if a company disappeared, as an example, there is enough money at the other end of the agreement for us to be safeguarded in case of deficiencies but to carry on with that maintenance program.

What makes this possible is what happens at the front end, though. We are very familiar with the costs of construction in the province and with comparable projects, and we do have those cost comparators in place to look at when we open the tenders. We know where the line is, where the magic numbers are that make a P3 possible. I think it's always in the best interests of everybody when they look at the situation to understand, as we understand, that not every project is going to be one that would qualify in a category that would benefit Albertans in the form of a P3, but we do have indicators of what some of those projects would be that would possibly qualify.

As we put the information together, we make certain that the people that we're dealing with on the P3s are qualified and able to deliver the product that we want delivered, first of all, so we prequalify the individual. Those that are interested come forward. If there was someone that in our estimate would not qualify as a person that could fulfill the commitment that we require in that contract, we would be able to safeguard Albertans against a situation like that.

We have the cost comparator at the front end that we can look at, we have some industry indicators that lead us to the understanding that a project may in fact qualify as a P3 and benefit Albertans, and we have the safeguard in the way that the project is paid out to ensure that we're not left holding the bag, as it were, that we, in fact, would be able to financially address the long-term maintenance needs because we monitor on an ongoing basis and have an extended warranty in effect.

10:20

We also, of course, get the benefit of fixed completion dates. In the case of the project of the 18 schools, that's been discussed a great deal today, that project in the agreements gives us completion of those 18 plants ready to roll September 2010. So there's that sort of time certainty that those facilities will be in place to provide the services for the community, that they will be built to a standard that's agreed upon. Actually, we get the input from the professionals in the field in the case of health care or education. They know the classroom sizes that they require, they know the gymnasium sizes that are required for these different applications, so we build to what the program provider themselves feel is necessary. I won't use up the rest of the clock on you.

Mr. Mason: Very honourable, Minister, because others have been known to. I have seen that as well.

The next question I have, Mr. Chairman. We've talked about the risk associated with substantial increases in the costs of construction and transferring some of that risk to the company although I certainly doubt very much that there's any foolproof method of doing that. But I'd like to talk about the other risk, and that is how the government protects itself against paying high costs now and spreads it over 30 years when there's a possibility that construction costs may dramatically drop. I'm just wondering if the government does anything or has any projections on the costs of construction.

It seems to me that it's at an all-time high, and it also seems to me

that there are some indicators that the boom in Alberta may in fact be coming to an end. There's a reduction already in new construction in this province. In fact, it's just news today that there's actually quite a drop and that Alberta is going to see considerably less construction.

If the costs of construction substantially drop after July, how does the government protect itself against paying a premium for these costs for the next 30 years? Are they looking at and do they have some projections to guide them as to what the costs of construction are going to be on an ongoing basis? Mr. Chairman, to the minister: I see the potential for the winner of this bid to make windfall profits into the future because he's bidding just at the end of a highly inflated period in terms of construction costs and in the future is going to be able to continue to collect his payments every year based on those prices.

The Chair: The hon. minister.

Mr. Hayden: Yeah. Thank you, Mr. Chair. In fact, in the case of these schools they're needed now. No matter how we deliver them, they're needed now. The cost comparators that we use to determine if a P3 model and a P3 tender, in fact, make sense financially are going to make sense either way. We have fixed costs when we receive it, we know what those costs are going forward, and we know because of our cost comparator and the information that we have on the buildings that we are working on each and every day. When you look at the different ministries, we open a brand new building in this province probably at a rate of higher than one a week when you take all of the different agencies and different buildings that we do. So we have a very good idea on an ongoing basis what those costs are.

I have faith in our cost comparators because we're so involved in the market, for one thing. I have faith in the program ministries that when they bring the projects to me that need to be done, in the case of these 18 schools, they're needed. They're not only needed tomorrow; they're needed right today. So we're not running the risk of building something that the community doesn't in fact need, and every one of those communities is waiting very anxiously for these new schools to address it.

I don't think that we're affected by a down-the-road possibility of a change in the financial situation, but I will say that most financial indicators – and that's not just within government – show that we have a strong future, at least for the next four or five years without question. All indicators show that direction. I think that when the hon. member and I have a conversation about the decisions that we're making today three or four years from now, we'll be very, very happy that we moved in the direction that we did because we'll have students in a new facility that meets their education needs, that has them in a healthy environment and will look after the needs of that community well into the future. So I believe that we'll be in good shape.

