



Legislative Assembly of Alberta

The 28th Legislature
Second Session

Standing Committee
on
Alberta's Economic Future

Ministry of Infrastructure
Consideration of Main Estimates

Wednesday, March 19, 2014
7 p.m.

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Second Session**

Standing Committee on Alberta's Economic Future

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Donovan, Ian, Little Bow (W)
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Standing Committee on Alberta's Economic Future

Participant

Ministry of Infrastructure
Hon. Ric McIver, Minister

7 p.m.

Wednesday, March 19, 2014

[Mr. Amery in the chair]

**Ministry of Infrastructure
Consideration of Main Estimates**

The Chair: Okay. Good evening, ladies and gentlemen. Thank you for being here this evening. I would like to call this meeting to order. The committee has under consideration the estimates of the Ministry of Infrastructure for the fiscal year ending March 31, 2015.

I would ask that we go around the table and introduce ourselves for the record. Minister, when we get to you, please introduce your staff.

I'm Moe Amery, MLA for Calgary-East and chair of this committee.

Mr. Fox: I'm Rod Fox, MLA for Lacombe-Ponoka and deputy chair of this committee.

Mr. Strankman: Good evening. I'm Rick Strankman, Drumheller-Stettler.

Mr. Rogers: George Rogers, Leduc-Beaumont.

Mr. Bilous: Deron Bilous, MLA, Edmonton-Beverly-Clareview.

Mr. McDonald: Everett McDonald, MLA, Grande Prairie-Smoky.

Mr. Anglin: Joe Anglin, MLA, Rimbey-Rocky Mountain House-Sundre.

Mr. Dorward: David Dorward, MLA for Edmonton-Gold Bar.

Mr. Hehr: Kent Hehr, MLA, Calgary-Buffalo.

Mr. McIver: Ric McIver, MLA for Calgary-Hays, Minister of Infrastructure. I have with me on my right Marcia Nelson, Rod Skura, and Faye McCann. Other staff that are in the room, I'll just ask you to wave at everybody, if you don't mind, when I say your name: Mr. Dave Bentley, Mr. Brian Fedor, Mr. Neill McQuay, Ms Sharon Lopatka, Mr. Vince Farmer, Ms Kathryn Perepelecta, Ms Judith Wright, Mr. Murray Johnson, Ms Lennea Oseen, and Mr. Cody Verbeek. I'd like to thank all them for being here.

The Chair: Great. Thank you, Minister.

Mrs. Sarich: Good evening and welcome. Janice Sarich, MLA, Edmonton-Decore.

Mr. Stier: Hi. Good evening. Pat Stier, MLA, Livingstone-Macleod.

Mr. Barnes: Drew Barnes, MLA, Cypress-Medicine Hat.

Ms Kubinec: Maureen Kubinec, MLA, Barrhead-Morinville-Westlock.

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

Mr. Donovan: Ian Donovan, Little Bow.

The Chair: Thank you.

Mr. Lemke: Ken Lemke, Stony Plain.

The Chair: Anybody else joining us via teleconferencing? No? That's good. Well, thank you very much.

Ladies and gentlemen, please note that the microphones are operated by *Hansard*, and we would ask that BlackBerrys, iPhones be turned off or set to silent or vibrate and not placed on the table as they may interfere with the audiofeed.

Hon. members, as you all know, the Assembly approved amendments to the standing orders that impact consideration of the main estimates. Before we proceed with consideration of the main estimates for the Ministry of Infrastructure, I would like to review briefly the standing orders governing the speaking rotation. As provided for in Standing Order 59.01(6), the rotation is as follows.

The minister may make opening comments not to exceed 10 minutes. For the hour that follows, members of the Official Opposition, the Wildrose, and the minister may speak. For the next 20 minutes the members of the third party, Alberta Liberals, if any, and the minister may speak. For the next 20 minutes the members of the fourth party, the NDs, if any, and the minister may speak. For the next 20 minutes the members of any other party represented in the Assembly or any independent members and the minister may speak. For the next 20 minutes private members of the government caucus and the minister may speak. For the time remaining we will follow the same rotation to the extent possible; however, the speaking times are reduced to five minutes.

Members may speak more than once; however, speaking times are limited to 10 minutes at any one time. A minister and a member may combine their time for a total of 20 minutes. For the final rotation, with speaking times of five minutes, once again the minister and a member may combine their speaking time for a maximum total of 10 minutes. Members are asked to advise the chair at the beginning of their speech if they wish to combine their time with the minister's time.

The chair acknowledges that this is a new procedure, and if members have any questions regarding speaking times or the rotation, please feel free to send a note or speak directly with either the chair or committee clerk about the process.

Three hours have been scheduled to consider the estimates of the Ministry of Infrastructure. With the concurrence of the committee, I will call a five-minute break near the midpoint of the meeting.

Committee members, ministers, and other members who are not committee members may participate. Ministry officials may be present, and at the direction of the minister officials from the ministry may address the committee. Members' staff may be present and, space permitting, may sit at the table or behind their members along the committee room wall. Members always have priority for seating at the table at all times.

If debate is exhausted prior to three hours, the ministry's estimates are deemed to have been considered for the time allotted in the schedule and we will adjourn. Otherwise, we will adjourn at 10 p.m.

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

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

Vote on the estimates is deferred until consideration of all ministry estimates has concluded and will occur in Committee of Supply on April 16, 2014.

With this, I would like to invite the Minister of Infrastructure to begin with his opening remarks.

Mr. McIver: Okay. Thanks, Chair. I'm pleased to present Alberta Infrastructure's estimates for 2014-2015. With me from the ministry are: Marcia Nelson, our deputy minister; Dave Bentley, assistant deputy minister of properties; Brian Fedor, assistant deputy minister of capital projects; Rod Skura, assistant deputy minister of corporate strategies and services; Neill McQuay, chief, strategic partnerships office; Faye McCann, senior financial officer; and Sharon Lopatka, director of communications. Also in the gallery we have several other ministry staff introduced earlier, including some of my office staff.

Mr. Chair, Budget 2014 is the next step in this government's building Alberta plan, and it represents our government's continued commitment to invest in families and communities, live within our means, and open new markets. Through Budget 2014 government remains focused on responsible spending and planning for the future. This fiscal discipline ensures that we can deliver the priority programs, services, and infrastructure Albertans need, creating the quality of life they deserve for today and tomorrow.

About 4 million people now live in Alberta, and we're growing by nearly 300 more each day. Within the next 10 years an additional million people are expected to call our great province of Alberta home, so we need to make sure the right infrastructure is in the right place to meet the needs of Albertans at the right time. That time is now, Mr. Chair. We cannot afford to wait. We need to meet the challenge of rapid population growth head-on. That's why Budget 2014 and my ministry are focused on making smart investments in public infrastructure. Smart investments ensure that we are providing infrastructure in cost-effective, sustainable ways, making certain that Alberta taxpayers receive the best value.

Last year responsibility for the capital plan was transferred to Infrastructure from Treasury Board and Finance. Alberta Infrastructure leads the government's capital planning process, prepares the capital plan, and provides advice and analysis on planning, construction, and capital spending. The 2014-17 capital plan delivers on what's important to Albertans, and we're creating a strong foundation on which our province can continue to grow and prosper.

The 2014-17 capital plan will invest \$19.2 billion over the next three years, providing the public infrastructure our families and growing communities need. This includes building new public infrastructure like schools, highways, and health facilities; for example, \$5.1 billion in municipal infrastructure support through the municipal sustainability initiative and other capital programs, \$5 billion for the provincial highway network, \$2.6 billion to build and maintain existing health care facilities, and \$1.8 billion for school capital projects, including \$1.2 billion for 50 new schools and 70 modernizations.

Other highlights of this plan include significant investments in building and maintaining postsecondary facilities; flood recovery projects, including mitigation to protect Albertans from future flooding; water and waste-water management projects; and carbon capture and storage projects.

7:10

The capital plan also includes taking care of our existing public facilities and infrastructure. We are investing more than \$1.6 billion over the next three years to maintain and extend the life of existing assets such as aging schools, postsecondary facilities, roads, health facilities, water infrastructure, and provincial parks. Because providing public infrastructure does not always mean building new, Mr. Chair, modernizing or renewing existing public infrastructure is a great example of government's capital plan and of its responsible, strategic focus. By making the best use of

existing assets and investing wisely, we ensure that our families and communities benefit from having the most modern, up-to-date public facilities and infrastructure possible.

Taking a look at Infrastructure's business plan and budget, our core business has been adjusted to reflect Infrastructure's leading role in the capital planning process and our focus on managing the full life cycle of public assets. Supporting the two goals of our business plan, Infrastructure's budget this year is about \$1.8 billion.

Goal 1, innovative public infrastructure solutions that provide value for Alberta's communities, reflects Infrastructure's role in the planning, design, and construction of public facilities to support the delivery of government programs and services for Albertans. This includes working with partner ministries and stakeholders such as school boards and Alberta Health Services to ensure that families and communities have access to the top-notch facilities they need. To this end, Infrastructure's capital budget is about \$1.1 billion, an increase of about \$447 million, or 64 per cent, from the 2013 forecast mainly due to cash-flow adjustments to better reflect when money will be spent in the project schedule.

Of the \$1.1 billion in our capital budget more than \$800 million is going towards health facility capital projects and health facility maintenance and renewal. Some of these health facility projects include the continuing care capital program, the Edson health care centre, the Grande Prairie regional hospital, the High Prairie health complex, Lethbridge Chinook regional hospital, the Medicine Hat regional hospital, and Strathcona community hospital in Sherwood Park.

While capital funds may remain in the budget of some ministries like Education, Alberta Infrastructure oversees the delivery and construction of capital projects such as schools. For example, throughout Alberta 155 school projects are under way. This includes 22 new schools and 13 modernization projects, most of which are expected to be completed for students this fall. As Premier Redford promised, work on building 50 new schools and modernizing 70 others has begun. By 2016 these 50 new completed schools will create about 38,000 new spaces for Alberta students throughout the province. And the 70 modernized or replacement schools will house about 48,000 improved student spaces.

Infrastructure also oversees the delivery and construction of government-owned infrastructure projects, and Budget 2014 allocates about \$230 million for projects, including the Royal Alberta Museum and the federal building.

The Chair: Minister, you have two minutes left.

Mr. McIver: Thank you, Chair.

Goal 2 of the ministry's business plan, safe and sustainable public assets contribute to Alberta's prosperity, reflects our responsibility to maintain and preserve government-owned and leased properties in an efficient, safe, and sustainable manner. Infrastructure's budget supporting operations is \$551 million, a decrease of about \$106 million, or 16.2 per cent, from 2013-14 mainly due to lower cash-flow requirements in 2014-15 for the floodway relocation program. The operational budget includes day-to-day operations of about 1,600 government-owned buildings, leases, staffing, the operation of Swan Hills Treatment Centre, and the floodway relocation program. Ensuring that high environmental and energy efficiency standards are in place and working to further our green efforts, the ministry maintains a strong focus on incorporating best practices in energy, water, and waste-water reduction within our existing commercial buildings as well as new construction.

For example, Infrastructure purchases 100 per cent of government's electricity requirements for government-owned facilities connected to the grid from green power sources, avoiding more than 150,000 tonnes of greenhouse gas emissions. Infrastructure has clearly defined goals that make the province a leader in providing and managing innovative, high-quality facilities. These facilities have a direct and meaningful impact on Alberta's economy and in enhancing Albertans' quality of life today and tomorrow.

As we go about our business, our top priority will be providing safe, adaptable, and cost-effective health, learning, and other public infrastructure required to meet the needs of Albertans today and tomorrow, our building Alberta plan. With upwards of a hundred thousand people coming to Alberta each year, we need more roads, more schools, and more hospitals. I don't ever want to see the day when people stop coming to Alberta because there are not enough schools or hospitals or facilities to meet their needs. With this government, under the building Alberta plan, that day will never come.

Now, Mr. Chair, I will be happy to take the questions that people have.

The Chair: Thank you. Good timing, Mr. Minister.

It's my understanding that Mr. Barnes will be leading the questioning on behalf of the Wildrose caucus.

Mr. Barnes: That's correct.

The Chair: You have one hour, sir. Would you like to go back and forth with the minister?

Mr. Barnes: No. I'd like to do 10 and 10.

The Chair: Minister, are you agreeable to that? You both have to agree, actually.

Mr. McIver: I'm your huckleberry.

The Chair: Okay. All right.

Mr. Barnes: We're good with that? Okay. Thank you.

Thank you, Minister McIver, and thank you to all the Infrastructure staff for the work you do for all of Alberta and all of Alberta's citizens. It is appreciated. I want to start on page 119 of the estimates. The PC Party when the budget was presented used the words "cautious" and "responsible" several times. Minister, you started your words with the phrase "live within our means." When I look at the estimates compared to last year, you know, unfortunately, all that I see is increasing numbers across the board. Of course, we've talked about and know that our province is on pace to be \$21 billion in debt by 2016. In the back of my mind a large part of the reason that we have to borrow for capital debt is because our operating debt has increased so much.

My first question to you would be: do you think that this document that you've delivered has the least amount of fat possible? Is it the most efficient and effective budget for Albertans and especially the future generations, that will have to pay this \$21 billion back for us?

The 2012-2013 budget had about 482 and a half million dollars put towards operational spending, again from the estimates on page 119. In 2013-2014 it increased by almost 5 per cent, to \$508 million. Now, this year, we've increased by almost 8 per cent. That's an 8 per cent increase at a time that population growth and inflation is only at 5.1 per cent. So here we are at \$551 million for operational expenditure. Does that 8 per cent reflect the leanest

budget that you could have produced? Why are we having trouble holding the line on the operational spending? That's one of my concerns. What kind of increase should taxpayers expect next year? Again, my concern is that this is what is causing us to need to borrow at the other end.

