



Legislative Assembly of Alberta

The 28th Legislature  
Second Session

Standing Committee  
on  
Public Accounts

Culture  
Infrastructure  
International and Intergovernmental Relations

Thursday, May 29, 2014  
9 a.m.

Transcript No. 28-2-6

**Legislative Assembly of Alberta  
The 28th Legislature  
Second Session**

**Standing Committee on Public Accounts**

Anderson, Rob, Airdrie (W), Chair  
Dorward, David C., Edmonton-Gold Bar (PC), Deputy Chair

Allen, Mike, Fort McMurray-Wood Buffalo (Ind)  
Amery, Moe, Calgary-East (PC)  
Barnes, Drew, Cypress-Medicine Hat (W)  
Bilous, Deron, Edmonton-Beverly-Clareview (ND)  
Donovan, Ian, Little Bow (W)  
Fox, Rodney M., Lacombe-Ponoka (W)\*  
Hehr, Kent, Calgary-Buffalo (AL)  
Jeneroux, Matt, Edmonton-South West (PC)  
Khan, Stephen, St. Albert (PC)  
Luan, Jason, Calgary-Hawkwood (PC)  
Pastoor, Bridget Brennan, Lethbridge-East (PC)  
Sandhu, Peter, Edmonton-Manning (PC)  
Sarich, Janice, Edmonton-Decore (PC)  
Young, Steve, Edmonton-Riverview (PC)

\* substitution for Ian Donovan

**Also in Attendance**

Pedersen, Blake, Medicine Hat (W)

**Office of the Auditor General Participants**

Merwan Saher	Auditor General
Robert Driesen	Assistant Auditor General
Eric Leonty	Assistant Auditor General
Jane Staples	Principal

**Observers**

Albert Awudi	Advocacy Officer, Future Hope International
John Incoom	Executive Director, Future Hope International
Eva Mensah Kodia	Social Worker, Future Hope International

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Jody Rempel	Committee Clerk
Karen Sawchuk	Committee Clerk
Allison Quast	Committee Clerk
Christopher Tyrell	Committee Clerk
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## Standing Committee on Public Accounts

### Participants

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Dave Bentley, Assistant Deputy Minister, Properties	
Brian Fedor, Assistant Deputy Minister, Capital Projects	
Faye McCann, Executive Director/Senior Financial Officer	
Neill McQuay, Chief, Strategic Partnerships	
Marcia Nelson, Deputy Minister	
Rod Skura, Assistant Deputy Minister, Corporate Strategies and Services	
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Gitane De Silva, Deputy Minister	
Lorne Harvey, Assistant Deputy Minister, Corporate Services	
Sandra Locke, Chief Assistant Deputy Minister, International Relations	
Bruce Tait, Executive Director, Federal-provincial Relations	
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Jeffrey Anderson, Executive Director, Arts	
Jeff Brinton, Executive Director, Cultural Industries	
Pieter de Vos, Community Development Officer, Central Region	
Kimberly Evans, Marketing and Communications Adviser, Alberta Film	
Brian Fischer, Assistant Deputy Minister, Policy and Strategic Corporate Services	
Janet Gomez, Executive Adviser to the Assistant Deputy Minister, Creative and Community Development	
Ernie Hui, Deputy Minister	
Patrick Humeniuk, Director, Program Co-ordination	
Margret Ingibergsson, Senior Project Co-ordinator, Art Services	
Cindie LeBlanc, Executive Director, Francophone Secretariat	
David Link, Assistant Deputy Minister, Heritage	
Shannon Marchand, Assistant Deputy Minister, Creative and Community Development	
Erin McDonald, Manager, Art Collections	
Karen Porenchuk, Financial Analyst, Program Co-ordination	
Kristine Telenko, Community Liaison Officer, Edmonton and Area	
Richard Williams, Manager, E-scanning and Performance Measurement	



9 a.m.

Thursday, May 29, 2014

[Mr. Anderson in the chair]

**The Chair:** Good morning, everyone. I would like to call this meeting of the Standing Committee on Public Accounts to order. I'm Rob Anderson, the committee chair and MLA for Airdrie. I'd like to welcome everyone in attendance here as well as our guests and members via teleconference.

We'll go around the table to introduce ourselves, starting on my right with the deputy chair, and then after Chris introduces himself, we'll go to the members on the phones to introduce themselves. Please make sure that you indicate if you are sitting in on the committee as a substitute for another member.