Now, there again, to the hon. member, that's all dependent on, when we open those envelopes, them meeting the criteria that we require them to meet because we will not sign a bad deal on behalf of Albertans.

Mr. Mason: The last question, Mr. Chairman, and I thank the minister for that answer. I guess the question I have is sort of the common-sense, kind of bottom-line thing for me. If we know the construction costs and we'll pay the same if we do it under traditional financing and if we tender just the construction, which we normally do, we will have the same construction costs as the winner

of the tender under a P3 model but can get the financing for 1 or 2 per cent less so that our money is cheaper and we don't have to build in a profit, my question is: how is it possible for a P3 to be cheaper than conventional financing of the same project?

The Chair: The hon. minister.

Mr. Hayden: Thank you, Mr. Chair. There are a number of factors built into how a successful P3 could be tendered. Obviously, financing is a factor, and I fully admit and agree that that could be the case. Other factors are the expertise of the people out there in the private sector and their ability to come together as a group, their ability to bring in exceptional prices in certain areas, their ability to provide the people and the expertise from the trades to do these things in a timely fashion and do them on a larger scale and actually receive the advantages of the scale of this operation that aren't available to us, necessarily, through conventional means of tendering and putting out the work ourselves. Obviously, we're involved in a private-public partnership on every project that we do because there isn't anybody in my ministry that operates the hammer and the nail, so we're already dependent on the private sector to be a full-fledged partner with us on projects.

The difference in the P3 projects that we're doing right now is probably the scope and the scale of what we're undertaking here. That allows the private sector to put together groups to come in with all of the factors that they can bring to the table because it's their business and bring in a price that beats our comparators.

Now, when you talked about them being identical, I don't think that it would be fair to the sector out there, that goes to a lot of trouble to bid on these projects, to say: you have to beat us by this much in order for us to make you the successful bidder. These comparators take into consideration the costs of maintenance and a number of items as they go down the road. So when I say a cost comparator, it's based on what the cost would be for us to build that and provide the same services and take on the same liabilities with respect to warranty, beyond the standard warranty periods on a building, as an example. All of these things are taken into consideration. So if after we go through this process and a bid comes in and that bid shows . . .

The Chair: I hesitate to interrupt the hon. Minister of Infrastructure, but I will now invite the department officials to leave the Assembly so that the committee may rise and report progress.

10:30

Hon. members, pursuant to Standing Order 59.02(5) the Committee of Supply shall now rise and report progress.

[The Deputy Speaker in the chair]

The Deputy Speaker: I would like to recognize the hon. Member for Calgary-Lougheed.

Mr. Rodney: Well, thank you, Mr. Speaker. The Committee of Supply has indeed had under consideration certain resolutions for the Department of Infrastructure related to the 2008-2009 government estimates for the general revenue fund and the lottery fund for the fiscal year ending March 31, 2009, reports progress, and requests leave to sit again.

The Deputy Speaker: Does the Assembly concur in the report?

Hon. Members: Concur.

The Deputy Speaker: Opposed? So ordered.

Government Motions

Committee Membership Change

13. Mr. Zwozdesky moved on behalf of Mr. Hancock:
Be it resolved that the following change to the Select Standing Committee on the Alberta Heritage Savings Trust Fund be approved: Ms Notley replace Mr. McFarland.

[Government Motion 13 carried]

Government Bills and Orders

Third Reading

Bill 6

Appropriation (Interim Supply) Act, 2008

The Deputy Speaker: The hon. Deputy Government House Leader on behalf of the President of the Treasury Board.

Mr. Zwozdesky: Thank you, Mr. Speaker. It's my pleasure on behalf of the hon. President of the Treasury Board to move third reading of Bill 6, the Appropriation (Interim Supply) Act, 2008.

This is a necessary bill for government to be able to continue providing funds for the programs and services that Albertans expect until such time as our formal budget is approved.

Mr. Chase: Well, I very much appreciate this opportunity, and much to the relief of my colleagues I will not take up the 20 minutes that are afforded. I would hate to think that by opposing this bill, we would come to a grinding halt due to the fact that the money could not be passed along to our constituency offices to do the good work that we do for all Albertans. Having said that, I recognize the necessity. I support that necessity. It may not be where I would like the money to go, but it has to go.

Thank you.

The Deputy Speaker: The hon. Member for Edmonton-Gold Bar.