The building Alberta plan to build more critical infrastructure that Alberta needs. Again, I have some concerns with, you know, the bureaucracy in the department, that inefficiencies grow and what that means. I especially have some concerns, and I'd like your opinion, about whether an 8 per cent increase in this spending will be inflationary on the rest of Alberta's construction users, people that need to rely on our construction industry. I'm wondering very much if you think we have the capacity in our industry so that this won't snowball into great big increases.

On the subject of building Alberta we found another \$200,000 in a FOIP that we did, that Alberta Infrastructure spent another \$200,000, bringing it to a total of about \$2 million that has been used to promote the Infrastructure plan of this government. Of course, this \$2 million has been spent between your ministry, Transportation, and the Premier's office. That's \$2 million.

7:20

Do you really think that peppering the province with expensive communications media and signs for projects that haven't even started – do you feel that that's an appropriate use of taxpayers' money? An American senator one time told me that it's not Democrat roads and Republican bridges; it's American taxpayers' money. Putting up signs with blue and orange PC colours along with the Premier's name: do you also feel that that's an appropriate use of public funds?

Going to page 120, operational, lines 1.1, 1.2, 1.3, 1.4, and 1.5, much of the operational spending increase has been the ministry's support services. Once again, for the three budget years listed in just this document, your office budget has increased every year, and that's from operational, 1.1. From 1.2 your deputy minister's office has increased every year. Even something like the communications department has seen big increases, line 1.3. Can you justify these increases to your own offices as reasonable expenditures to the taxpayers of the province? Even last year the former minister indicated that he was implementing "a 10 per cent reduction in management" over the next three years. That's from *Hansard* on April 10, 2013, EF, page 112. Given that you have increased management and operational spending across the board, does that mean you are reversing the former minister's plans to cut waste in bureaucracy?

In operational item 1.5, again from page 120, corporate strategies and services has risen 45 per cent this year. Last year item 1.4, strategic services, contained everything from item 1.4, human resources, and item 1.5, corporate strategies and services. Combined, this is close to a 40 per cent increase. Can you please explain the \$5 million, 40 per cent increase?

Still on page 120, item 4. Last year item 4 was labelled Strategic Capital Planning. This year it is labelled Strategic Partnerships Office. When we take a look at the business plan for 2014-17, I note with interest that Infrastructure is now responsible for leading the government's capital planning process, as you mentioned in your opening remarks, so thank you for that. Alberta Transportation used to be in charge of the government's capital planning, then it was both Infrastructure and Transportation, then it was Treasury Board, and now it's back to Infrastructure. Why does the government keep moving this around? Is there a problem producing the capital plan that shows all the infrastructure that's going to be built? Is it best to have this in Infrastructure? Can I hear some of your thoughts on that, please?

Another set of numbers that seems far too high to me are those at line item 7 on page 120, operational; in particular, 7.1, where \$208 million goes towards infrastructure leases. That catches my attention. Can you please explain a little bit more about what properties are currently being leased, the nature of the leases, and where that's at going forward?

Line item 9.1, again on page 120, had a 2013-2014 forecast for the floodway relocation program at a staggering \$137 million, budgeted this year at \$35 million. Why are these costs so high for something that requires no capital spending? Which contracts or positions were created to get that number to \$35 million?

On page 124 of your estimates you have 956 regular full-time equivalents in public servants, an increase of 22 over last year. I note with interest that at different times in the estimates in the past that money is allocated in capital in order to pay for engineering design and planning work like was suggested with the new Whitecourt hospital. Do you not have the capacity in-house to do much of the engineering work so that government does not hire any consultants as shadow bureaucrats? Do you like the idea of using consultants?

From there, I would just like to turn a little bit back to your last statement about a hundred thousand people moving to Alberta every year.

The Chair: Mr. Barnes, you have two minutes in the first 10 minutes.

Mr. Barnes: Thank you.

We have a hundred thousand people moving to Alberta. We've heard so often that they don't bring their schools and their hospitals and their roads with them, but what they do bring with them are their tax payments. Where you live on December 31 is where you pay your tax, and I'm going to bet you that Alberta is a huge recipient as a lot of people come here and pay their taxes to us and join us in our province. I wonder if your ministry, especially now that it's responsible for being the broader ministry that's in charge of more of the infrastructure, has ever looked at what number gets added to the finances every year from these new Albertans and the taxes that they pay. Of course, sometimes just living here one day or one month, that would make a big difference.

I'm also noticing that the strategic partnership office has six staff. Please tell me what this work unit, the strategic partnership office, does. It appears to have a name change. Why a name change? Were these people transferred from Finance and Treasury Board with the transfer in responsibility of the capital planning that you mentioned. I believe it was on page 60 of the ministry business plan?

Then I would also like to get into what we've talked in the House a bit about: using design/bid/build as opposed to so much design/build contracts. I've noticed that some American states have actual laws that before they use design/build, rather than design/bid/build, they have to actually be over a certain threshold like \$200 million. I wonder if your department . . .

The Chair: Thank you, Mr. Barnes. Your 10 minutes is over. Minister, you have 10 minutes.

Mr. McIver: Okay. Thanks, Chair. I appreciate that. I think there was a question about: are we as efficient and effective as we'd like to be? You know what? Close. You know, we always are searching for more efficiencies and effectiveness. We think we're very good, but we don't actually believe we're perfect. We believe that we can always improve, and we'll keep striving to do that. The operating budget in our ministry is basically flat if you

eliminate the flood costs and the work that we're doing there. What else have we got here? Yeah. We are operating with the least fat possible, but we're always looking for more places to take it out because we care about the people who actually own the money that we spend.

Tax increases for next year. Well, we didn't have any tax increases this year, so we don't expect any next year. That's certainly the direction that our government is working in.

Do we think the work we're putting out in the world will be inflationary? You know what? That's predicting the future. It's speculation. We're certainly working with industry. We have an active contractor market. We've taken quite a bit of trouble to talk to industry to make sure that we're in sync with them, particularly with all the school projects coming up. They're telling us – not my words but theirs, and I think they're worth listening to – that they have the capacity and they can do it. What they are saying is that they would like us to get the tenders in their hands as soon as possible so that they can plan for that, and we're working very hard to make that happen.

You asked about communication, about signs. You know what? Albertans want to know what their government is doing with their money. Actually, we get a very good response from people. I'll give you a great example, and forgive me for being a little Calgary-centric. That's where I live, so forgive me. But I still think it applies to other places. When, for example, people with kids go to move into a home in a neighbourhood, I'll tell you that they've learned to ignore the development signs that say: location of future school. Because they don't know whether it's going to be there. But – I'll tell you what – when the Building Alberta sign goes up, they know the school is going to be there, and they know that if they buy a house there and move in with their kids, they can have a lot more confidence that there will be a school there and in a time frame that may even turn out to be to their children's benefit.

What else did you ask here? Okay. Ministry support services. The \$125,000 increase, primarily due to the reallocation of staff and associated budgets in 2014 to support the recent ministry reorganization, will ensure the organization is designed, structured, and aligned properly to fulfill its mandate.

7:30

The \$4.9 million increase that you pointed out is a reallocation of staff and associated budgets from the capital construction program and properties division to this area in 2014-15 to support the reorganization. Examples of what that is doing are capital planning, procurement, capital asset management, and consolidation of IT resources. But there's actually no net increase in the budget to support operational costs of manpower, supplies, and services.

If you look at the same page, line 3, you'll see about a \$5 million decrease that actually reflects the offset, where we moved people within the ministry. So the increase that you pointed to doesn't actually exist; it's just a shifting of resources from one part of the ministry to another. That increase isn't actually one that the taxpayers see per se, or at least they see an offsetting decrease to go with that increase.

Infrastructure is well positioned to achieve the 10 per cent management reduction. We are focusing on the 10 per cent reduction requirement, and we'll continue for the following two years to make sure the target is hit, so we're on track for that.

The strategic partnership office. It aims to develop a common understanding of Alberta partnerships, public-private partnerships, basically looking for new ways and more efficient ways to do business, to deliver better projects, more on time, and get better

value to Albertans. This is actually the strategic end of what we do. We're very proud of them, and we think that the P3 program has been particularly successful in saving Alberta taxpayers money and delivering projects on time and under budget. We're very proud of it, and we're looking to expand upon that success on behalf of Albertans through the strategic partnership office. Again, some staff transferred to the strategic partnership office are from the Treasury Board. To answer, it's part of the plan.

Why does capital planning keep moving around? Because we're being strategic with all the changes in Alberta and what we're doing. We're just trying to provide the best value to Albertans. We're quite pleased with how it's working, and we will never stop trying to improve. Again, in this government, while we think we're doing a very good job, we certainly understand that there is always room for improvement, and we'll always be striving for that improvement on behalf of Albertans.

Leases: \$208 million to Infrastructure leases. What's the nature of it? Alberta Infrastructure owns or leases property for government of Alberta buildings, for our Alberta staff in those buildings. Some of those buildings are leased. That could include office buildings, trailers, warehouses, courthouses, remand centres, and museums. Of course, we in all cases look for the most efficient and best ways to provide those services to Albertans. In some ways and sometimes those efficiencies come from owning the building. Sometimes those efficiencies come from leasing the building. Again, we don't rest on our laurels. We constantly re-evaluate what we're doing and constantly make efforts to make sure that we're providing the best value to Albertans at the best price so that we can provide the best service to them for the dollars that they entrust us with.

The 22 new FTEs are actually for the federal building. It's the caretakers, maintenance, that type of thing. We don't expect that that will actually be a net dollar increase to the budget. To the member that asked the questions: we're in a competitive business. In lots of our government offices we have our own staff, and lots of times we contract out the staff to do the cleaning and the maintenance. But for the same reason, in this building that we're in now and in the Legislature Building, we have government employee staff there. Frankly, it's the competitive nature of the business. It helps us to ensure the privacy of each of the competing parties and their members, including yours, because that's important, too. We've got to protect your privacy. It was thought that doing that, having government of Alberta employees, would in a more solid way guarantee that security. We care about your security, too. We're all working for Albertans, or we should be, right? So that's the reason for that.

The reason, again, why there should be no new dollars attached to it is because there are going to be about 600 people working in the federal building, and some of those people will come out of buildings where . . .

The Chair: You have two minutes.

Mr. McIver: Thank you.

. . . the maintenance and upkeep are contracted out. The reduction in the cost of that will be somewhat equivalent to the cost of the government employees in there. It probably won't be exact, but it will be fairly similar. That's why you see the increase in FTEs but not necessarily an increase in dollars. Of course, we're changing the nature of the way we do it – again, I'll go back – to protect your privacy.

The floodway relocation program: we're funding \$175 million allocated for infrastructure. The majority of demolition is planned for spring and summer. We're doing some demolition in different

areas in Alberta. Part of it is in the Siksika Nation, some of it is in Wallaceville in High River, and that's all part of the floodway relocation program that we're delivering. There's a \$106.6 million increase in the operational vote, primarily due to the anticipated cash flow for the 2013 Alberta flooding, floodway relocation program.

Payback of debt. We have a plan, and we're setting money aside to pay back the borrowing that we do. Really, we're doing business that way because we definitely do want to saddle future Albertans with classrooms for their children, we want to saddle them with highways so that the economy grows and so that people can have jobs, and we want to saddle them with health care facilities. That's what Albertans are telling us is important.

I think that wraps it up. I believe I've answered all the member's questions.

Mr. Chair, I expect that in about four seconds you're going to tell me that my time is up.

The Chair: Excellent. You're done. Thank you.

Mr. Barnes, for the next 10 minutes.

Mr. Barnes: Thanks, Mr. Chair. To the minister: I think the only question that you might have missed or that I missed the answer on was if you've ever considered using a threshold before design/build can be used rather than design/bid/build, where we have more steps. So if you can get to that next time, that would be just fine. I'd appreciate that.

I want to talk about capital spending a bit. I'm still on page 120, line item 4, something called strategic capital planning. It seems to be missing from your estimates on pages 120 and 121. It was there last year. Of course, my belief is that capital planning doesn't require much capital, but the capital plan from 2014-2017 details that there's a line item for strategic capital planning. It has \$30 million assigned this year and \$240 million over three years. As the minister responsible for capital planning, what is that about? Why such a big number, and where can I find this line item in your estimates? Where does it show that \$240 million?

You mentioned the schools, building 50, renovating 70, and I think there are 35 more out there where the promise has been set. With two years since the election, potentially two years to go to the next one, do you really believe that you can complete all these projects within two years? Do you really believe that the capacity is in the industry, that the organization is there?

Next I want to talk a little bit about health facilities, and I'm still on page 120, capital, item 2. I see the item Health Facilities Support. It's up 41 per cent over last year. According to the capital plan 2014-2017 you had \$55.5 million over three years planned for the Foothills medical centre. Of course, we've asked questions and talked about the mould and the asbestos in the Foothills hospital way, way back to 2010, and it was a priority in 2010, at a cost of around \$31 million to \$33 million. For some reason, off your list, it just wasn't a priority in 2011-2012. In 2003 Alberta Health Services had this project as their number 5 priority, and now the cost has escalated to \$43 million, a considerable increase.

Of this \$55.5 million in that capital amount mentioned, how much is dedicated now to the kitchen repairs to remove the mould and asbestos from the Foothills hospital? Do you have a timeline for when this will be completed? Do you have a timeline for when it will be started? And I ask what the other \$13 million is for.

7:40

I want to move next to the South Health Campus in Calgary. Announced in 2005, it had \$500 million attached to it for 350 beds and was supposed to be open in 2010. What we have was

completed in 2013. There are 300 beds, and it cost over \$1.2 billion, again another big escalation, but it is still not done. In this plan I understand you plan to spend \$4.6 million on it. So costs have more than doubled, with fewer beds, and it took three years longer to deliver. We've heard tales of contractors completing one room, only to have to come back a week later, tear out what they did, and make a reconfiguration and reinstallations. I'm wondering what happened in this project. Did scope creep get in the way? Was it not designed and planned properly before it was started? Was it an announcement before the design and the plan were built?