**Mr. Dorward:** My name is David Dorward. I'm the MLA for Edmonton-Gold Bar.

**Mr. Amery:** Good morning. Moe Amery, MLA, Calgary-East.

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

**Mr. Khan:** Good morning. Stephen Khan, MLA, St. Albert.

**Ms Pastoor:** Good morning. Bridget Pastoor, Lethbridge-East.

**Mr. Bilous:** Good morning. Deron Bilous, MLA, Edmonton-Beverly-Clareview.

**Mr. Bentley:** Dave Bentley, assistant deputy minister, properties division, Infrastructure.

**Mr. Fedor:** Brian Fedor, assistant deputy minister, capital projects division, Infrastructure.

**Ms Nelson:** Marcia Nelson, Deputy Minister of Infrastructure.

**Mr. Skura:** Rod Skura, assistant deputy minister, corporate strategies and services.

**Ms Staples:** Jane Staples, audit principal.

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

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

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

**Mr. Fox:** Rod Fox, MLA for Lacombe-Ponoka, subbing for Ian Donovan.

**Dr. Massolin:** Good morning. Philip Massolin, manager of research services.

**Mr. Tyrell:** Chris Tyrell, committee clerk.

**The Chair:** On the phone?

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

**Mr. Allen:** Good morning. Mike Allen, MLA, Fort McMurray-Wood Buffalo.

**The Chair:** Jason, are you on? Mr. Luan? I thought I heard him on.

**Mr. Luan:** Jason Luan, MLA, Calgary-Hawkwood.

**The Chair:** Excellent. Anybody else?

All right. The microphones are operated by *Hansard* staff. Audio of committee proceedings is streamed live on the Internet and recorded by *Alberta Hansard*. Audio access and meeting transcripts are obtained via the Leg. Assembly website.

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Members have had the agenda circulated to them. Do we have a mover that the agenda for the May 29, 2014, Standing Committee on Public Accounts be approved as distributed? Mr. Sandhu. Those in favour? Any opposed? Carried.

You've also had the minutes for the April 23 and May 7 meetings of Public Accounts circulated. There is one typo in the April 23 minutes. The deputy minister's last name is misspelled, and it should read Gilmour, G-i-l-m-o-u-r. That's the only change unless there are other typos to note.

Do we have a mover that the minutes for the April 23, 2014, Standing Committee on Public Accounts meeting be approved as amended? Mr. Amery. Those in favour? Any opposed? Carried.

Do we have a mover that the minutes for the May 7, 2014, Standing Committee on Public Accounts meeting be approved as distributed? Mrs. Sarich. Those in favour? Any opposed? Carried.

All right. In terms of how today will proceed, we will first be meeting with the Department of Infrastructure from 9 a.m. to approximately 10:30 a.m. We'll then have a short, 10-minute recess to use the washrooms and so forth and catch our breath. Then we'll come back here, and at 10:40 we'll meet with the Department of International and Intergovernmental Relations from about 10:40 to noon or perhaps just five minutes past noon or something like that. We'll then break for lunch from then to about 12:30, so we'll have a short lunch. You're welcome to come back here with your food as well if you'd like. Then we'll reconvene here to meet with the Department of Culture from 12:30 till 2 o'clock and go from there.

Members should have copies of the briefing documents for all three of our meetings today, which have been prepared by committee research services as well as the Auditor General's office. They did a fantastic job. Thanks for preparing three at the same time. They were very well done, and I didn't see any decrease in the regular quality that we get despite the fact that we asked for three at the same time. I really appreciate that.

The reports to be reviewed for this first meeting with Alberta Infrastructure are the Alberta Infrastructure annual report 2012-13, any relevant reports of the Auditor General of Alberta related to the Department of Infrastructure, the 2012-13 annual report of the government of Alberta, consolidated financial statements, and the Measuring Up progress report.

Joining us first this morning are representatives from Alberta Infrastructure. You may make an opening statement of no more than 10 minutes on behalf of your department, and then we'll go to our Auditor General to make any comments that he may have.

Go ahead. Thanks for coming.

**Ms Nelson:** Great. Thank you, Mr. Chair. I'd like to start by inviting a couple of additional staff, who've joined us here today to help answer your questions, to introduce themselves.

**Ms McCann:** Good morning. I'm Faye McCann. I'm the senior financial officer for Infrastructure.

**Mr. McQuay:** Good morning. Neill McQuay, chief of the strategic partnerships office.

**Ms Nelson:** Great. Thanks, Neill.

### Infrastructure

**Ms Nelson:** I'll start now by just highlighting Infrastructure's activities and achievements in support of our key areas of responsibility for the 2013 fiscal year. In 2013 the ministry supported delivery of three business goals, the first being safe, innovative, and cost-effective public infrastructure; the second being sustainable public infrastructure; and the third being safe and effective accommodation.

Under goal 1 in 2012-13 Infrastructure spent about \$590 million to support the delivery of public infrastructure. Working in partnership with school boards, Alberta Health Services, and our partner ministries, we ensure that supported projects are delivered in a safe, innovative, and cost-effective manner. For example, a total of 15 new schools were completed or opened across the province for that fiscal year. Of those schools, 14 were delivered through a combined approach, using a public-private partnership, or P3, to provide 10 of them, and a design-build bundle for the other four was undertaken. This combined approach allowed Alberta taxpayers about \$145 million in savings compared to our traditional delivery methods.