Mr. MacDonald: Thank you very much. I, too, will be short in my remarks regarding Bill 6, but I must express publicly my displeasure with this government. They failed again the test to be open and accountable and transparent. I was reading in detail this bill and the amounts that are allocated for each department, and I thought it would be interesting to have a look at the Treasury Board minutes regarding these requests. To my surprise and to my disappointment I once again was told that the Treasury Board minutes, which many of these sums are based on, are not available to the public. I am again disappointed that this government is not open and transparent and accountable like they claim publicly. If they were, the Treasury Board minutes which are the basis of the allocations in Bill 6 would be available publicly to those who are interested in viewing them.

Thank you.

The Deputy Speaker: The hon. Deputy Government House Leader to close debate.

Mr. Zwozdesky: Question.

[Motion carried; Bill 6 read a third time]

**Government Bills and Orders
Second Reading**

**Bill 1
Trade, Investment and Labour Mobility
Agreement Implementation Statutes
Amendment Act, 2008**

[Adjourned debate May 5: Mr. Kang]

The Deputy Speaker: The hon. Member for Calgary-Varsity.

Mr. Chase: Thank you very much. TILMA has some interesting aspects to it, but it also some potential pitfalls. I want to talk first about what I find interesting. What I find interesting about TILMA is the idea that we would expand our potential economic, social, cultural relationship with the province of British Columbia. However, as our hon. leader from Edmonton-Riverview pointed out, why would we not consider expanding our economic well-being and our relationships on a wider, western Canadian basis? B.C. might be an enviable partner to connect with, but what about the provinces of Saskatchewan and Manitoba?

The hon. Leader of Her Majesty's Official Opposition used the title: a western tiger. He drew that name from the idea of Ireland, which went from, basically, the poor-man-of-Europe status to a very healthy economy. A large part of that . . . [interjection] Yes. James would not have believed the success that Ireland experienced. It has come a long way.

The key factor that turned the Irish economy around was education. Education is something that we are, unfortunately, lacking in terms of spaces within this province. On a regular basis 25 per cent of students are turned away from having their opportunity. Now, maybe with TILMA we'll see more Alberta students seeking their educational opportunities in British Columbia because they can't find them here in Alberta.

Alberta still has one of the highest tuitions of Canadian provinces. Although the government has taken some steps to support students in terms of loans and bursaries, there is very little in the way of financial support for students. As I mentioned, in Ireland they realized that education was a major investment, so it became free. Now, with our enviable position, the money we receive from our nonrenewable resources, the idea of at least reducing the cost of tuition, rolling it back, as the Liberals have suggested, to pre-2001, would put us in a more enviable competitive circumstance.

10:40

I know that TILMA is about co-operation and not necessarily competition, but I would like to see British Columbia students sharing and sitting in Alberta postsecondary institutions. That would be how I could judge success of TILMA, that we not only educated and provided opportunities for our Alberta students but that British Columbians would also flock to our academic halls of excellence, where there would actually be seats for them to occupy such as in an urban campus set up in Calgary.

Another concept that our hon. Leader of the Opposition, the Member for Edmonton-Riverview, pointed out was the idea that we can't possibly refine all the bitumen in Alberta that is required because we have a number of limitations. One is that currently the power that is being used to drive and in lots of cases to separate the bitumen is natural gas, and that's much more expensive a product than the actual bitumen and oil that's being separated. So we're using a tremendous amount of energy that is based on gas-fired or our old-fashioned coal-fired heavy emissions to separate the bitumen.

Now, despite the Premier's claim that sending bitumen down a pipeline to the States, to Chicago or Texas, would be the equivalent of scraping off the topsoil, that's exactly what's happening. I'll be interested in the discussions further on TILMA if we are considering a western pipeline as opposed to a southern pipeline. Has there been any discussion, as the MLA for Edmonton-Riverview indicated, of shipping out bitumen and trading for much cheaper hydroelectric power, which will see fewer emissions going up from coal-generated or the expense of gas-fired? That would be an interesting discussion. What exactly besides the potential of cheaper labour are we trading?

Another consideration with regard to TILMA – and again I refer to the Member for Edmonton-Riverview – is: why not extend what we're doing and offer to Saskatchewan and to Manitoba an eastern pipeline? We already have a trans-Canada pipeline. Possibly this could parallel or at times even be used as part of the delivery system, at least portions of it, with side-by-side pipelines to the appropriate destinations. But why should we be sending it down in its crudest form to refineries in Chicago or to Texas rather than sending down a finished product at a higher price? Why don't we bring in Saskatchewan, bring in Manitoba and have them take part of the economic advantage?