It's big cost escalations, of course, that come out of the taxpayers' pocket or cost us services somewhere else. Why was it built below the number of beds originally announced? That's another situation.

I guess I want to give you a comparable situation to the Medicine Hat hospital. Originally announced by the PC government seven or eight years ago at \$480 million, the next number we heard was \$400 million. It was finally started a couple of years ago, and the numbers were \$200 million and then \$220 million. I'm understanding that that number is starting to go north of where it should be.

I would like you just to comment for a minute or two on ways that you think the taxpayer can get better value, on ways you think your department can get a better handle on these costs.

I have a little bit of a further concern with the South Health Campus in how it has drawn some people away from rural Alberta. I would ask you in your future builds, in your future development in the smaller cities to be conscious about what these megaprojects can do elsewhere and of the detraction they might have.

In 2010 Alberta Health Services proposed closing the Boyle hospital and consolidation to the newer Athabasca hospital. It was priority number 3 on the list, and it would cost \$3 million; \$6.6 million was the price the following year. Today the project remains on hold. How much would closing the Boyle hospital cost today? How extensive have the consultations been with the community? Is this community prepared for the inevitable closure?

Again, in the Wildrose Party we've mentioned many, many times that our preference is a province-wide priority infrastructure list that goes down in order as to where Alberta's taxpayer money is going to be spent. We believe that this would go a long, long way to get better value for the taxpayers. Our construction companies could plan their men, their planners, and their equipment to bid accordingly. Also, I think it would be a lot more of a transparent situation for the government because if the list had to change, you'd have to go to the public and tell them why.

I noticed in the capital plan that you also only have \$800,000 planned to spend this year on the Whitecourt hospital. That's in your 2014 capital plan details on page 5. Last year you were going to spend \$9 million, in 2014, but I see that that's been pushed out to 2015. I guess it's not a priority anymore. We know from Alberta Health Services' capital submissions that although a new Whitecourt hospital was identified as a requirement, it is obviously not a priority to your department. I would ask you why you continue to spend money on projects that are not priorities while ones that are sit around and languish.

I want to talk to you a little bit about the deferred maintenance, which you mentioned. I have that from the estimates, page 120, capital, item 3. If you take a look at the Infrastructure business plan from 2013-2016, not the one tabled March 5 but the previous one, it lists three core businesses, one of which is responsible asset management. Through a freedom of information and protection of

privacy request we discovered that the assets under management in your department suffer from deferred maintenance, maintenance that is not performed when it should have been scheduled to be, put off, or delayed to a future period, of course.

The Chair: Two minutes, Mr. Barnes.

Mr. Barnes: Thank you. It appears that the amount of deferred maintenance as of November 2013 by capital envelope amounts to \$625 million for postsecondary institutions; school facilities, \$817 million; \$345 million for government-owned facilities; health facilities, over a billion dollars, \$1,036,000,000. Do you agree with this \$2.82 billion Infrastructure debt, and how can you feel that that would be responsible asset management?

I also found it ironic that the \$345 million that is deferred maintenance on government-owned facilities approximately equals what has been spent on the federal building in the last few years to try to get that ready. As you know, it has just jumped another \$25 million, to \$375 million, and now won't be open until the spring of 2015. This places the project three more years behind schedule and almost 8 per cent above original project estimates.

With these estimates I would like to ask you how much of your department's deferred maintenance will be eliminated. With the \$1.6 billion that you mentioned over the next three years, I'd like you to comment on where you feel that money might be concentrated and what you think the deferred maintenance amount may grow to over that time period.

The Fort McMurray continuing care centre: I understand from the 2014 capital plan, page 4, that it'll be funded starting this year with \$25 million and totalling \$49 million over three years. This project was recommended in the 2006 Radke report. I'm wondering, again, why it took 11 years to deliver a continuing care centre in this province, especially in such an important city and an important growing area.

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

Mr. McIver: Thanks, Chair. I'll run through the strategic capital planning. It's about \$30 million this year, \$240 million over the next year, and it could be used for matching of the future building Canada fund. Those are some of the opportunities. The first year of the \$240 million can be found on line 3 of page 120 of the estimates.

Schools. Yes, we believe we can deliver. That's what we're planning on doing. We're not pretending it's easy, but the fact is that there are lots of schools being built now. I was in one in Airdrie a week ago Friday that was about 16 months or so into construction, and they're sure that they're going to be done in two or three months. It'll be under two years, as you guys like to say, once the shovel is in the ground. If we're going to hit that, to have at least a couple of years, we realize that we have to get busy and get the tenders out the door. We still have to do that in a way that meets the public interest. We'll do that. Again, with lots of co-operation and conversation with industry, we feel good about that.

Health facility support. There's a plan for Foothills hospital. The kitchen at Foothills hospital does not pose any health risks to the public or staff. We wouldn't allow that to happen. We will continue to monitor that with all the other maintenance that we do, deferred and otherwise, and continue to build things in the priority that is of the greatest benefit to Albertans.

I'll go back here. The federal building, of course, started at \$359 million in 2008 with the initial announcement. We think it'll finish up at \$375 million. There is a bit of an increase over time. Some of it is through surprises from asbestos and supporting some

of the floors. Some are change orders. I know that your party asked for a change order here recently that would have cost at least a hundred thousand dollars and set the project back three to six months. So when you complain about that, you might want to look in the mirror for at least part of the reasons for that.

Of course, your party, when first elected, did complain that this building wasn't fancy enough or didn't have enough space here, so to say that you don't want to be in the federal building are actually hollow words because they actually run counter to what your party said in the past. I'd just remind the chair of that.

The federal building. There's no doubt that it's not the cheapest way to build a building. The government made an intentional decision to protect the history, that you can see the art deco design in that building. It costs more to do that, but we think the history of Alberta is worth preserving, and we made a decision that we stand behind to do that. And there it is. As you say, we hope to have people moving in here by November, December this year and have everybody moved in – I think you were right on this one. We hope to have them all in by the end of the first quarter of next year. That's by spring next year.

7:50

South Health Campus. It's up; it's opening. Alberta Infrastructure took it over from AHS, and we think that we brought some rigour to the project to get it delivered, and I can tell you today that I toured the project, and patients, doctors, and everybody there are very proud of that hospital. It's considered a model, one of the best in the world, one of those ones that people come from around the world to look at because it's so well designed and so well done. So in the time Alberta Infrastructure has had it, we feel like we have brought good rigour to the project and done our best to deliver good value.

The Boyle hospital. Health makes decisions on closing hospitals. We're the mechanic if you will. We're the Bob the Builders. We're the ones that do it, but we don't make the decisions to close hospitals. We deliver the projects on behalf of Health and AHS.

The Whitecourt hospital is a priority. The first step is to complete a business case and functional program. There are \$10 million in planning funds in 2014-17. As the planning gets done, we'll make adjustments. It's a high priority, and we will get it built.

What do we do to control costs? Well, you know what? We constantly re-evaluate what we do. One of things we do, to go back to what you said earlier, is that we constantly evaluate whether we use design/bid, design/bid/build, P3, or other methods of constructing. We constantly re-evaluate because we're never satisfied that we're doing as well as we can, and we'll always continue to do that as we go forward.

Project control costs. We do site evaluation prior to selection, feasibility studies, business-case development, continuous improvement, and, again, we look at all the different variables and factors that go in and try to boil things down to where the taxpayers get best value because that's what our government stands for.

Deferred funding. There is \$1.6 billion over three years to maintain and renew aging schools, postsecondary, health facilities, water infrastructure, and provincial parks. We provide local authorities with the annual funding to do maintenance, repairs, and renovations of their facilities, and decisions on what work is done are determined by the local authority. So Alberta Infrastructure monitors the maintenance and renewal expenditures to ensure that work done conforms to project criteria. And you know what? Deferred maintenance is a reality that we've always had and

probably always will have. This is part of our living within our means. Our government believes that we need to constantly evaluate and stretch the infrastructure to get the best value out of it while guaranteeing the safety of Albertans and the effectiveness of the services we provide. Those judgments sometimes lead to some deferred maintenance, and we manage that on an ongoing basis. Deferred maintenance, by our numbers, is about \$345 million for Alberta Infrastructure owned facilities.

You asked about future years. Sorry, but that's not part of the subject of the estimates of this next year. You know, that might be a different question. Maybe you'll ask me that question in the House one day, and I shall look forward to that.

Fort McMurray continuing care. Well, there are two sites in Fort McMurray we're looking at. We're planning a continuing care centre at Parsons Creek. As you point out, there's about \$50 million – I think you said \$49 million in the budget – and that will be a 100-bed project of 30 long-term beds and 70 supportive living beds. As we talked about in the House today, we're dealing with the federal government. We own 25 per cent of the Willow Square building, and we're working with the federal government to get our hands on the other 75 per cent of that building. We're feeling very optimistic. When we do, our plan is to work with the municipality and the seniors up there to get seniors' housing built up there as promised. You asked why it wasn't done before. I'm not sure that's part of estimates. I guess, you know, the fact is that part of the reason might have been the member of your party that was involved at the time, but that's just speculation on my part, so I'll just leave it right there.

Mr. Anglin: A point of order, Mr. Chairman. We don't need to take that. Standing Order 23 – how about 23(b)(i)? The question under consideration here . . .

Mr. McIver: I'll restate that. There's no point in speculating, and I won't speculate. I withdraw any speculation I made, Mr. Chair.

The Chair: Okay. Thank you.

Mr. McIver: Fort McMurray continuing care is ready to go, and we are planning on getting in the ground. The municipality hasn't approved the zoning, but we are acting like there's no delay, and we are moving forward.

I think I've answered all the questions. Is there more information coming?

Some of the things you asked about along the way. Why did the number of beds decrease? I guess that was just a function of the ongoing planning while the south campus hospital was being built. I can tell you that some of the good work done there is that there are two sections of the building where the foundation is already in, so if that hospital needs to be expanded in the future, it can be expanded. A good part of the heating, water, those types of things, the more complicated hospital systems that deliver oxygen and things to different rooms: for a lot of those things there is a core already there, in the part of the hospital that's standing, that's pigtailed off, if you will, so we'll just be able to grab on to that and provide those services to the other part of the hospital. That includes, I believe, the backup generators, all that kind of stuff. There's some very good planning put into that, and it's making a very positive difference to Albertans.

The health facilities capital budget went up 41 per cent because projects are progressing in some cases faster than they might have, and we adjust the funding to what we think will actually happen. Of course, construction: well, we do the best we can. It can be a little inexact, so we make adjustments in our cash flow from year

to year. We report them in the estimates because we do things in a transparent way.

I believe, Mr. Chair, I have answered all the questions.

The Chair: Thank you very much. Good timing.
Mr. Barnes.

Mr. Barnes: Okay. Thank you, Mr. Minister. Thanks again, Mr. Chair.

The Chair: Your third 10 minutes.

Mr. Barnes: I appreciate it.

I'd like to spend some time talking about P3s. I personally don't think our kids and our grandkids are going to care that the debt that they're paying off was from operation or capital, but what they will care about is that they're the ones paying it off.

I'm on page 121, number 3. You have debt repayment for public-private partnerships, \$540,000. Page 119, financial transactions: your 2013-2014 forecast was 21 and a half million dollars. This year's is \$73,150,000. I'm sorry, but back to page 121, number 3, capital plan debt servicing, at \$170,000. The first question I'd like to ask. I understand in the bundle of 13 school P3s that Clark Builders was awarded, which were announced before Premier Redford's promise of the 50 new schools, there were three bidders, two unsuccessful bidders, and I understand that the two unsuccessful bidders were paid out for their losing bids. I would like to know about the amount that they were paid out, okay?

[Mr. Fox in the chair]

Secondly, from there what I want to talk to you about is what, in general, is the risk transfer. Leo de Bever, of course, the CEO of AIMCo, manages the heritage trust fund for us. At the government of Alberta economic summit at the U of A a few short months ago, if I can characterize his statement correctly, he felt that the risk was not sufficient enough in schools and the risk transferable was insignificant to put them out to P3s and had kind of a suggestion to the government that bundling up 13 or 19 schools wasn't the way to do it. Of course, it was in the media a bit for the last little while that the last request for a proposal for the 19 new schools with a P3 only had one proponent. Gracorp Capital Advisors, Graham, and Plenary Group were the only people that responded.

Three other things that come to mind. In my discussions with people in the construction industry, they were telling me that they were telling the government of Alberta and the Infrastructure department that there wasn't capacity in the industry to take the package of 19 schools. They were saying that it just wasn't possible, and they didn't want to handle it and felt they couldn't. I guess that's possibly why we only had the one bidder.

8:00

An internal memo from Deloitte, October 21, 2013, identified the slim margins, the robust construction market, and that the idea of the design/build finance and maintenance package was too large and that it was chasing firms away from large P3 school bundles. Deloitte and the industry suggest putting two or three schools into design/bid/build packages based on location.

Mr. Minister, what's also interesting to me is that I've talked to several builders in Alberta, and there appear to be several builders that would love the opportunity to bid on packages of one, two, or three. If we increased from one bidder on the big package of 19 to several bidders if we bundled them in packages of one, two, or three, I cannot imagine how the Alberta taxpayer, the Alberta

citizen, would not get more value. It, again, seems to be in the proof that we only had the one responder.

[Mr. Amery in the chair]

I want to talk to you a bit about the risk transfer. I understand that when you look at projects, whether you decide to do them P3, privately, compared to building them yourself, you look at a public-sector comparator. I'm trying to get a handle on what you feel, again, is fair. How do you assess, how do you value that risk, the value for money and the reports that come out? How do you determine, in your mind, how you pass that risk from the public to the private?

Again, Dr. de Bever, if I remember his comments correctly at the government of Alberta economic summit, felt that that risk couldn't be transferred, that it was small and insignificant, anyway. As the people of Alberta, the government of Alberta, we will always be in the business of educating our children and owning schools, and he felt that there couldn't be a way that the government could do that and potentially save money in the long run. I also suspect that if there was, possibly the heritage trust fund would be investing in that instead.