In addition, work began on 22 new or replacement schools and 13 modernization projects, that we expect to be completed in 2014. Twelve of those new schools are being delivered via P3 at a savings of about \$43 million compared to traditional delivery methods, and we certainly expect 32 of those schools to be opened by the end of this year, 2014.

Two major Infrastructure-supported projects were postsecondary projects that were completed in '12-13. That includes SAIT adding 3,600 new student spaces with the opening of the \$400 million Trades and Technology Complex in August 2012. In December of that year Bow Valley College opened its new \$169 million building with space for about 2,000 new students.

Construction continued on a number of major health facility projects across the province, including Edson, Grande Prairie, High Prairie, Lethbridge, Medicine Hat, and Red Deer. In July 2012 the Kaye Edmonton clinic opened, bringing outpatient care, health sciences education and research all together under one roof in an incredibly innovative project for the province. In August Alberta's largest hospital, the \$1.2 billion Calgary South Health Campus, began offering clinical services and opened its emergency department in January 2013.

Also in 2012-13 another of Alberta's largest ever projects was completed with the opening of the new Edmonton Remand Centre.

Under goal 2, sustainable public infrastructure, we spent about \$262 million in 2012 to support environmental, operational, and fiscal sustainability of our public infrastructure. Our ministry integrates high environmental and energy-efficiency standards into the design and construction of new buildings, and we do apply preservation and life-cycle management principles to our existing portfolio.

The Building Owners and Managers Association, otherwise known as BOMA, provides a certification that demonstrates compliance of existing commercial buildings with best practices in energy, water, and waste reduction, and Alberta Infrastructure did receive an award under the BOMA BEST program that year and has subsequently as well. As of March 31, 2013, we have 85 public buildings that have been certified as BOMA BEST buildings. In 2013 the Lethbridge courthouse was certified to level 4,

which is the highest level possible under the BOMA BEST program, demonstrating superior environmental and energy performance.

**9:10**

In 2012 as part of our greening government strategy we approved a green plan that includes a long-term strategy to continuously reduce the environmental impacts of our operations. For example, in 2012 we purchased 100 per cent of our electricity requirements for government-owned buildings from green power sources, avoiding over 150,000 tonnes of greenhouse gas emissions.

Energy-efficient retrofits were made to the Head-Smashed-In Buffalo Jump Interpretive Centre. That involved using native drought-resistant plants that minimize the need for irrigation. Even small measures can have major impacts. Of course, we do use 100 per cent green power generated from local wind farms in southern Alberta. As a result, we've received the Alto award for sustainable tourism from Travel Alberta. We did have the first UNESCO site to be certified as BOMA BEST in Canada.

Infrastructure, under goal 3, which is to provide safe and effective accommodation, provided facility and accommodation services to all government ministries and assisted client ministries in acquisition and disposal of properties.

Beginning as an Infrastructure initiative and then expanding to a full GOA-wide program, we made significant progress with our corporate asset management program in '12-13. Work began to deliver a building and asset management plan that will result in sustainable infrastructure to support our government programs, a reduction in deferred maintenance, a reduction in our environmental footprint, more cost-effective and functional space, and sharing and repurposing of existing facilities to maximize the use of public facilities and land. In '12-13 Infrastructure spent about \$231 million to support safe and effective accommodation for government.

Under financial information for the 2012 fiscal year our spending was within budget. Almost \$950 million was spent under our expense and equipment/inventory purchases vote, which includes \$195 million on lease agreements; \$198 million on the day-to-day operation, maintenance, and security for about 1,600 government-owned buildings; \$30 million on the Swan Hills Treatment Centre for its operation and maintenance; and \$13.9 million on government-owned facilities preservation.

In capital investment, over \$249 million was spent in the capital investment vote, which included \$48.9 million on land, \$171 million on capital construction projects, \$10 million on maintenance of government-owned buildings, and \$8 million on accommodation projects.

That really concludes my remarks on the '12-13 highlights. For myself and my team, thank you for inviting us.

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

Mr. Auditor General.

**Mr. Saher:** Thank you, Mr. Chairman. The Ministry of Infrastructure has four outstanding recommendations from our 2007 audit of the processes to prioritize and manage infrastructure needs. We made these recommendations to the Ministry of Treasury Board and Finance in 2007, but responsibility for capital planning transferred to the Ministry of Infrastructure in April 2013. We issued an unqualified audit opinion on the ministry's financial statements for the year ended March 31, 2013. We also issued an unqualified review engagement report on certain performance measures included in the ministry annual report.

Thank you.