Now, it's not that we're just being supremely generous and increasing the per capita values of Manitoba or Saskatchewan or B.C. as suggested in the trade-offs in TILMA. The reality is that we don't have enough water to develop all the bitumen in this province. There's the possibility of bringing on 10 upgraders, but we don't have the water that's necessary for those upgraders to process all the bitumen and do the refining that's necessary in this province. As well as sharing the gain, if we could share some of the pain, import the power, export the bitumen, and use the waters that are available in British Columbia that are available to sort of the same limited extent that we have here in Alberta and Saskatchewan. Again we go to Manitoba, which has considerably greater water reservoirs than we currently have. Why don't we share, as I say, the bitumen, trade it for hydro from either Manitoba or B.C., share the resources and the refining with Saskatchewan, who is rapidly sort of passing us in terms of their own leases for bitumen extraction? We have opportunities here that are extremely positive.

On the negative side of the B.C. model I'm somewhat discouraged about what we're importing from the B.C. practice. For example, the Copeman clinic, that is scheduled to open up in Calgary, apparently flies under the radar of the Canada Health Act. But what the Copeman clinic says is: if you have the money, we will provide you with an improved service. We will take your \$3,000 a year to be a member of the Copeman club. Of course, the first clinic of this kind with the privatization of health services is a B.C. product. Now, if Copeman can be successful in Calgary, then the idea is to expand and push as much privatized health care under the radar limits of the Canada Health Act across Canada.

In TILMA we have seen the first export, and that's private health. I am concerned about what other exports B.C. will provide Alberta with. A number of municipalities are concerned that if a B.C. firm approaches them and says that we want to set up thus and thus business in your area, they will have no defence economically to say: "No, I'm sorry. You can't set up this clinic," or "You can't set up this B.C. business in this area because the citizens of this particular county or city don't want it. They don't want the liability."

This is the first time we've had an opportunity to debate what the B.C. Legislature debated previously so that their citizens could participate. That fear is out there that very much like the GATT and some of our free trade arrangements we're tied into a financially libelous circumstance where if we don't allow the expansion to

come into Alberta, then we're liable for stopping that particular business from coming into our areas.

There are a number of concerns with TILMA. The idea of extended trade across the western region has potential merit, but if we're relying on the lowest standards of B.C. in terms of labour and unions and restrictions or if, on the other hand, B.C. has to suffer the restrictions that we currently have in terms of a division 8 and the phoney union that calls itself CLAC, then B.C. is in trouble. If Alberta is exporting to B.C. reduced labour protection and what has been a war on unionized activities, then B.C. is going to get a rather huge wake up because B.C.'s most recent government, that unfortunately shares the name Liberal, has not been as progressive as former governments in British Columbia that did honour labour agreements.

10:50

Now, it'll be interesting to see if B.C., that has higher environmental standards, exports via TILMA to Alberta and requires that manufacturing done in Alberta is done in an environmentally sustainable way. B.C. has much stronger emission regulations than Alberta. So as a part of TILMA will we benefit by having more regulated emission standards? That would be something I would welcome. Conversely, is B.C.'s relationship with Alberta going to require them to have significant lowered standards in their economic development? Will their emissions be allowed to increase because, well, they're with Alberta in this TILMA agreement? There are so many unanswered questions with regard to TILMA, which talks about labour mobility but conveniently ignores environment liability and a variety of other concerns.

I look forward to having other members clarify why TILMA is something that we should be rushing to embrace. Thank you very much.

The Deputy Speaker: Thank you.

Standing Order 29(2)(a) allows for five minutes of comments or questions.

Seeing none, I now would like to recognize the hon. Member for Calgary-Egmont.

Mr. Denis: Thank you very much, Mr. Speaker. I'll be much more brief than the hon. Member for Calgary-Varsity. [some applause] I didn't think I'd get any objection there.

For the record, I do not discount any importance as to the reality of quality education in any society, but I must correct the hon. Member for Calgary-Varsity on a couple of items. I had occasion to visit the Republic of Ireland about two years ago, and I'll tell you that the reason for Ireland's success, first of all, is the low tax rate that they offer. It's the third lowest corporate tax rate in the world, 12.5 per cent. This is something that we offer here, the lowest tax rate in Canada.

Secondly, another reason for Ireland's success is the importance of trade it has with its neighbours. Mr. Speaker, that is what TILMA does. That is what we will do.