I'd like you to comment a bit about some other things I've heard. I've heard that on big P3 packages of schools change orders are totally inefficient and totally ineffective. I've heard of many instances where local contractors have needs in their schools, have suggestions, have ways that they want to do it. But not being allowed in, not being allowed to make these changes – the case of air conditioning changes is an example in some communities – that ultimately have to be made, not allowing this in the contract up front would obviously cost money down the road or an imperfect addition to one of the schools, which could cause other design problems or maintenance problems later on.

I'm also hearing that possibly some of these P3 packages, because they're owned by a consortium for the 30 years until they turn them over to us, don't become as fully community focused as they could: not eligible for other community groups, not eligible especially in smaller communities, where the school can be the lifeblood of a community like a hockey arena can. I wonder if that is accurate, I wonder why that can't be put in the contract, and I wonder why we haven't looked at that in some ways.

When I toured Alberta a short time ago – I did seven days, 7,000 kilometres – I heard of an instance where a community wanted to build a school in conjunction with a supermarket, and the beauty of that, as it was explained to me, is that there are 30 skilled trades in the supermarket that the students could have apprenticed on, worked on, looked on, took on an idea to possibly do that. I wondered if your department has ever considered that.

Especially when it ties to P3 in this debt, you know, any information that I see shows that our borrowing is some side of 3.5, 3.6 per cent on this, with no idea what our maintenance costs are. To be honest, I'm very, very concerned about the political element in this. I've heard it said that because the contractor, the owner of the P3, has to perform for 30 years, if they don't, they just won't be paid at some point. But I find that possibly in the real world politically that's not what happens. There's always a reason or excuse, or something else happens. I'd appreciate your comments on that. If I remember right, the southeast portion of the ring road in Calgary was delayed for a month or two, and I wonder if that company really, ultimately, paid the penalty or if it'll just be tacked onto the end of the 30 years. I wonder if the taxpayer was really protected in the way that that contract was structured.

I think the one question that's still out there is that I have read some stuff where in some states they only allow design/build to be used if it's over a certain threshold like \$100 million, \$200 million, \$300 million. What I've read is that it's less if it's technology equipment. The amount is not crucial, Mr. Minister. I just wondered if you've ever considered that.

The Chair: Sorry. You have 30 seconds left.

Mr. Barnes: Okay. No problem, Mr. Chairman.

One question. In March 2013 the Premier announced the approval of the Calgary cancer project, with an estimated cost or value of over \$1 billion. I'm wondering when construction is expected to begin on that, if you have more concrete plans and a cost estimate. I see that \$20 million is budgeted this year, ramping up to \$160 million over the next three years. Is that . . .

The Chair: Okay. Thank you, Mr. Barnes.
Minister, 10 minutes.

Mr. McIver: Okay. Well, thank you. I have to say, hon. member, that almost all your questions were either based on policy, which is outside the scope of this meeting, or on hearsay. I quote you saying: I heard, I heard, I've heard. So that's where I come up with hearsay, just so you know. Based on that, there's almost nothing I have to answer here. Having said that, you're a pretty good guy, we're all here together, and you can hear me talk about nothing, so I'll do my best to answer some of your questions although you didn't really ask a single one that I actually need to answer. But I'm going to try anyway. How's that?

The cancer centre, again, is beyond the scope of this thing or, at least, beyond what's in here, but that might be the one. We're planning to have that opened 2020. That's the goal, 2020, 2021. That's the construction that we hope to have beginning in 2016. Okay? I think that one was a solid gold question, so we'll answer that one first. Okay?

You asked about the capital construction program. There's \$540,000 relating to the commencement of the principal repayment of the Evan-Thomas water and waste-water treatment facilities, the treatment facilities being delivered using a public-private partnership approach. Of course, those payments start typically on P3 program projects after the project is completed. It's line 3 in the estimates, I'm told.

On the ASAP 3 schools: there were three bidders before paid out for unsuccessful bids. It was an honorarium to help cover the costs, and that was just the way the package was put together. So there's no surprise there.

Deloitte did the report you talked about. You talked about three factors for low participation. One is that Alberta is a great place. Under this government and with 4 million industrious Albertans: that combination makes this a great place to live and come to do business. So there are times when there's limited constructor and subtrade capacity. Frankly, one of the issues that Deloitte points out is that our government has done such a good job at getting a good value for Alberta taxpayers that the industry complained of low margins on the P3 contract. Essentially, we were kind of victims of doing too good a job for the taxpayers. Some people didn't want to bid on it because they couldn't make the money that they wanted to.

8:10

Having said that, if nobody bids, we recognize that's an issue, which is why we've gone out and made a point of talking to industry and had a meeting in Edmonton with about 77 contractors or representatives, had about 110 in Calgary. We're talking to

people in between. We're finding out that if we do a few things a little bit differently, they're still very interested in bidding on P3 packages if we bring them out with some changes that they feel will give them a chance to have the labour available to make a decent amount of money while they're at it. So we are already active in talking to the industry to make sure that we keep them interested, because the P3s have been very strong in providing value to the taxpayers.

School package bundles: we are considering one of the suggestions that you said, after hearing from the industry, of looking at different sizes of bundles, because we heard that many contractors would like smaller bundles than the ones that we have used in the past.

Basically, we use P3s because they get a great deal for taxpayers. You know, I will say that when a contractor builds a P3 and they are on the hook for all the maintenance and all the care of the facility, whether it's a highway or a school or whatever, for 30 years, they're severely motivated to build it right in the first place. Severely motivated. Of course, there's a bunch of capital they put into it that they don't get paid out till after the facility opens. There's not even a motivation for them to build it, collect their last cheque, and run away, because they still need those cheques over the 30 years to recover what they got in the first place. So there's really very little motivation for them not to build the project to the very best of their ability in the first place. The upkeep of it is at their cost, so if you've got to pay for upkeep something, there's a good chance that – if you've got to keep the fence painted, you might put really good paint on it the first time so that you don't have to paint it so often, to use an analogy. It's not exact, but it illustrates the point.

Common P3 facts. Well, the fact is – you know what? – that at the end of the day, it's value for money. It's just a matter of us looking, working with Education and Transportation, and talking to our stakeholders – the school boards, the people that use things – to make sure that works. We've had some learnings along the way. We probably think we're getting better at working with the school boards after these schools are open, making sure that the conditions of the contractor are conducive to making all of that work. Actually, our Education minister has been pretty active in looking forward to make schools hubs of the community. We've been actively doing that.

You asked about P3 school complaints. You know what? When we have concerns in any process, we essentially go and talk to our partners in the process, whether it's the school board or whatever, and find out what we need to do. In fact, when we have those complaints, we go back to the proponent and try to work those things out, and we've been pretty successful.

With the ring roads and paying the penalty, I'm pretty sure that that was deducted right on the first month or two or, whenever the payments were. They lost that money right off the top. Actually, they didn't lose the money; that money was not due to them. That payment was actually part of their contract to deliver the project, and those payments weren't made to them until they delivered the project, so they missed those payments, and missed is missed.

Innovative approaches to schools. Well, you are talking to the right government. We are working very hard to be innovative working with schools. I can tell you that we have people from Alberta Infrastructure – I'll give you a bit of an anecdote, if you will, but it's true. I witnessed with my own eyes as we had a staff member of ours work with schools that we are remodelling in southern Alberta. When I went down to talk with people and do the announcements, I can tell you that those people were so happy with our staffer. I'll tell you that everywhere she went, she got hugs. They didn't care whether I was there or not. Yeah, they did,

but they cared a lot more that she was there, because they knew her. She'd built up so much trust. What people told me from the school boards is that the conversations she had with them about what they could expect is actually what was in the announcement, in a very close alignment.

I would say that our success is due in large part to our good staff listening to Albertans and our government acting on the advice of our good staff that have been listening to Albertans. We don't think that as a government we have all the answers. When we go out to do something for Albertans, we actually try to take the time to talk to Albertans to find out what's important to them. Before we spend their money on their project, which is for them, we think it's really important to know what they want and to match it as reasonably as we can, you know, while living within our means while delivering those things.

I think one of the first things you talked about was the P3s and the kids growing up. Well, I'll tell you what. In the example of schools, I'm not sure the kids are going to do better if they grow up without schools. I think they're going to be much more successful if they grow up with schools. We try to provide that instead of making them wait to start school until they're 16. We like them starting grade 1 at six, not 16, so we're not going to do that.

The other principle about it, too, that really matters is user-pay. When you talk about a P3, I guess roads or schools, people driving on the roads for the next 20 or 30 years are paying for them. It's user-pay. The same ones paying for it are the ones using it. If you pay cash, everybody in 2014 pays for the school or road, and everybody else gets a free school or road for the next 20 years. You know, for a conservative party like ours, that actually considers the value of user-pay . . .

Mr. Anglin: A point of order, Mr. Chairman, please, if I may.

The Chair: Citation?

Mr. Anglin: Standing Order 23(b)(i). The question under your consideration right now is the question of budget, not about the party. He can address his answers to the question under consideration.

The Chair: Okay. Mr. Minister, could you address the question that has been directed at you?

Mr. McIver: I did. I said that our conservative party believes in the value of user-pay in some cases, and this is very consistent with that, Mr. Chair.

Mr. Anglin: It's not about any party; it's about the budget under consideration.

Mr. McIver: Chair, our conservative government . . .

The Chair: It should only be about the budget of the ministry for 2014-2015. Thank you very much.

We had a very interesting first hour. Now we will go to the Liberal caucus and Mr. Hehr for 20 minutes.

Would you like to combine your time with the minister?

Mr. Hehr: Well, thank you very much. Yeah, we'll go back and forth. You know, as long as the minister is respectful of my time and I'm respectful of his, I think that'll be great.

The Chair: Okay. Minister, are you in agreement to go back and forth with Mr. Hehr?

Mr. McIver: Yeah.

Mr. Hehr: Fair enough. I'll just comment that that was an interesting last exchange. To be honest, I'm not going to use any labels, but it seems like there's more intergenerational theft going on, having spent all the oil wealth in one generation and now going \$21 billion in debt. But what do the heck do I know? I just look at the numbers and look at what's happened.

What I'd like to actually talk about here is the building of schools in this province. In the throne speech that just happened last week – and again I hear the numbers reiterated by the minister here tonight. A curious number has come up now twice. It's 86,000 school spaces. I note that that's different than what I saw was happening, I guess, in the election campaign of 2012 although we're going to get . . .

Mr. McIver: Chair, I don't mind, but are we going to talk about the election campaign, or are we talking about the estimates?

Mr. Hehr: No, we're not. We're going to talk about the 50 schools.

Mr. McIver: I let the theft thing go by, which is out of line, but I'm only so generous, Chair. You know, I'm a pretty nice guy, but . . .

The Chair: May I ask you to focus on the estimates that are before us, the estimates of the Ministry of Infrastructure for the year 2014-15. We're talking about the future. We're not talking about the past, okay? Please focus on the estimates that are before us.

Mr. Hehr: Eighty-six thousand school spaces: where do you get them?

Mr. McIver: I think I read that fact, I'm pretty sure, in my opening remarks. I'll just look it up for you, if you give me a second here, and reference it. From the 50 new schools there will be about 38,000 new spaces, and in the 70 upgraded schools about 48,000 spaces.

Mr. Hehr: No. There were, I think, 78 modernizations and 22 new schools that will be built before 2016. I will note that there were 22 new schools. Will you confirm that none of those 22 new schools, that will make 38,000 square spaces, are Stelmach schools?

Mr. McIver: Actually, they're Albertan schools, respectfully. The 38,000 new spaces are in reference to the 50 new schools. Respectfully, hon. member, I read my notes, I think, in this section verbatim. They're right in front of me, so I'm feeling reasonably comfortable I'm quoting to you accurately. If you'll allow me, I'll read just those two sentences and try not to take too much time.

By 2016 these 50 new, completed, schools will create about 38,000 new spaces for Alberta students throughout the province. And the 70 modernized or replacement schools will house about 48,000 improved student spaces.

8:20

Mr. Hehr: Okay. Well, tell me how these 50 new schools are going to be built magically before 2016.

Mr. McIver: Well, they won't be built magically, I can tell you that. That's not how things happen.

Mr. Hehr: Then tell me how.

Mr. McIver: Well, like I said, we've been talking to industry, and we're working with them to look at the size of packages. We're going to consider innovating with things like modularization, to consider modular things, to work with industry to consider the size of the packages that go out. I think we heard from industry that smaller packages could interest more contractors in bidding on them, so we'll be able to use both big and small contractors.

Mr. Hehr: Is it fair to say that no decisions have been made about the 50 schools on how they're going to be built?

Mr. McIver: Yeah, that would be fair to say, that there is no final decision made on how they'll be built. Yes, sir. We're working with industry and ironing out what we think is going to be the best plan for Albertans and to get them done on time.

Mr. Hehr: In your department's experience how long does it take to build a school?

Mr. McIver: I recounted an example where I was in a school in Airdrie a week ago Friday. The school in Airdrie, they told me on the site, had been under construction for 16 or 17 months. If I'm out by a month, I'll ask you to forgive me, but it's right in that range. They expect to deliver that school to the school board in two or three more months, well within two years of the construction itself. When you count backwards, and I'm not trying to take your time here, from June, July, perhaps August 2016, we get people in the ground – in the example I gave you, it's about 20 months. So if we get people in the ground this summer, then there's a credible opportunity to get those schools delivered on the schedule that we want to, not a guarantee, because it's construction, but a credible, legitimate estimate of meeting our goal.

Mr. Hehr: Okay. I believe the estimated cost of these 50 schools was \$2.4 billion. Is that still your department's estimate?

Mr. McIver: In that neighbourhood. Of course, we can't know exactly until you get the tenders out the door.

Mr. Hehr: You and I agree on that. There we go.

In your budget you only have \$1.2 billion budgeted for these projects. Is that correct?

Mr. McIver: Yes, that's right. That's the line item right now.