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

Before we go on to questioning from the government members, I'd like to recognize another member that came in. I think there's just one that came in late.

**Mr. Jeneroux:** Was I late? I apologize, Chair. Matt Jeneroux, MLA, Edmonton-South West. Thank you.

**The Chair:** That's right. You know what? That was really mean of me. You weren't late at all; you were just getting breakfast, and that's very different.

We have some friends from Ghana that we'd like to introduce to you today. They're very special guests. They've travelled a long way to be here to look over our proceedings and what we do as a Public Accounts Committee and take that back, obviously, to Ghana. We hope also to learn from them. I hope you'll stay for lunch as well so that we can get to know you a little bit better.

**Mr. Incoom:** Yes.

**The Chair:** We'd really enjoy that. If you could introduce yourselves and kind of what part of the delegation that you have. Go ahead. Maybe we can start with you.

**Mr. Incoom:** Okay. My name is John Incoom, executive director, Future Hope International, from Ghana. We work with persons with disabilities.

**The Chair:** Excellent. Thank you.

**Ms Mensah Kodia:** My name is Eva Mensah Kodia, Future Hope International, social worker.

**Mr. Awudi:** My name is Albert Awudi, Future Hope International, advocacy officer.

**The Chair:** Excellent. Well, it's a great honour to have all three of you here. Thanks for coming all the way to our cold, rainy province. I'm sure you're missing your weather. Anyway, thank you very much.

With that, the PC caucus will begin, and we'll have about 15 or so minutes to start. Then we'll go to the Wildrose.

**Mr. Dorward:** Thank you. In honour of our guests here I wonder, Marcia Nelson, if you could on behalf of the ministry talk about accessibility for three or four minutes with regard to government facilities.

**Ms Nelson:** Sure. Thank you. Accessibility to our facilities is a really important consideration in any of the new buildings that we build, and we specifically require and request that those specifications are incorporated in our new builds. With respect to existing buildings we certainly, wherever we can, incorporate accessible opportunities for that. I know we are in the process right now of looking at how to improve accessibility to the Legislature Building. We have a number of different designs that we're looking at right now to try to make sure that, you know, the symbol of our province is that democratic institutions are as accessible as they can be for all the folks that use our services.

**Mr. Dorward:** Thanks very much.

Mrs. Sarich, did you want to take the first little bit of time?

**Mrs. Sarich:** Sure. Thank you very much, Deputy Chair.

Thank you for your brief presentation this morning to get us started. I'd like to ask a number of questions in regard to the facility conditions of schools in the province of Alberta. It's my

understanding that in the 2012-13 annual report you have a number of definitions for building infrastructure, but in particular, the schools: 56 per cent were in good condition, 43 per cent in fair condition. This has to do with the infrastructure and maintenance fund. I'm just wondering if you could comment, because these particular dollars available to school boards across the province – and for me as a former school board trustee and parliamentary assistant to the Minister of Education these funds have sometimes been with Alberta Education, sometimes been in Infrastructure.

I'm wondering if you could comment on where they are today so that the public can understand that. You know, do you have a sense of this funding envelope for school boards? Why has, for example, a lot of that infrastructure inventory across the province – like, 43 per cent in fair condition is a pretty significant number. Why have we allowed the school board infrastructure to deteriorate to that level? Who's responsible in the end to keep these structures in good working order? I think the public needs to understand how those costs are. Is it the school board's responsibility, or does it lie with a particular ministry? I'll give you an opportunity to respond.

**Ms Nelson:** Okay. Thank you. It's an accurate and important statement today that maintenance and renewal of our existing publicly owned assets is essential. As a department it's a core part of the business that we deliver. I believe that in this fiscal year government has allocated \$1.6 billion over three years to renew and maintain schools, postsecondary institutions, health facilities, and government-owned infrastructure. Of that \$1.6 billion, \$108 million is being provided to school boards. So when you're asking the questions, "Where does the money come from, where does it go to, and who is responsible?" those funds are provided from the government to the school boards to deliver on the maintenance program and priorities that they've determined for the assets that they manage. This year that \$108 million was about a 27 per cent increase over the funds that we provided last year, in recognition of the fact that schools are aging and we need to make sure that we continue to provide safe and effective infrastructure for our students.

**9:20**

When you look at the facility condition index – I think you mentioned that in the annual report, and I'm looking at page 14 in the annual report – what you'll see is that about 99 per cent of our schools are in fair to good condition. I think it's important to understand what it is when we talk about what a fair rating is, what a good rating is in all the work that we've done. You can certainly see all the results of those assessments on our website. We look at a wide variety of elements that come together when we score a facility to determine whether it's poor, fair, or good. You'll see, I think, that in the instance of schools, by and large, the vast majority are in fair to good condition, and from our perspective that's a reasonable standard to set.