It's time to support this bill. Thank you.

The Deputy Speaker: Any other hon. member? The hon. Minister of Advanced Education and Technology.

Mr. Horner: Well, thank you very much, Mr. Speaker. I just wanted to clarify a couple of points and put on record something that I believe very important to Alberta and western Canada and Canada as a whole, and that is trade, as the other hon. members here have mentioned and my colleague from Calgary, who talked about Ireland

and being there and recognizing that the tax regime and the trade component were the critical components to having Ireland's success.

I also would note that education has been taken very, very seriously in Ireland. The information I have now is that they've abandoned the free education component because they felt that was a waste of their resources, and they weren't getting what they needed, and students weren't properly directed or having direction in their studies.

I also wanted to suggest that TILMA is going to be extremely important for the movement of labour between our two provinces and, hopefully, Mr. Speaker, down the road across Canada. TILMA can set the stage and set the example for other provinces to follow. I think it's important to note that our two provinces, two jurisdictions, have been in active consultations as it relates to the trades, i.e. the occupations of a trade, for a number of months. Consultations have been under way with regulators and professional organizations for over 60 occupations, Mr. Speaker, to ensure that their credentials are recognized in both Alberta and B.C. Labour mobility between Alberta and B.C. will improve and result in a broader range of career opportunities for skilled professionals and tradespeople such as teachers, university professors, college instructors, architects, journeymen, welders.

Why is it, Mr. Speaker, that an educated teacher in B.C. needs to have a reaccreditation here in Alberta? We should be looking at straight-across labour mobility because that's what's going to develop the type of economy that we want in western Canada. We're going to be looking at ways and means that we can have health professionals move seamlessly across our two jurisdictions. We're going to maintain the red seal as a standard for Canada but expand that with our dealings with British Columbia.

All in all, Mr. Speaker, I think the agreement that we're looking at here today is a landmark agreement that sets the stage and the example for the rest of Canada.

Mr. Speaker, I would move that we adjourn debate.

[Motion to adjourn debate carried]

Bill 2 Travel Alberta Act

[Adjourned debate May 5: Mrs. Ady]

The Deputy Speaker: The hon. Member for Calgary-Varsity.

Mr. Chase: Thank you. As is so often the case for me, I'm in a bit of a quandary. The reason I'm in a quandary is that if I were the Minister of Tourism, Parks and Recreation and I was trying . . . [interjections] I said "if I." Anyway, the slogan I would push . . .

An Hon. Member: You don't have the legs.

Mr. Chase: Well, I won't rise to that sexist remark from the member opposite.

Dr. Morton: That was a compliment.

Mr. Chase: Oh, I'm not sure who it was a compliment to, but the Member for Foothills-Rocky View, the Minister of SRD, is referring to legs. Anyway, I'm not sure that he has a leg to stand on, but we will continue.

Had I been the minister, or in my role as the shadow minister for Tourism, Parks and Recreation, the way I would sell Alberta would be with a theme of mountains and much more. I think that's the impression that we want to give to people who would come to

Alberta, that we have scenery that is absolutely world class. However, where the quandary comes in is: how much longer will we have that scenery, and are we selling to the world and to other provinces and our closest neighbour a false bill of goods?

The government has also talked about what we have referred to as greenwashing. They've taken a large amount of money, approximately \$25 million, and they're going to try and convince the world that Alberta's wildlife is wonderful, it's picturesque, it's not threatened, that tailings ponds are all under control, that the size of these tailings ponds doesn't increase on a daily basis by the amount of this Assembly five times over. So what is it that we're selling?

The film *Brokeback Mountain*, that was made in Alberta and received accolades not only for its filming, was shot against a backdrop of some of the most beautiful country in Alberta. As a result tourism increased, and I'm not going to say that it was tourism of a particular group. Everyone who watched that film got a sense of almost a historical vignette of Alberta. They saw the beauty of the mountains, but what they didn't see was the other side of Moose Mountain that was used in the filming of *Brokeback Mountain*. They didn't see the clear-cuts. So what we're potentially doing is offering to the world kind of a highway sign. You know, come visit beautiful Alberta, and then on the back of that postcard is the reality, providing you're not concerned about breathing in 40 per cent of emissions and so on. Where I'm coming from with this is the idea that in order to truly welcome people, we've got to respect and protect what we currently have so we can legitimately sell it to the world.