Mr. Hehr: Okay. So despite the fact that you tell me that these 50 new schools will cost \$2.4 billion, despite the fact you only have \$1.2 billion budgeted, you still tell me these 50 new schools are going to be built by 2016-17 when the budget money is not even there?

Mr. McIver: Well, we don't know actually what the budget money needed will end up being. That's particularly because we don't know what the contract form will be. If, for example, we do a bunch of them on P3s, as we pointed out earlier, some of those payments will be out over 30 years, including the maintenance and upkeep. But more to the point of what you're talking about – and I'm not trying to deflect it – part of that will be part of the capital payment. At this point there's no way to say exactly what the cash call will be during those years, because until we get the determination whether it will be a P3 or another way of building it, there's no way you can put your finger exactly on what that number will be. Further, you can't put your finger on it simply because the tenders aren't out and back yet.

Mr. Hehr: With the deepest respect, it sounds like you don't have a clue how these schools are going to be built, but I digress. I'll keep going.

Mr. McIver: Respectfully, that's just not so. We are working with the industry on various options: design/bid/build, design/build, government deliver, P3s, the board deliver maybe in some cases, different sizes of bundles. So when you say, "you don't have a clue," it's not a fair comment. We haven't decided yet. That's much different than not having a clue.

Mr. Hehr: When do you do think we'll have a decision made by your department on how you're going to go forward with these schools?

Mr. McIver: Well, as I said, our objective is to be in the ground this summer, which means that we are – soon. Soon was just written to me. Believe me; when I say that our ministry is working hard and diligently, both within the ministry and with industry, getting advice on what procurement plans will get this in place, I mean it. So, again, we'll have to get tenders out this spring or summer in order to get people to be able to close the tenders and get in the ground this summer or fall. That's exactly what we're working towards, and I can assure you that people in my ministry, including the ones in this room, know with great certainty that that's the expectation and that's the plan.

Mr. Hehr: That's good.

Can I hear where we are on the – my understanding is that we hit the request for proposal stage in 2013. When does the RFP, RFQ process line up? I looked at the documents that were provided by your ministry and on your website. You're not even supposed to wind up picking P3 partners, if you do, until September of next year. Is that the case?

Mr. McIver: No. I think we have got to make the decisions quicker than that. In fact, I think June is the date of this year that we're expecting. That's for the 19 P3 schools. Is that what you're referring to?

Mr. Hehr: Yeah.

Mr. McIver: Okay. Not trying to be difficult, just clear. On those 19 schools June is the time frame when we expect to pick that partner, June of this year, sir.

Mr. Hehr: So have you made up your mind, then, to go forward with 19 of these being P3 schools?

Mr. McIver: Yes. The short answer is yes.

Mr. Hehr: Okay. Then can I ask: how many different groups have put in bids so far?

Mr. McIver: On those 19, well, as was discussed, there was one proponent for that package.

Mr. Hehr: One bid.

Mr. McIver: Yes, sir.

Mr. Hehr: Okay. Are you seeking more bids on that?

Mr. McIver: No. We've gone through a process like we always do to make sure with a P3 that we can demonstrate that the taxpayers are getting good value for the money spent. You know, we don't consider it ideal that we had one bidder. We'd obviously

prefer more than that, but it was a careful review, and we decided to proceed with the single qualified proponent. Build to Learn is the outfit, and we've gone through a fairly, we think, rigorous evaluation. We've used internal audit services to review the process undertaken to support the value-for-money assessment included in the business case. Infrastructure has also advised the office of the Auditor General of the procurement strategy to make sure the Auditor General was comfortable with it. Having received favourable replies and having received favourable results in, again, what we think is a pretty rigorous evaluation process, we're going to go ahead. The P3 process, the way we do it, is very disciplined. It deals with value for money. It uses market comparators. We employ third-party review. We don't take this lightly. I think your question is great is what I'm trying to say, and we don't take this lightly.

Mr. Hehr: I understand your ministry's view of P3s. We don't need to go into that further.

Now, let me ask. That means 31 of the schools, the rest of the schools, are traditional build, and that's where we are on those. That will come out of, then – is all the money for those 31 builds contained in this budget, or for those 31 builds do you have to find the money in the cushions of the Legislature or some other place?

Mr. McIver: No. For the 50 and 70 new schools and during the 2014-15 period, which is what we're actually talking about here tonight, all the money that we'll need is in the budget, yes. No matter what form of contract we do, whether it's P3 or otherwise, all the money we need in 2014-15 is in the budget.

What we don't know is what the cash-flow requirements will be in the years out from that, and that will grow out of the decision that we make, whether the form of the contract is P3 or design/build or design/bid/build or whatever. Until that determination is made and the tenders go out and come back, that answer doesn't exist, which is why we don't have it for you.

Mr. Hehr: Thanks. That helps me a little bit.

Now, you were talking about your partnerships with the school boards and some of their comments, so I'll bring them up here as you brought them up. Do you know that school boards in the main don't appreciate the P3 process because they're not in charge of their own school and cannot really create community hubs out of them because they're not in charge of their own buildings? Were you aware that that's consistently what I hear from your school board partners?

8:30

Mr. McIver: Some school board partners feel that way, yes, and we do our best to work with them to make sure that when the school is built, it's of great value to them and great satisfaction to them for years to come. I know everybody likes to control things along the way, but we have a duty to get good schools delivered that can educate kids for years and to get them delivered on a schedule. We work with school boards as best we can. I can tell you that school boards make the programming decisions in the schools, not us. I can tell you that I actually looked at a P3 school in Calgary that was just opened a couple of years ago, and the principal and teachers are extremely happy with it. I know that in some cases the boards want more control than the P3 process gives them, and we deal with that the best we can.

Mr. Hehr: I'm just glad that you're aware that there are different comments about your government's support of their school building and P3s than what you alluded to earlier.

Mr. McIver: In this room, in fairness, there are different comments.

Mr. Hehr: You were talking about your partners at school boards, so I just wanted to let you know that there's a difference of thought, depending on the school board people you talk to.

Nevertheless, here's my real concern. Given that the recent new schools announced by your government have an average opening capacity of 690 students per school and given that the education system will have approximately 58,000 new students by 2016-2017, the education system as a whole will require approximately 84 new schools completed and open for operation by 2016-2017, okay? That means that even with your 50 schools, despite what you've told me, I have no confidence in your government's ability to secure them before 2016.

Mr. McIver: You should. Where's the faith?

Mr. Hehr: Is your government aware that we're not even keeping pace with schools?

Mr. McIver: Listen, we know that Alberta is growing very fast. We know that if we were to pick a number, for example, like 10 schools a year, it would never be enough. We work with the school boards to put as many of the new kids in schools into the spaces that exist now. We're committed to using modular classrooms as a tool to help schools out. You know, we got 108 modular classrooms constructed and installed throughout the province in time for the 2016 school year.

Listen, we don't hide the fact – we haven't in the past and we aren't now – that this is a struggle, which is why we make the decisions to provide those school spaces when they're needed. If that requires, for example, borrowing some money to do it – the alternative is to not provide the spaces, and we think that'll kill Alberta when there are no school spaces. So we're working hard, and if you're pointing out to me that it's a challenge to keep up, I agree with you.

Mr. Hehr: You'll get no issue with where we are, of not going in debt. I think going into debt makes reasonable sense given where we are and given the financial mismanagement and intergenerational theft that we've gone through.

Mr. McIver: Okay. Mr. Chair, you know what? I let that go by once because I'm a nice guy, but I don't think this is the place for people to accuse each other of theft.

The Chair: Please, can you withdraw what you just said?

Mr. Hehr: Yeah, I'll withdraw that comment and refer to it as our unreasonable reliance on spending the royalty wealth of one generation. I think that's more clear.

The Chair: Thank you. Let's be respectful of each other here.

Mr. McIver: That's a policy difference. I'm happy to hear a policy difference.

Mr. Hehr: Okay. Fair enough.

Mr. McIver: Happy to hear it.

Mr. Hehr: And that was probably more fair of me. I apologize, sir.

All I'm saying is that it appears that we have known we've been on a growth curve since – I've heard that excuse since 2000, and still, you know, we've gone on a policy of not being able to catch

up, not being able to do anything. The excuse is getting, I guess, thin, from my view.

In any event, Mr. Chair, I'm done.

The Chair: Well, thank you very much.

Mr. Minister, do you have any answers?

Mr. McIver: No. I'd just say that we do the best we can. I'll at least give the hon. member credit. I don't want to say anything that you disagree with, because this is meant to be consistent with you. He has been on the record saying that if they had to raise taxes to build more schools, they would do that. Our government doesn't want to do that. So we have some policy differences, and I think we just discussed them.

The Chair: Thank you very much.

Well, with the concurrence of the committee, I would like to call a five-minute break. We will be back here in five minutes, sharp. Thank you.

[The committee adjourned from 8:35 p.m. to 8:42 p.m.]

The Chair: I think we are ready to resume the meeting considering the estimates of the Ministry of Infrastructure.

Speaking on behalf of the Alberta NDs, Mr. Bilous. Twenty minutes. Would you like to go back and forth with the minister?

Mr. Bilous: Yes. I'd like to have a dialogue if that's all right with the minister.

The Chair: Minister, are you in agreement?

Mr. McIver: Yeah, I'm with you. How's that?

Mr. Bilous: Perfect.

The Chair: All right.

Mr. Bilous: Thank you, Mr. Chair. Obviously, I'm going to be covering a variety of topics. I will start, if we can, by talking a little bit about schools and about P3s. Go figure. At the moment within the province we're desperate for new schools, not three or four years down the road. The last package of P3 schools put to RFP gained one bidder, not exactly the competitive marketplace needed to save Albertans money.

Now, the Minister of Education is admitting that 2016 opening dates for many of the schools is extremely ambitious. Now, Minister, you commented on a school in Airdrie that was able to build within two years. According to my sources in the schools and boards that I've been talking to, the average time to build a school, from the time it's announced to the time the doors are open, is more in the range of three to five years.

Mr. McIver: Respectfully, no. I mean, you say between announced and built. The fact is that we're past that. Announcements are done. Again, the time for this school that's happening right now is less than two years before it's done. It's the industry telling us that. I don't know who you're listening to, and I'm not criticizing who you're listening to. I'm just telling you that the industry is telling us that they can do it. Some say it's as little as 16 months. I think that's too enthusiastic on my part to believe that, so we're using the two year number, the 20 months to two years number, because we think that's more realistic even though some industry members say that once they're on the ground, they can deliver the school in 16 months. I think that's under ideal circumstances, with no problems. In the real world you don't always have ideal circumstances, with no problems.

Mr. Bilous: I apologize. I meant to say at the beginning, Mr. Minister, that if I do jump in, it's not to be rude. It's only the limited time that I have.

Mr. McIver: Let me just say that I'll return as much politeness as I receive and maybe just a titch more. How's that?

Mr. Bilous: Sounds great. The "extremely ambitious" comment was from the Minister of Education.

I want to just bring your attention to a school called Neerlandia. This school was announced in April of 2013, and they are hopeful that ground will be broken in August of this year. Just as an example, to counter your Airdrie example, that's a year and a half from announcement to the time that they're actually putting a shovel into the ground. Now, as to when that school is going to be open, we'll see.

Mr. McIver: What's the . . .

Mr. Bilous: There isn't a question. It's more of a comment. It's from a news release.

Mr. McIver: Okay. I was just wondering – and I'm not trying to delay. Are there any particular special circumstances with the Neerlandia school that are out of the ordinary?

Mr. Bilous: No, but my point is that I think this is more the ordinary than out of the ordinary as far as timelines for schools.

I do want to ask about and clarify – not to repeat questions from the Liberal caucus, but of the new schools announced, you had said that 19 are P3 at the moment.

Mr. McIver: No.

Mr. Bilous: Please clarify.

Mr. McIver: If you don't mind.

Mr. Bilous: Sure. Please.

Mr. McIver: Of the new schools announced, there are 50 new schools and 70 modernized schools. Beyond that, there are an additional 19 schools, the P3 package that we just made clear to the previous speakers. [interjection] No?

Mr. Bilous: Is the 19 part of the 50, I guess, is what I'm trying to find out, Mr. Minister.

Mr. McIver: Okay. You know what? I stand corrected. My apologies to everybody in the room. The 19 are part of the 50 and 70. Too much paper in front of me, and I just flat apologize.

Mr. Bilous: It's okay. I appreciate the clarification.

I'm just curious to know: what is the ongoing evaluation process for the value of P3 schools? In other words, at what specific triggers do you say, "Enough"? Or is there a timeline that gets passed where we say: "We need to get the schools open. The P3 models aren't working. Cost savings have diminished, so let's bring them in-house"?

Mr. McIver: I would say that constant re-evaluation is the only way we can do it. I would say that your statement that one bidder is not enough is a statement I would agree with. But I hope that you'll also acknowledge that in this case, when that one bidder went in, they didn't know they would be the only bidder, so they were probably trying to make sure they had a good enough price to get under other people so that they could get it. But if that

continues to happen, I would acknowledge that sooner or later somebody will catch on and bid higher.

We can't let that happen. That's why we made the effort to go out to the industry to say: what is it that we need to do differently to get you interested? Out of respect for your time I'll try not to repeat it all. But we talked in Edmonton, we talked in Calgary, and we keep talking to industry so that, hopefully, we can create the set of circumstances that industry indicates to us will encourage them to bid on our projects.

Mr. Bilous: Right. The challenge, though, Mr. Minister – a couple of things with the bidding. That's like saying that someone who goes to put in an offer on a house is going to come in at their absolutely lowest offer or, in other words, try to get the best price. There's always negotiation. But the thing is that if only one company bids on a contract, that deflates or removes the argument that P3s save money through competition. If there is no competition coming in, then you don't have bidders, you know, bidding the price down, so to speak.