Of course, as a department I would say that we would always like to spend more on maintenance and renewal. That's our business. That's what we would like to do. But we understand that in a province that's growing like Alberta, there are trade-offs that need to be made between maintaining and preserving what you have and trying to build new to meet the needs of a growing population. So at the same time that we're trying to maintain, you know, the set of schools that we have, we're also trying to build new schools all across the province to accommodate basically 300 new people that show up every day in the province.

**Mrs. Sarich:** Okay. Let me move to the health care facilities. For the year ended March 31, 2013, health facilities support to Alberta

Health Services was approximately \$439 million. I'm wondering if you could comment or provide some insight. Are we completing the health facilities projects on budget, on time? What has your experience been with these projects? Could you say that we're getting the results that are intended with the public dollars? You know, that's a fair chunk of change here, and I think the public needs to understand what's going on in terms of these projects.

**Ms Nelson:** Sure. We are undertaking a significant number of health projects, certainly in the '12-13 year and even into the current year. I think you asked about the underexpenditure of funds in the '12-13 year, and what I understand is that we did have a \$256 million underexpenditure of funds related to some of our health care projects. I want to emphasize that the fact that we didn't spend the money in the year that we had originally anticipated does not mean that those projects will be delayed. It's really in relation to the cash-flow needs for the projects as they come forward. So it's often the case that as we bring closure to tenders, as we get closer or are at different stages of construction, the project schedules can change and therefore the cost-flow requirements change with them. We have cases where projects get cancelled, where scope gets changed, so all those can lead to a need for different cash flows.

I think you also noted that delivering these projects on time and on budget is critical. For Alberta Infrastructure that's probably our number one performance measure, our ability to deliver projects on time and on budget. I think that in the last five years Alberta Infrastructure has delivered 63 major capital projects, and of those capital projects 97 per cent were delivered on time and 90 per cent were delivered on budget. While that's a solid record, we continuously strive to make any changes we can to our processes and the way we deliver programs to try to keep improving on that major performance measure for us.

You did talk about some specific projects in 2012-13. We did complete the Kaye Edmonton clinic. That was a \$484 million project, and we turned that over to AHS in 2012. We completed the South Health Campus project, which I did mention was, I think, the largest project ever delivered by Infrastructure, and we delivered that in the summer of 2012. We expanded the emergency department at the Bow Island health centre. We completed the final phase of construction at the Sturgeon ambulatory care centre in St. Albert, and so on.

**Mrs. Sarich:** Thank you.

My last question would be that there have been some outstanding recommendations made by the Auditor General, and one of them is the process to prioritize projects. This particular outstanding recommendation dates back all the way to 2007. Do you have a comment? Where are you with that? Why has it taken so long? You know, in all honesty, to be quite frank, the public in general does not understand. Are you prioritizing infrastructure projects? How does that work? You have a duty to be very transparent about this particular process. I'll leave you to comment on those three fronts.

Thank you.

**Ms Nelson:** Okay. I'll break that down into the three parts of that question. Maybe I'll start with the transparency part first. Our capital plan is on our website, so you can see every project for the next three years that's been approved. I think that is a valuable document to have out in the public domain so that people understand what projects are approved, when they might be seeing them in their communities, and then they can help plan some of their own decisions for that. That's an important piece for us.

The second question I want to answer is with respect to the outstanding recommendations. Alberta Infrastructure received program responsibility for capital planning as of June 2013. With receiving the program responsibility, we also received the outstanding recommendations. Our task since 2013 has been to build our own capital planning capacity in the department. We've been staffing up. We've been reviewing the processes that have been in place with Treasury Board and Finance. We have committed to addressing these recommendations over this next fiscal year.

We think it was a good decision to transfer capital programming over to Infrastructure, because we want to ensure that we're approaching capital planning from a full asset management perspective, so it's not just a matter of identifying individual projects that are priorities, but it's really understanding the full range of infrastructure needs for our province. What do we already have? What are some of the needs? How do we manage the projects we have? How do the needs fit into projects that we already have? We think there's an opportunity for us to provide a more holistic picture and actually to deliver some projects in a more innovative and cost-effective way because we're looking at some of the infrastructure that we already have under way.

**Mr. Dorward:** Thank you, Mrs. Sarich and Ms Nelson. We're going to run out of time before we run out of questions.

**Ms Nelson:** Oh, sorry.

**Mr. Dorward:** No, no. It's fine, but we do reserve the right to jump in there.

I have a question, which I'd like to have the department answer back to us in writing rather than discuss right now. There are some things on page 8 of the annual report and then there are some things on page 39 that don't seem to reconcile for me. On page 8 of the annual report it says:

Alberta Infrastructure has a vision of providing innovative, sustainable and cost-effective public infrastructure for Albertans . . .

Goal 1: safe, innovative and cost-effective public infrastructure;

Goal 2: sustainable public infrastructure.