11:00

One of the most beautiful areas that attracts tourists from across the world is scenic highway 40. You can come in the back way from Longview along the Cowboy Trail, which is another terrific selling point for Alberta because it deals with the history of how Alberta came to be made. It deals with the western motif, the rolling hills, the Sheep River. It provides beautiful potentials. However, if you follow along highway 40 and you head down the forestry road, you suddenly find yourself in clear-cut country. Right now Spray Lakes logging has the historical agreement, first in time, first in right, to log the entire scenic valley, and highway 40, which is the tourist mecca of southern Alberta, basically will come to an end.

When we sell Alberta, I want to sell the Alberta that looks at selective logging as opposed to clear-cutting, that doesn't have a 30-metre false fence of trees before you hit reality. I want to sell an Alberta that isn't limited to the Capital EX. It isn't limited to the Calgary Stampede. It isn't just a convention destination in a national park in Waterton, Banff, Jasper, of course. But it's a true destination that offers not only scenic beauty, not only history but a modern preserving attitude that recognizes, as Larry Simpson of the Nature Conservancy says, that if we want to have that last five miles – incidentally, that last five miles is the closest five miles to our southern neighbours, who are the primary visitors to Alberta. If we want to keep what has made Alberta famous, its fescue grasses and its open rangeland, then we have to value these areas, and we have to say the value of the scenery, a \$10 return for every \$1 we invest in tourism, is recognized as being more important than the clear-cutting of a section of forest, more important than fracking of underground streams and aquifers that organizations like the Pekisko Group and the town of Nanton have so great fears about. We want to give people a sense when they go down to the Tyrrell museum and when they go down to Writing-on-Stone that we value our past history and we're bound and determined to preserve it.

Now, Writing-on-Stone is a good example of preservation because the sandstone rock carvings have been subject to weather, so we have come up with different methods of preserving. That's what I am hoping this bill is all about, that it's selling to the world the fact that Alberta conserves, Alberta preserves, and Alberta can offer to the world exemplary action on a variety of issues: that we're first in innovation and technology, that we're first in environmental protection, that we recognize that a dependency on a nonrenewable resource and a failure to diversify our economy will be only a temporary concern, that we will move past this, that Alberta's most important export is its intelligence. That is the kind of Alberta that I want to sell to the rest of the world.

I know the hon. Minister of Tourism, Parks and Recreation shares this vision. She indicated to me, when we met and discussed this bill, her desire to take her sons up to visit some of the northern lakes, areas like Lesser Slave Lake, which I've had the opportunity to visit with my family, and camp and enjoy the experience.

As she passes through those areas, she will see large tracts of boreal forest that, unfortunately, have been clear-cut. We have to develop a respect, an opportunity for renewable development. That's what Alberta needs to send to the world: not only do we have beauty, but we have the smarts to preserve it. It is so important that we sell Alberta in terms of not just a scenic backdrop but a destination centre for a variety of recreational activities. We have to be able to sell our clear streams and rivers that have some of the best trout fishing in the world, or did in the Cataract Creek area prior to the clear-cutting and the muddying that occurred. We have to say to the world: we value our natural resources; we value our watersheds.

We've had the opportunity, for individuals coming to the Calgary area, of a terrific donation from a ranching family which will allow a corridor along the Bow River to go basically from Cochrane to Calgary. These kinds of donations that individual philanthropists have provided, based on their own Alberta successes, are what we want to share with the world. We care about our watersheds. We care about our waterfowl. We care about the air we breathe. We care about leaving a legacy for not only my grandchildren but the grandchildren of a number of members in this House. The type of Alberta we want to sell is a true Alberta, not a picture postcard you turn over with a grim reality facing behind. This is the Alberta that we need to sell, and in order to do that, we have to conserve, preserve – and then comes the bill – promote.

11:10

I would like to adjourn, if I may, at this point. I know there are a number of members who are anxious to talk about the beauty of this province and to relay it to the world, but I would call for adjournment if the Speaker would recognize that plea.

Thank you.

[Motion to adjourn debate carried]

The Deputy Speaker: Before I call on the hon. Deputy Government House Leader, I want to remind all members here that the Chamber is scheduled to be used tomorrow, so please secure your desks.

Mr. Zwodzesky: Thank you, Mr. Speaker. I appreciate the good progress that was made tonight, and I would move that we adjourn until 1:30 p.m. tomorrow.

[Motion carried; at 11:11 p.m. the Assembly adjourned to Wednesday at 1:30 p.m.]

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