Mr. McIver: No. Actually, as I think I mentioned in my earlier remarks, we do private-sector comparisons. We have a third-party review of what construction costs. We have the financial bid measured against established benchmarks. The internal Auditors within the government look at it to make sure that we're getting value for money. The office of the Auditor General has actually looked at this and agrees with us that we're getting good value for money.

Having said that, I'm not trying to be difficult. I acknowledge that we need to get more bidders.

Mr. Bilous: Okay. Mr. Minister, I'm going to leave the P3 arguments for the moment.

Just to clarify one more time, how many schools of the 50 announced and promised will be built in time for the school year starting in 2016?

Mr. McIver: Our objective is to get them all built.

Mr. Bilous: Okay. That's 50 new schools and 70 modernizations within the next year and a half?

Mr. McIver: Actually, no, not a year and a half. The 2016 school year starts September 2016. I know that some boards are a little earlier, and some boards are a little later. I think that you would agree with me on that. It's 2014 now, and it's not September yet, so it's about two and a half years from today. That's just counting months.

8:50

Mr. Bilous: Okay. Thank you.

I'm wondering, Minister: have you considered the Calgary board of education's January request for funding so they can complete the new schools in-house and on time?

Mr. McIver: Yes, we have considered it.

Mr. Bilous: Okay. Would you like to expand upon that other than that it's been considered?

Mr. McIver: You know what? We haven't made a decision. That request is still in play. I think that is a legitimate way to say it. We're still looking at it, and we hope to make a decision soon.

Mr. Bilous: That's okay. Thank you, sir.

I'm going to move on to the Misericordia hospital, so we're going to move from schools here. Hot water heating and cooling are all noted to be failing, including leaks, and need to be replaced, yet mechanical systems get an overall score of acceptable, which is on page 3 of the Misericordia infrastructure report. The report notes that driving rain enters the buildings and could cause leaks. We know from media reports that this has caused certain rooms to shut down due to weather, yet the report again says that that's an acceptable condition for the building envelope, which is on page 10 of the Misericordia infrastructure report.

We know from FOIP documents, that our party has released, that the temperature control in the building is so poor that employees have wound up in tears, volunteers have threatened to quit, and dangerously high temperatures have been reported in critical areas, yet again the infrastructure report rates these units as acceptable. How do you reconcile what seems like a massive gap between the observable failures that patients and staff are noticing and the condition ratings?

Mr. McIver: You know what? We look at the reports that we get. We have an evaluation. But the information I have is that the hospital is safe and available for safe use by patients. We acknowledge that some improvements and repairs need to be done. We've dedicated \$19 million to do that, and we're trying hard to get that done.

I have some more details if you want them, but maybe you don't want them. It'll take a few minutes to read them out, but it's up to you. How's that?

Mr. Bilous: Would it be possible to get that in writing to the committee, sir?

Mr. McIver: Well, you know what? I'll just tell you here. There are four remediations and renovations coming: renovations to the second floor west due to the flood, with minor improvements to accommodate mental health services, including a 28-bed unit – I'll read fast so it takes less time – renovations to the third floor west due to flood and redevelopment of the space, expanding the intensive care nursery to 24 bassinets; renovations to the eighth floor east to restore a 33-bed medical-surgical in-patient unit from the third floor west, which was impacted by a flood; maintenance work, using the infrastructure maintenance program funding, and the evaluation of the base building electrical systems, engineering study and design; emergency generator 1 replacement; inspection of internal sanitary sewer; potable water design and construction; elevator upgrade phase 3, elevators 8, 9, 13, 14, 15, 16, and two elevators in the Cabrini centre.

Mr. Bilous: Minister, if I could just interrupt.

Mr. McIver: There's call system replacement. I'm going fast. You've got to admit that I'm trying not to waste your time here, okay?

Mr. Bilous: You know what? You're doing a great job, sir. I just ask that if there are lists like that, you just send them to the committee, which will save time, but I appreciate your . . .

Mr. McIver: But it doesn't meet the criteria of considering respectfully the estimates in this opportunity to do so. So, respectfully, now everybody has heard that, and if they want to ask questions about it they can.

Mr. Bilous: Sure. Although this does have to do with investing dollars in this upcoming budget in deferred maintenance.

Mr. McIver: Agreed.

Mr. Bilous: As you pointed out, health spending for capital maintenance renewal has increased \$20 million over last year. Again, judging by the condition of some of our hospitals, especially the Misericordia, this will be eaten up very quickly. I'm wondering, Mr. Minister: do you have an idea of what the total deferred maintenance cost is right now or what the total amount is that will be required over the next five years, from our most recent infrastructure reports?

Mr. McIver: With all due respect, five years isn't part of what this meeting is about tonight; it's about the estimates for this next year. Nonetheless, deferred maintenance for Alberta Infrastructure-owned facilities today is about \$345 million. I'm happy to give you that. If you're asking about the five-year thing, it's not really the subject of this meeting. I'm guessing I may hear from you on that in question period at some point in the future or some other way.

Mr. Bilous: Possibly, sir.

I'm going to jump over to the galleria. The Deputy Premier was asked about whether there was funding for the galleria project in this budget, and he stated, "I wouldn't say there is no money, we have flexibility," and that was from an *Edmonton Journal* article. He refused to get into specifics as to what department might have those funds. Can you expand on whether or not there's any funding specifically earmarked for the galleria project in Infrastructure's budget this year or in your three-year capital plan?

Mr. McIver: I can tell you that there's no line item for the galleria in our estimates.

Mr. Bilous: Okay. Is there any flexible funding that may be otherwise available for the project, and could you point to where that might be found or under what line?

Mr. McIver: Yeah. There is some funding for emerging projects in the strategic capital planning fund. We'll try to find you the page and line number so that you can dig it up here. Just to be clear, that could be for a whole number of things, not necessarily for the project that you referenced, okay?

Mr. Bilous: I appreciate that. Yeah.

Mr. McIver: Page 120, line 3, right at the bottom of the page, sir. It's part of that. You can see that line there.

Mr. Bilous: Okay. Thank you.

I'm going to jump topics again. Edmonton public school board has said that at current funding rates they'll have a deferred maintenance cost as high as \$1 billion in 12 years. The Calgary board of education says that their deferred maintenance costs are already at a staggering \$920 million. Does the Ministry of Infrastructure maintain an estimation of the total deferred maintenance in the province's schools, and if so, will you provide it?

Mr. McIver: That's government-wide deferred maintenance. Our number is \$1.6 billion. Infrastructure maintenance and renewal funding is provided across government to improve the physical condition of facilities and reduce deferred maintenance. You know, the numbers, I think, that you gave – and don't let me put words in your mouth – come from the school boards .

Mr. Bilous: Yes.

Mr. McIver: Yeah. Those are their numbers. I'm not really in a position to argue with them or confirm them here. Those are interesting numbers, that you said, but they're their numbers and not the ones I'm defending right now just for the record.

Mr. Bilous: Right. Okay. Well, that's another conversation.

Mr. McIver: That doesn't make them wrong. I didn't say that.

Mr. Bilous: I'd love to know – so you're saying that their own numbers about their own schools and the integrity of them might be wrong.

But, Minister, you said \$1.6 billion. Now, you're talking about what is earmarked? I'm asking you: what is the total deferred maintenance cost province-wide?

Mr. McIver: I think the total deferred maintenance costs – we have \$1.6 billion to deal with maintenance and repairs. The way you're asking the question, I'm not entirely clear what it is you're after.

Mr. Bilous: Okay. Are you saying that you have the \$1.6 billion to spend on maintenance?

Mr. McIver: Yes. That's what I'm saying.

Mr. Bilous: Now, what I'm asking for as a number is: what is the total price tag on all of our schools, public and Catholic, within the province of Alberta, the deferred maintenance price tag?

Mr. McIver: I think some of that has to come from Education, respectfully.

Mr. Bilous: Well, okay. Fair enough. Interestingly, you know, with no disrespect, that's a convenient answer that we often hear from Infrastructure: "Well, talk to Health. Talk to them. Talk to them." Then we ask Education, and they say: "No. Talk to Infrastructure." Is it possible, Mr. Minister, to get that figure?

Mr. McIver: I can see how that's a problem, yes.

Mr. Bilous: Is it possible to get that figure? I mean, not necessarily this second.

Mr. McIver: It's not possible this second, okay? How's that?

Mr. Bilous: But it is possible?

Mr. McIver: I'm hearing that it's in Education's budget. I know, I know; you don't like the answer. Actually, I even understand why you don't like the answer, but that's the answer.

Mr. Bilous: Okay. Calgary's new capital plan in CB has 19 modernizations on it that have been on their capital plan for at least five years. I'm wondering why the projects have been repeatedly skipped and when we can expect them to be funded.

Mr. McIver: Nineteen mods for Calgary Catholic schools. You know what? That's something that we look at on an ongoing basis with Education and let them decide which ones get funded.

Mr. Bilous: They're asking us, though: why are they being skipped when they've been on the capital plan for five years? They'd like an answer, sir.

Mr. McIver: You know what? I would say that we set priorities. In fact, that would be true for anything. We recognize and openly acknowledge that with all of our capital we're trying to live within our means. We're trying to stretch the length of the infrastructure to get the maximum value for Albertans. We make value judgments every day, every month, every year about what needs to be done and what doesn't. I think we're very good at it; we're surely not perfect.

Mr. Bilous: Okay. I'm going to jump to advanced education. Although the budget line for postsecondary infrastructure is found under advanced ed, clearly there's carry-over as the performance measure is found in your department's business plan. The University of Alberta's draft comprehensive institutional report notes that they risk catastrophic failure of existing infrastructure without a return to previous capital maintenance and renewal levels. That funding is down 33 per cent from 2012-2013. Is Infrastructure working to find or replace that funding?

9:00

Mr. McIver: I can tell you that Innovation and Advanced Education is providing \$50 million in 2014-15, which is an increase of \$2 million from the previous year, in maintenance and renewal funding to our 21 public postsecondary institutions to manage critical and deferred maintenance. That I can tell you.

Hold on. There is more. You'll see from our estimates that 98 per cent of the facilities are in what we rate as good or fair condition.

Mr. Bilous: Okay. I just want to jump to my last – I think I have about two minutes left with you, Mr. Minister.

Mr. McIver: And I think you would agree that we're working along okay here, right?

Mr. Bilous: I appreciate your expediency in responding.

Earlier you made a comment, when answering another member, about P3s and the fact that builders are motivated because they're on the hook for 30 years. You know, my question is: shouldn't there be and isn't there recourse for builders that build in-house that do a poor job? Again, looking at building codes and standards being the purview of the government, the reasoning for using P3s should apply to in-house builds as well, should it not?

Mr. McIver: Listen. The building codes and standards while they're a very high, very acceptable standard, that very high, very acceptable standard is the minimum. Every P3 contract is different, but there is the opportunity for higher standards, that could be written into the contract for some things. But I'll tell you something else. They don't get paid for finishing the project unless the project is finished to the standard that's in the contract. An example that somebody raised earlier was a roadway where the contractor didn't get it completed to the standard on time and, consequently, missed out on some money.

Mr. Bilous: Right. But my point is that . . .

Mr. McIver: So we do have a mechanism. Your question on that is: do we have a mechanism to incent them to build things to that? Yeah, we sure do. It's called cash or a lack of cash.

Mr. Bilous: But I mean for in-house, right? Is there no recourse for, let's say, you know, Infrastructure funds, whether it's a highway, a road, a school, a bridge, if it's done in-house but not done properly?

Mr. McIver: Oh. Can we have motivations for people to build stuff to standard if it's not P3? Is that what you're asking?

Mr. Bilous: Correct, sir.

Mr. McIver: Yeah. I guess. We can withhold funding.

Mr. Bilous: Right. And there's recourse if it's done and done improperly. My point is just that that argument for P3s . . .

The Chair: Thank you, gentlemen. Mr. Bilous, Minister, thank you. Your time is up.

Now we'll go to the Progressive Conservative caucus. Mr. Rogers, 20 minutes. Would you like to combine your time?

Mr. Rogers: Thank you, Mr. Chairman. I would love to go back and forth with the minister.

The Chair: Okay. Great.

Mr. Rogers: Mr. Minister, again, I want to thank you for the efforts that you've made, certainly, in bringing some staff here, the answers you've given. A lot of thought, I would say, has gone into, I think, preparation for this budget and the way you've responded to the questions so far.

One that I don't believe I've heard asked – and I think it's very important because, as you know, Fort McMurray is very vital to the future not only of this province but the future of this country in terms of the growth in that community and what we can do as a government to make sure that the people in that community are able to live comfortably and continue the economic development that is there. With that, I'm referring to what might be in your budget this year, Mr. Minister, relative to the status of the Parsons Creek land development project. If you could expand on the exchange agreement and how you intend to, with your process, make that work. What's in your budget?

Mr. McIver: Well, we kind of had a chicken-and-egg scenario in Fort McMurray, including the Parsons Creek area, where there is a bunch of development that needed transportation, a bunch of transportation. The developments need it because it's a fast-growing community – I think everybody knows that – and there are lots of people that want to come there, and there's not adequate housing to fill the demand of the people coming there. Having said that, there's not, in some cases, adequate transportation to get to the areas where land is available for development. There is some tension there that was slowing things down. So the agreement that we made with the municipality recently was to essentially give them some of the land that we have that's available for development, and they in return will build some of the roads that are needed to support that development and really put the municipality, to some degree, in a position to match the development of the land with the provision of the transportation. We're hoping through that, and feeling pretty good about it, that there's a possibility we'll get past that chicken-and-egg scenario that seems to have been slowing down the progress of the municipality's development for some time.

Mr. Rogers: Just to follow up with that, then, Mr. Minister, I believe that the regional municipality has signed the exchange agreement. You mentioned this swapping from one place to the other. What's next, and how do you make that happen within the context of this?

Mr. McIver: Well, the regional municipality of Wood Buffalo, we expect, will process some subdivision applications that will

allow the first land transfer to take place and the highway construction work to proceed. As they do the subdivision applications, of course, then they can start selling the lots and recover the money that they'll need to build the transportation. It's intended to work hand in glove, and we're hoping that that's how it'll unfold.