Both imply that there's a benefit, certainly, to Albertans, but it's done in a cost-effective way.

But note 9 on page 39 of the report talks about the Swan Hills Treatment Centre. As an accountant whenever I see big numbers with brackets around them, I get concerned about losing money. It sounds to me like the Swan Hills Treatment Centre is not sustainable and cost-effective, yet that seems to be a goal of the ministry. My question to the ministry – and as I say, you can get back to me in writing. Is that treatment centre being run for reasons other than cost-effectiveness? If so, then should that be part of the ministry overview as you stated to Albertans? If you can get back to us in writing on that.

**Ms Nelson:** I'd be pleased to provide a more detailed response in writing, but if I may just briefly say: we are running that facility at a loss. It is because it provides a unique and important service to basically managing PCBs in our environment. It's the only facility of its kind in Canada, and we are out in the market right now trying to identify ways with private-sector partners to make that a more cost-effective delivery. We will provide the details.

**Mr. Dorward:** Thanks so much.

We'll go to MLA Sandhu.

**Mr. Sandhu:** Thank you very much, Chair. In reference to page 47 of the 2013 Infrastructure annual report the total unexpended amount of the capital construction program is \$172 million. What is the reason for that?

9:30

**Ms Nelson:** Okay. Thank you. It just took me a minute there. That's our capital construction program. Similar to the answer that I provided on the underexpenditure in health facilities, capital construction projects tend to occur over a period of years. That underexpenditure was primarily due to, basically, changes in the cash flow requirements for those projects. Again, that does not indicate in every instance that there's a delay on those projects, just a greater refinement with respect to the project schedule. We did have one cancellation of a project, which itself resulted in a reduction of funding that was required, and that was the Alberta public safety and law enforcement training centre, the Fort Macleod police training centre.

**Mr. Sandhu:** A supplement: what is the plan for the old Edmonton Remand Centre? What's the planning for that?

**Ms Nelson:** For the old Edmonton Remand Centre?

**Mr. Sandhu:** Yeah.

**Ms Nelson:** Okay. That is a unique building, I think, which is going to present some fairly unique challenges for us in terms of how to either repurpose, dispose of, or otherwise use that property. Our process, when we do have buildings that are no longer suited to the intent that we originally built them for, is that we undertake a planning study to identify what possible government needs might be met through the existing facility and what the costs might be in order to repurpose that building. We're in the planning stages right now and are examining our options. No decisions have been made at this point, but we'll certainly be canvassing our colleagues and partners to identify if there's an alternate use. If we can't identify a suitable alternate use that's cost-effective, then we do in those instances move to either disposal or long-term leasing arrangements or a variety of other opportunities.

**Mr. Sandhu:** Thank you.

**The Chair:** Okay. Thank you very much. That was 16 minutes.

We'll go now to the Wildrose opposition. Mr. Barnes.

**Mr. Barnes:** Thank you, Mr. Chair. First of all, thank you all for being here today and for all the good work you do for Albertans. My first question is about deferred maintenance. Two of the Auditor General's outstanding recommendations revolve around deferred maintenance, the process for prioritizing it, the process for reducing it, and of course these recommendations have been outstanding since 2007. In 2007 and again in October 2010 the Auditor General recommended Alberta Infrastructure develop objectives, timelines, and targets for reducing deferred maintenance and include information on deferred maintenance in the province's capital plan, again, with a suggestion towards a priority list.

Through a freedom of information and privacy request we discovered deferred maintenance in November of 2013 of over \$2.82 billion: \$625 million in postsecondary, \$817 million in school facilities, \$345 million in government-owned facilities, and over a billion dollars in health care facilities. Of course, your department is responsible for this under the new procedure, and I'm wondering where you're at in the recommendation of putting

in the steps to prioritize and reduce it in particular and any bottlenecks you may see.

**Ms Nelson:** Thank you. I'll start by talking a bit about the Auditor General's recommendation, and then I'll speak more broadly to the issues related to deferred maintenance.

As I said, the department received the responsibility for this in April of 2013. We've been building our own capacity for, basically, assembling information and have committed to significant action on that recommendation in this fiscal year. I think it's fair to say that since 2007 it's not that government hasn't taken any action. I know Treasury Board and Finance had taken a number of steps to bring down deferred maintenance in the province. Additional funds were identified and applied to deferred maintenance issues during that period of time, but we know there's more to do. We have a large number that we need to start working away at. We know there's more to do.

Of course, part of the issue is about how we define deferred maintenance. You'll have seen – one number that you quoted to us, you know, is \$625 million in postsecondary institutions, \$817 million in school facilities, and so on. We know that our school partners, partners in AHS, in postsecondary institutions often use different definitions of deferred maintenance than we do, and right now we're in a process with them to basically arrive at a common understanding and a common definition so we can come together with a common plan on how to address it. In our view, deferred maintenance is essentially those repairs that would ideally be done but for a number of reasons get deferred until a later time.