The money in the budget is on page 121, line 7.3.

Mr. Rogers: Okay. Thank you for that.

Maybe just to switch gears a little bit, I know P3s have been referenced in some of the earlier questions, but I want to refer to in particular – I think there's a waste-water project. I think it's the Evan-Thomas treatment facility. Of course, I know that you're doing a lot of P3s relative to schools, and I'm just wondering if you could elaborate a little bit more, again within the context of what you're rolling out this particular year, on how some of those choices are made and what it means as we look forward to delivering some of this vital infrastructure over the next year.

Mr. McIver: You know what? We chose to use the P3 for the Evan-Thomas because we felt that we could provide good value, but I will say that we are not married to P3s as the only good way to deliver a project. I will acknowledge that some of the other ways of delivering projects, even ones suggested by some of the opposition members, whether it's design/bid/build, design/build, other methods, are all legitimate ways. You can't say that all P3s are great or that all P3s are bad. You have to go project by project, contract by contract and evaluate whether you're getting value for the taxpayer at the end of the day.

The other thing about P3s is that typically they work better with projects of \$50 million or more because there's some financing to be done on the private-sector side, and one of the things that some private-sector people tell us is that if you don't have enough cash, their financing people don't get interested enough to want to do it. That's not really the government's business except for the fact that, as pointed out here, we need bidders, and if we try to make the package in such a way that people are interested, at least it gives us a better chance to get more bidders.

Mr. Rogers: Okay. Thank you for that, Mr. Minister.

Mr. Chairman, I'll cede some of my time to another colleague from the PC caucus.

The Chair: Okay.

Mr. Quadri.

Mr. Quadri: Thank you, Chair. Thank you, Minister. Now I know that you're not married to P3s. That's good.

You know what? There are the 50 or 60 schools, Fort McMurray, and all of that, but I'm going to ask you a very basic, simple question from an accounting point of view. What are you doing to control project costs?

Mr. McIver: Wow. Okay. On P3s, on other projects, or just in general?

Mr. Quadri: Any project, you know, in general.

Mr. McIver: You know what? Before we get there, we look at the site, and we do a site evaluation to see what the constraints are and what the opportunities are. You know, the constraint might be the slope of the land; it might be where the servicing is or if the land is serviced at all, for example. We do feasibility studies and look at the economic conditions in the industry, what kind of cost fluctuations are going around, how busy the construction industry is. We do business case development where we actually look at

the individual project after we've done the other things and say: "Okay. If we were to actually build something that looks like this, what would we want to end up with? What are the cost concerns along the way?" Then we just continually re-evaluate and re-evaluate along the way until we try to dial it in to what we think is best.

Again, it's just the nature of construction: different locales, different times of the year, all of those things that are variables that we juggle and work with on a continual basis to try to come up with the formulas that work best. I wish there was a one-size-fits-all formula – there isn't – but the processes that I just talked about are ones that we do over and over again because they tend to lead us to what we think is a good decision.

9:10

Mr. Quadri: Thank you.

The Chair: Okay. Good.

Mr. Dorward.

Mr. Dorward: Thank you, Chair. I don't know whether to talk about 3Ps first or the building that I'm looking at right now. Let's pick the building. Did I hear you say that there were 600 people moving into that building?

Mr. McIver: Yeah. When it's complete, there will be 600 people working there, yes.

Mr. Dorward: We sit in the Assembly and hear a lot of ridiculous comments, one of them being that these are palatial MLA offices. If you take out the cabinet positions – I assume they wouldn't have offices in that building because they have offices in the Assembly. Is that fair to say?

Mr. McIver: Probably. I don't think the final decision has been made yet, but probably cabinet will mostly stay in the Legislature Building, and other MLAs will be in the federal building. If you're asking whether it's nice, I'll say: sure, it's nice. It's a new building. It'll be nice.

Mr. Dorward: And it's efficient in terms of green technology?

Mr. McIver: Yeah. You know what? It's an old building, and old buildings by nature, while they're beautiful and historic, which is why the government made an intentional decision to probably pay more to maintain that history, are not all that airtight compared to modern buildings, and the mechanical is not all that efficient, and the insulation isn't what it might be. We've gone to some considerable lengths to bring that up to what is considered a modern-day standard, a good modern-day standard.

Mr. Dorward: If eventually there are going to be 600 people in there and if I was to round a number off and say that 87 MLAs minus cabinet – let's say 60. That's roughly 10 per cent of that building that would be occupied by MLAs. Does that make sense?

Mr. McIver: Yeah. That's a legitimate number to use. I would never want to hang my hat on it as the final number, but it's in that ballpark. I think the point you're making is that 90 per cent of the people in that building will not be MLAs; they'll be other employees.

Mr. Dorward: Would you say that those are palatial offices?

Mr. McIver: You know what? Everyone has a different – not for me. No. I'm not a fancy guy. "Palatial" is kind of an opinion. They're nice. It's a new building. It'll be nice.

Mr. Stier: Mr. Chairman, is there a question here regarding the budget or the estimates, please? I'm sorry.

Mr. Dorward: Is there any money in the budget for that building, in the estimates we're working on right now?

Mr. McIver: Yes, there is.

Mr. Dorward: Thank you very much. We'll carry on that line of discussion.

Mr. McIver: Yes. Okay.

Mr. Dorward: Thank you.

I wouldn't categorize them as palatial MLA offices. I would say that they're government and MLA offices. Is that true?

Mr. McIver: Well, let me say this. There's space for them in the building, that's planned, on the third floor.

The Chair: Mr. Dorward, we're talking about the estimates of the Ministry of Infrastructure for the year 2014-2015. If you can tie your questions to the main estimates, that would be appreciated.

Mr. Dorward: I thought I had done that, Chair. I had it confirmed with the minister that there were dollars in '14-15 for that building.

Mr. McIver: Chair, I won't touch the term "palatial."

The Chair: That's right.

Mr. McIver: But I will talk about the space that they were planning on having for each person, which is a legitimate measurement that's in the document.

The Chair: It would be preferable not to mention it again.

Mr. McIver: It won't be by me, Chair.

The Chair: Okay. Thanks.

Mr. McIver: On the third and fourth floors, for example, there would be 97 workstations on one floor and 64 on the other for the LAO. On the third floor there's 19 square metres per person, 22 square metres on the fourth floor. For some of the MLA offices, since the member asked, about 25 to 26 square metres are assigned per Member of the Legislative Assembly for space. I won't use the other word, so people can each make their own decision about whether they think that's adequate, more than adequate, or some other opinion on measurement. That's about what that is.

That's very near the standard that we're trying to take the whole government to. We're moving to less space per person. It's more of the norm in the private sector to have less space per worker. Of course, part of that is to have modern fittings in modern buildings where people feel comfortable working in that amount of space and can be productive.

Mr. Dorward: Thank you, Mr. Minister. Because Wildrose Alliance is so upset about discussion of the building up there, I'll switch to 3Ps.

Mr. Fox: Point of order, please. Standing orders 23(b)(i) and 23(h), (i), and (j). The budget estimates right now are on the budget. I don't think a party is mentioned in these budget estimates.

The Chair: Yes. Could you please refrain from mentioning any political party, please. Let's concentrate and focus our questions and thoughts on the estimates of the Ministry of Infrastructure for the year 2014-15.

Mr. Dorward: We'll do that.

The Chair: Thank you.

Mr. Dorward: Back on 3Ps. Can we discuss the issue of the underlying financing of a P3? One of the things that we often hear from individuals is that the underlying interest rates are much higher. Is it possible that the underlying interest that's involved in the scenario whereby there's a third-party financier is reflective of the rates that Alberta indeed enjoys?

Mr. McIver: Well, let me say this. Every single P3 needs to be evaluated on its own merit, which is why, I think, I said earlier that we are neither fully committed to using nothing but them, nor are we committed to never using them. We always evaluate with each project what's best for the taxpayers, whether it's a 3P package or not. I think it's well understood that the government of Alberta can borrow at a very advantageous rate, better than most people, but borrowing rates are only one factor in the total cost of a project over 30 years of maintenance.

Some private-sector efficiencies are innovation, economies of scale, several projects being combined under a single contract. These can sometimes more than offset the high borrowing costs. Our job, of course, as government, before we spend the taxpayers' money, is to make that evaluation and see, after all the factors and variables are brought in, whether the taxpayers are getting a good deal or not. We go to great pains to do that.

Mr. Dorward: Does the third-party financing group play a role in ensuring that the contract over that period of time would be fulfilled?

Mr. McIver: Yes, they are. One thing about P3s that is somewhat different than other construction projects is that there's a lot more work done up front before the shovel hits the ground. We do other things, too. We basically have a contract. Of course, when you're making an agreement that's not only for the construction but for 30 years after the construction, I think you can easily imagine that there are more details about those 30 years that go in. We need to nail all those details down before we let the construction start. If the contract, of course, isn't fulfilled, like anything else, the contractor won't get paid.

Mr. Dorward: Thank you.

On page 120 of the estimates, line 5.2 is the Swan Hills Treatment Centre. Could you comment on the Swan Hills Treatment Centre?

Mr. McIver: The Swan Hills Treatment Centre is the hazardous waste elimination facility that exists there. I think – somebody is looking up the number – it is \$30 million or something in the budget for operating that.

Mr. Dorward: Yeah. Pretty close.

Mr. McIver: I can't believe I remember that. I must be going crazy. So I'm right on. That's about what it is. It's the only facility of its kind in Canada, and it kind of plays a vital role in the treatment and disposal of hazardous waste. It's a place, if you don't mind, where the government of Alberta plays on Team Canada. We kind of provide that service for a number of other

provinces simply because it wouldn't be economical to have a facility of that nature in every province in Canada since we have the facility. I've got some numbers on the tonnes of waste per year if you want them.

Mr. Dorward: No, I don't so much, but I do want to know about the chargebacks to individuals that are using that. Has there been a review of that? Do we dive into that area? Should we just overnight triple the amount that we charge people if indeed we're doing this for the rest of Canada, at least western Canada? Should we be charging more for that facility, I guess?

9:20

Mr. McIver: Well, maybe. Here's the problem. We don't make money on it per se. In fact, we put money into it. It's right in our budget. We're not hiding it. There's a line item there; I think it's \$30 million. If you charge too much, then perhaps the hazardous waste won't come to the plant. Listen, this is an investment. It's market rate charged.

But, clearly, market rate doesn't fully cover our cost, or we wouldn't have to put \$30 million of the budget into it. So this is a decision we make to protect the environment, and we're investing in it. I think it's a legitimate policy argument whether we should do that or not, but we have decided to do it. We think the environment is that important. We think Swan Hills provides a very unique way of getting rid of waste that there's no other way of getting rid of in Canada that we're aware of.

Mr. Dorward: Great. Okay. Thank you, Mr. Chair. I don't know if anybody else has . . .

The Chair: Thank you.

Mrs. Sarich, you have two minutes and 48 seconds.

Mrs. Sarich: Two minutes. Okay. Thank you very much, Mr. Chair. Minister, I have read your business plan for 2014-17 and also your statements. I notice that on page 61, in the performance measures, you've got a really nice breakout of health facilities, schools, postsecondary facilities, and government-owned and operated facilities. I was wondering. I couldn't see anywhere in your budget for a responsiveness to water treatment sites across the province, and I would like to know what the role and responsibility is and if there are dollars allocated to that. I look at your financial statements on page 121. For example, should there be an emergency collapse of a water treatment system in the province, how would Infrastructure respond, and where would the money come from in the budget?

Mr. McIver: I think most of that's in the Transportation budget. That's my memory from being there. I'm not sure that's a subject of this particular thing. I could expand more. I'm not sure if I properly should because it's not really an Infrastructure question.

Mrs. Sarich: Okay. Thank you very much for that clarification.

There was lots of discussion this evening about school boards and their capital planning processes and the ability for Infrastructure to respond. Lots of things have changed in the last seven years since I was a school board trustee. I would like you to feel free to comment on what that working relationship is with the school boards and how responsive you are in the current budget that you're bringing forward here to any creative designs, any creative partnerships that they may have in terms of a commitment of dollars or reworking dollars so that we can get projects moving for them.

Mr. McIver: Well, the school boards have been asked to bring creative ways of combining the school to make it a centre, the hub of the community. We've tried hard to work with them. We have a very good relationship in most cases, maybe all cases, but certainly in most cases. We're pursuing partnerships – I don't mind telling you – with the schools that we've recently announced. We're pushing them timewise to get those partnerships in place because we're under pressure, as discussed earlier tonight, to get those schools delivered on time for the 2016 school year. If you're adding these creative additions into it, that puts us under another time pressure, so we're trying to go very fast. We're trying to be very co-operative, but we're pushing those school boards pretty hard to do that because that's what we need to do to provide the infrastructure in a timely fashion.

Mrs. Sarich: In a follow-up, they always criticize the government somewhat about cherry-picking from their capital planning process. Any comments on that?

Mr. McIver: You know what? We don't have the luxury of that. We have to deal with what the highest priorities are, and not everybody agrees with what the highest priorities are, but we have to stand by it. We can't say one thing and do another.

The Chair: Thank you, Mr. Minister.

Well, actually, now the first round of questioning for all sides of the House has been concluded. Now we will go back to the same rotation, starting with the Wildrose. You have five minutes, and the minister has five minutes. It depends on how you're going to combine your time. Do you want to ask your question and take the full five minutes?

Mr. Barnes: I'd like to go back and forth for the 10 minutes. Is that okay?

The Chair: Is that agreeable with you, Minister?

Mr. McIver: I am a servant of the people.

Mr. Barnes: I appreciate it. Okay. Thank you, Mr. Minister. Thank you, Mr. Chair.