We know that even when you're managing your own home, you know, you do that. You have a fence that you need to have fixed, and ideally you would do it this summer, but you decide that, you know, "I'd rather take a look at fixing my kitchen or doing something else than doing that one," because that's how you want to apply your resources. In a much bigger way it's the same type of decision-making that occurs on deferred maintenance here.

I think that part of our project is going to be to establish that common baseline with our partners and work with them on how to develop some solutions. But bottom line: we know we need to spend more and do more to address deferred maintenance, and that's going to be our goal.

**Mr. Barnes:** Okay. Thank you very much for that answer. As mentioned earlier, I, too, am quite concerned that 39 per cent of our schools are rated in fair or poor condition, and I want to hear your opinion on how valid, how strong you think your ratings are. The Good Shepherd school in Edmonton is a perfect example: roof leaking, and on your 2013 index it's rated as good. Of course, we all know that students had to be evacuated because of mould. Again, your department had it rated as good. Can you please comment on the confidence you have in your rating process?

**Ms Nelson:** Sure. I think your question goes to what a condition index rating is and what we use it for versus what, you know, the condition of a building might be at a given moment in time. What I would say for our facility condition index is that a fair rating doesn't mean that a facility is in an unusable condition. It relates to what the costs and the condition would be over the next five years to do the necessary type of work in that facility. I might ask Dave Bentley to speak to the broader issues around how that index is used.

**Mr. Bentley:** Thanks, Marcia. In the government-owned side of the equation we use that as an indicator of the condition of the building, but then we look at the specific activities that are required for maintenance of the building, and we essentially

prioritize the work that needs to be done based on life safety as the first priority. We look at the risk of failure of the various components in the building as well as looking at the impact of those failures. Then we try and prioritize our projects aligned with the money that's available. Life safety, which is a mould situation, obviously would be the first thing we'd look at when we're doing major maintenance.

**Mr. Barnes:** Okay. Thank you very much. I want to go next to one of the Auditor General's other recommendations, and that's back to his recommendation 4, volume 1, page 57. "We recommend that the Department of Infrastructure improve the process to evaluate proposed infrastructure projects that ministries submit." This lack of a clear priority list and the three-year capital plan that you referred to earlier – I've noticed that several projects go on and off that list without being completed, without being started. I don't understand the explanation for that.

It leads me right into what happened with the federal building and the cost overruns on the federal building and the length of time it's taken. You know, I understand from an article in the *Edmonton Journal* a short time ago that we're going to be past \$375 million. Amazingly, that is more than the deferred infrastructure maintenance on all government-owned facilities. Again, the length of time that this project has been under renovation is actually amazing as well. The Bow tower in Calgary took much less time to build. I'd like to know, though, first off, what specific government-owned facility projects the maintenance has been deferred on because of the money allocated towards the federal building.

**Ms Nelson:** Perhaps I can break that down into two parts and talk a little bit about the capital planning process so that we can be clear about how priorities are set within the capital planning process and then answer the question with respect to the federal building.

**Mr. Skura:** On the capital planning process over the past number of years there have been minor variations to the process, but in general we've followed the following steps. The first step in the whole process is getting an assessment of the strategic objectives of government. We get this from Treasury Board, from Executive Council, looking at what government's overall priorities are going forward for the next five years. We do the capital planning on a five-year cycle. We also get ministry priorities on what they see their top priorities are. They're the ones that have the direct responsibility for consulting with their stakeholders.

9:40

We then take a look at all those sources of information – the strategic objectives from government and ministry and stakeholder priorities – and then we prepare some scenarios that go to Treasury Board committee for final decision. Treasury Board committee then has the responsibility or the choice to balance fiscal needs with all these demands for capital process. This tends to be an iterative process. We'll take a scenario to Treasury Board. They'll ask for some questions, clarifications. We'll go back, do some more work, and bring it back to them. So that, at a very high level, is the process that has been used to prioritize projects.

We're putting a concerted effort going forward on improving that. We're looking at going into a partnership with a couple of other jurisdictions to learn from their processes, Saskatchewan for example. We're really looking at trying to integrate the whole concept of asset management much better into the capital planning process. That's one of the principle reasons, when we took over the responsibility on the 1st of April, why we wanted to I wouldn't

say delay the implementation, but we wanted to slow down and look at asset management as a key factor in terms of the capital planning process.

**Mr. Barnes:** Thank you for that.

**Ms Nelson:** Do you want me to answer the federal building maintenance operating issue?

**Mr. Barnes:** Please.

**Ms Nelson:** Sure. With respect to funds that are provided for the federal building, those are capital funds that come out of the capital account. Our increase in spending on that file for the federal building did not have any impact on funds that are made available for maintenance and ongoing maintenance. Those are operating funds that are found in the department.