My first question is on the Wainwright hospital. I see that it's rated fair under your facility condition rating, and I also believe it was on the AHS list back in 2010 as a top-10 priority. Our information shows that this hospital will have to close if the sewage backs up again, and of course if it keeps getting dropped by funding, that will not be fixed. Alberta Health Services has recommended a new facility. I'm wondering why this Wainwright facility cannot make it from the list to progress and get the work done. Where are we at with Wainwright, please?

Mr. McIver: It's not in the budget. It's not in the three-year plan, the estimates that are before you right now.

Mr. Barnes: Are you in agreement that it's in danger of possibly having to close if the sewage backs up again?

Mr. McIver: I'm in agreement that it's in a fair condition. I'm not sure I'm in agreement with what you've just said. I can tell you that that's something that I'd have to get an answer on in consultation with Health or AHS. In some of these cases they tell us what they want to have done, and we provide the service once they put it on the priority list. Frankly, I can't agree or disagree with you here because it's not this ministry's determination of what you're asking.

Mr. Barnes: Okay. Yeah, I just understand that it was on the list, and it hasn't been funded, and it's a huge potential problem.

Mr. McIver: Again, I'm not trying to waste your time.

Mr. Barnes: I understand.

Mr. McIver: Okay. You asked it three times now, and I'll give you the answer the third time. That's not this ministry's determination.

Mr. Barnes: Okay. Thank you.

Fort McMurray, I understand, is growing; 1,500 kids per year is the birth rate. Only one new school in the last little while. What are your plans to meet the growing demand there, and have you looked at any alternative procurement procedures there? Where are we at with Fort McMurray to make sure we don't have this bottleneck year after year?

Mr. McIver: Okay. We've got a list of all the schools we're building somewhere, and we're scrambling to find it. In terms of alternative procurement – you'll have to forgive me for finding it interesting that you talk about alternative procurement, because one of the big methods of doing that is P3s, which I didn't think you were in favour of, and now you seem to be suggesting that we should use them.

Mr. Barnes: No, I didn't.

Mr. McIver: But to answer another part of your question, we've got five Fort McMurray schools, and you're going to ask: when are they going to be open? I have that available here. Construction start dates: fall 2014, summer '14, spring 2015, spring 2015. Are we working on moving those up? I'm presuming we are. Yes, we're working on moving those up to get them open for fall of 2016. Two of those five are already under way under ASAP 3, and those are the ones where the tender will actually go out in June this year, that we talked about earlier. No? Oh, they're already under construction. Okay. One of them will be open September 2014, and the other one will be open November 2014. The other three are part of the 50/70, and our objective is to get the tenders out this summer for a 2016 opening.

Mr. Barnes: Okay. Thank you. Could I find that information somewhere? Could you table it for me, please?

Mr. McIver: Is it on the website? It's in our detailed capital plan on the website already.

Mr. Barnes: Okay. Thank you.

Mr. McIver: So I'm told.

Mr. Barnes: Okay. I appreciate it.

Interest rates on P3s: I've read some stuff that shows 3.5 to 3.6 per cent. Is this accurate? Do you know what interest rates you're paying on P3s?

Mr. McIver: We do, yes, and we're not telling you because we consider it proprietary information. I don't mean that in any disrespectful way, but you asked a fair question, and I'm giving you a direct answer even if it's one you might not like.

Mr. Barnes: Okay. I appreciate that.

Is it fair for me to ask you who's buying the debt? Who's holding that debt?

Mr. McIver: It's private sector. If you're going to ask me which bank or which individual, I don't have it for you.

Mr. Barnes: Okay.

Mr. McIver: We get the cash flow. That's the P3 debts. The winning bidder is selected based on the lowest price. I don't have it. I don't want to waste your time to give you an "I don't have it" answer, okay?

Mr. Barnes: I appreciate that. You've had a hundred questions, and you're hanging in there well, so thank you.

The last two questions I think I have are on your capital plan 2014-17, page 4. In your opening remarks you mentioned carbon capture and storage, and I think that takes us back to how Infrastructure is now, you know, in charge of all the spending for Alberta's projects, and I see we have \$143 million in the capital plan for carbon capture and storage. I'm wondering if you could share some information on that for me on who that's going to go to, how it's going to go.

While you're at it, while you're looking at the same stuff on the same page, under Infrastructure, Mr. Minister, you have \$25 million under family care clinics. I believe there are huge bottlenecks in staffing for family care clinics. There are huge bottlenecks in how the PCNs, the primary care networks, are already working, but I'd appreciate it if you don't mind elaborating just a bit on the family care clinic plan and where that \$25 million may go over the next three years. Thank you.

9:30

Mr. McIver: All right. You wanted to know about the carbon capture and storage. Energy delivers that program, so the detail would come out of there.

I think I can do a little bit better for you on information here on family care clinics. It's \$25 million a year for each of the next three years, and we're working with a number of Alberta municipalities. Actually, more accurately, we're working with Alberta Health, who is working with a number of municipalities. As those decisions are made, they will announce it publicly because we do business in a transparent way.

Mr. Barnes: Okay. Thank you. That's all the questions I have.

Mr. McIver: Just to be clear on an earlier question, it's not that we don't have the number; I just don't have it in my hand right here right now. Whoever has it will be able to either give it to you or tell you that it's a proprietary number, but I can't do either one right now because it's just not in my hand in this room.

Mr. Barnes: I understand. I appreciate you trying.

The Chair: That's all?

Mr. Barnes: That's all.

The Chair: You have almost three minutes left. Does anybody else from your caucus have any questions?

Mr. Barnes: Okay. My assistant has one here, so if you don't mind, I'll just read it. You mentioned the strategic capital planning money, \$240 million over three years, that was for partnering with the federal building Canada fund; \$94.7 million a year for 10 years will be flowed from the feds to Alberta in this program for infrastructure. Ten per cent of this will be going to communities under a hundred thousand. What infrastructure do you plan to focus this money on – flood mitigation, highways, LRT – and

what type of infrastructure can smaller municipalities expect to be funded for from the 10 per cent? Is Infrastructure and the strategic partnership office in charge of managing the building Canada fund for Alberta?

Mr. McIver: We take the lead on managing the plan with Canada and Alberta. I would say that our first priority, if you were to look at our website where we have our priorities, is to find those projects that are the highest priority and try to match them up with the building Canada plan. Obviously, what we're doing already is the highest priority, so we can match that to that. Then we can use whatever money gets freed up from that – we don't know if it will be – and then look for what the next highest priority will be.

The other thing about it is that the building Canada plan on Canada's side is still pretty new, so we're still negotiating some of the details with them about how we'll deliver that. The intention is truly what I said. I think we get best value for the taxpayers if we match it up with the higher priority projects that are already in our plan and then, of course, consider what the highest priority project would be if there's money that's freed up by that process.

Mr. Barnes: Okay. Thank you.

Just one more quickly if you don't mind, Mr. Minister, touching on flooding reconstruction and accommodation. I see \$24 million is in the budget for 2014-15. Do you have any direction on your priorities for reconstruction and accommodation for that budget amount?

Mr. McIver: Okay. In the interests of time, because I think you're running a little short here, I'll start talking before I get some of the paper. I know that the town of High River has asked us to assist them with Wallaceville. We're assisting them in buying some of the homes there and moving them out so that river remediation can happen or flood mitigation can happen. We've got money for the High River community resource centre, the Hidden Valley Golf Resort cleanup on the Siksika reserve, where there were a bunch of buildings, homes, residences of different descriptions. There is a floodway relocation program that some of that money will be used for. That's what I've got.

Mr. Barnes: Okay. Thank you.

The Chair: Thank you. Your time is up.

Mr. McIver: Under the wire.

The Chair: Yeah. Good timing.

Mr. McDonald, do you have a question?

Mr. McDonald: Thank you.

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

Mr. McDonald: Yeah. I really just have one question that I was concerned about.

The Chair: Okay. Great. You both have 10 minutes.

Mr. McDonald: Thank you. My question is on the Grande Prairie hospital. You know, it's a wonderful project that's under construction, but we've had some concerns from the city of Grande Prairie and the municipality. I know that through the first part of the start-up and the construction phase they had some intersection improvements and some points for access into the hospital for the future and for heavy trucks.

The question we're being asked now is: who's going to be responsible for the future overloading of the access road or the bypass into the city that is targeted to be for some of the traffic to the new regional centre? Is that something that comes strictly out of the Transportation budget, or is that something that you have also shared along with your street improvements?

Mr. McIver: If it's a provincial highway that you're talking about, Alberta Transportation will be dealing with those road improvements.

Mr. McDonald: Okay. So there's no overlap?

Mr. McIver: No. We consult with them, but the money in our budget is for the hospital, not for the attached thereto transportation facilities. I mean, at the actual point of the intersection there is some saw-off there, where at some point it stops being the hospital budget and starts being the Transportation budget. But, essentially, the transportation will fall under Alberta Transportation, and the hospital construction will fall under Alberta Infrastructure.

Mr. McDonald: So the roughly \$670 million that you have in that project would remain on the project itself and not be going back out into Transportation or anything?

Mr. McIver: Yeah. The number we have for 2014-15 is \$165 million, for the following year \$151 million, and for the year after that \$140 million.

Mr. McDonald: Okay. Thank you very much.

The Chair: That's it?

Mr. McDonald: Yeah.

The Chair: Thank you.

Any other questions?

Mr. Dorward: If I could draw your attention to page 126 of the estimates coil-bound book, I'd just like to discuss the line Other Revenue on that operational statement. I'm trying to find such a detailed question so that some of those individuals behind you get a chance to do something since they might be a little bored at this time of night, so I hope you may not be able to answer this question. But that looks like a bit of a roller coaster.

Mr. McIver: I haven't had the ability to be bored yet, interestingly enough.

Other revenue on that page includes revenue from the sale of land developments in the Fort McMurray area, for example Parsons Creek, and revenue from the Swan Hills Treatment Centre.

Mr. Dorward: All right. That confuses me a little bit because the Parsons Creek land, I thought, was in an asset category.

Mr. McIver: It's the revenue generated from the sales of the land that we sell.

Mr. Dorward: Okay. I might come back to that because I thought that was treated accountingwise a little bit differently.

Then how is your estimate of 95 determined for the next year?

Mr. McIver: The estimate of 95 what? I'm sorry.

Mr. Dorward: Of \$95 million for the next year. That's the number for the next year. Is there a big block in there that's anticipated, or is this something that you have to budget for more or less on the fly as year to year goes and Treasury Board deals with issues?

Mr. McIver: It's just a combination of the differences in each of the line items you're looking at there: again, the property rentals, \$19 million; property operations, \$10 million. The biggest change would be the amount of the land we intend to sell, expect to sell, in the Parsons Creek area of Fort McMurray. It's kind of a normal process, as I think I understand it. Of course, when you go in to do a development, you go in, you put your services in, your roads, and all that kind of stuff, and then you start selling lots. First, you put a bunch of money in, and then you take a bunch of money out as you're selling the lots. At least in my view, if you do it right, you take more money out than you put in.

Mr. Dorward: Switching topics, do we get any significant rental revenue from government-owned buildings that we either lease and pay rental on and then there are third parties in there? With government-owned buildings is it significant?

Mr. McIver: Government-owned buildings with third-party renters you're asking about?

Mr. Dorward: Yeah.

Mr. McIver: About \$9 million, \$8.6 million, and that's under Leases on page 120, the line that says Leases, below Property Development.

Mr. Dorward: Awesome. Thank you.

Mr. McIver: You're welcome.

Mr. Dorward: I appreciate it.

The Chair: Thank you, Mr. Dorward.
Any other questions?

Mr. Barnes: The last question on my mind tonight, Mr. Minister, is: when we talked about alternative procurement methods some time ago . . .

Mr. McIver: P3s.

Mr. Barnes: I wasn't thinking P3s. I was thinking of the situation where, say, a developer develops a whole bunch of lots and wants to build a school to entice home builders, homebuyers to buy in that area. Has your department ever considered such a process?

9:40

Mr. McIver: Yeah. We're actively considering it in several places and hoping that we can come to some agreement that'll be favourable to the taxpayers.

Mr. Barnes: Great. Thank you for that, and thanks for your time tonight.

Mr. McIver: You're welcome.

The Chair: I think Mr. Luan has a question.

Mr. Luan: Thank you, Mr. Chair. Just a question came to my mind, but before I say that, I want to echo our opposition colleagues' praise for you as minister being very thorough, quick, prompt, and to the point. I want to echo that. I want to say that it's much better that it's said by our opposition colleagues than the way I did.

The reason I'm saying that is that I need your help, Minister, to answer a question that is at the heart of my constituency. They're working on the aging in place initiative. In simple terms, they wanted to look for money to build age-appropriate housing so that when they physically are becoming challenged, as many of the aging population are faced with, they don't have to move out of their community. My question to you is: in Budget 2014 is there a line item that's designated for aging in place infrastructure funding?

Mr. McIver: I would say that Health is where you would look for that. They have the ASLI program, that is designed for the aging in place things. We deliver some, I believe, building for them. We have a continuing care program, page 67 in the government of Alberta capital plan. If you look there, that's the one opportunity that there might be to consider something like that.

Mr. Luan: Thank you. I knew that you would be that thorough. I appreciate that.

Mr. McIver: It's not me. I've got a great team around me.

Mr. Luan: It's you and your staff, then. How is that?

Mr. McIver: Yes. All credit goes to them, believe me.

Mr. Luan: That's a good leader. Thank you.

The Chair: Great. Thank you, Mr. Luan.

Are there any other members wishing to ask questions?

Well, seeing none, then pursuant to Standing Order 59.01(8) the estimates of the Ministry of Infrastructure are deemed to have been considered for the time allotted in the schedule.

Minister, I'd like to thank you and your staff, thank all members, my assistant, the page, and the clerk for being here tonight.

Mr. McIver: Thanks, all committee members.

The Chair: I'd like to remind committee members that we are scheduled to meet tomorrow morning, Thursday, March 20, at 10 to consider the estimates of Executive Council.

Thank you, all, very much. This meeting is adjourned.

[The committee adjourned at 9:43 p.m.]