In terms of the budget itself and what it was and how it increased and why that happened, I can say that in June 2008 the budget for the federal building that was approved by Treasury Board was \$356 million. I think it was in 2009 with the economic downturn and basically, you know, the fallout in the economy that that estimate was adjusted to \$275 million given the view that we didn't feel we would be experiencing the same double-digit cost escalation as we had been in 2008.

As you've noted, since then the budget has gone to \$375 million, and that's really attributable to three reasons. The first is that as a renovation project, as everyone knows who's done a renovation, you always find things that you don't anticipate. In this case we identified some fairly significant structural issues – floor load problems, ceiling heights, mechanical issues – that required much more remediation than we'd anticipated, including hazardous materials, asbestos. The second reason was that throughout this project – and it happens in others – we've had changing user needs come forward, changes in scope, and that's added to the budget and to the time frame for the project. Finally, we have had the case where we've had some design omissions, some rework that's been required, frankly, because of the other two reasons. That's led to delay, and that has also escalated on the project.

**Mr. Barnes:** Thank you very much. It's amazing to me, though, to spend \$375 million to house 600 people.

With the design changes, can you confirm the dollars spent on design and construction for the original Premier's den that was originally included in the cost in 2009? Can you tell me who approved this? And can you please tell me which minister of the Crown put a stop to the sky palace?

**Ms Nelson:** Okay. With respect to your first comment about the cost-effectiveness of the \$375 million for 600 people, in 2008 we did do an engineering study to try and identify if there was value in renovating the federal building or if it would be more cost-effective to raze it or cost-effective to build another building or more cost-effective to lease it in the private market. In fact, that analysis showed us that, you know, to lease a similar kind of space in the private market would be about \$360 million. So the costs, I think, are quite comparable to what it would take for us to actually house folks and serve those functions in any other methodology.

In terms of the costs related to the eleventh floor I need to start by saying that we don't cost buildings like this on a floor-by-floor basis, so we don't have information about what each individual construction cost is for each floor because, as you know, all the systems are integrated – right? – elevators, HVAC, electrical, you know, all of that.

We do have information – I believe it was tabled in the Legislature – that broke down what the planning costs were, the design work that was done for the eleventh floor suite. The number I have here is \$173,100. That included architectural work for design. That included mechanical and engineering, electrical engineering, and the architect's fees. That was money that was spent to do the design work for that floor and the 10th floor.

**Mr. Barnes:** Okay. Which minister approved that design work?

**Ms Nelson:** What would I say? Ministers don't tend to look at the designs of detailed building work as we go. The approvals for the buildings are made at the time when we take it to Treasury Board: "You're to build a hospital. You're to build a school." We build them within certain, you know, frameworks and standards.

**Mr. Barnes:** So who did approve the design work?

**Ms Nelson:** The design work for the 11th floor was requested from the Premier's office through our architect, our prime consultant, and I believe that those designs were approved by the Premier's office.

**Mr. Barnes:** Okay. Is it possible that the construction of the 11th floor was started and then taken out and reverted? Did the construction actually begin on the sky palace?

**Ms Nelson:** The construction for the 11th floor was occurring at the same time as all the other systems that were required in the floor. Electrical work was being done. Plumbing work was being done. Some access work was done for the elevators. That work was under way and had been under way until January of 2014, when we received direction not to proceed with any occupancy for a residential purpose, and since then we've been completing the project to support meeting rooms, conference rooms, and hosting.

**Mr. Barnes:** Okay. Who gave you that in January 2014? Who gave you that direction to take that out? It sounds like some money was spent and some construction was started. Do you have any idea of the amount of money that was spent to revert?

**Ms Nelson:** Well, there were no funds that were spent or required to tear out any of the work that was done to that point. It was all, basically, electrical systems; you know, heating, ventilation, that type of thing. We weren't at a stage with that where any construction was needed to be torn out or remediated, so we didn't lose any costs there. It was Minister McIver that directed us to cease the residential component.

**Mr. Barnes:** Okay. Thank you.

There was talk, I think, that in 2012 Minister Drysdale did the same thing. Was Minister Drysdale's message not listened to? Was it not conveyed? Was it made?

**Ms Nelson:** I can't talk about what message Minister Drysdale provided or didn't provide. All I can say is that the department was under the direction from probably July of 2012 until January of 2014 to build the Premier's suite to support a residential occupancy, and then in January of 2014 we received new direction.

**Mr. Barnes:** Okay. Thank you.

It seems a lot of times that for projects with design-build like the sky palace, the scope creep, the not setting definite plans and definite targets, and the reannouncements lead to tremendous inefficiencies of great concern for the Alberta taxpayer. You said

that you're at about 90 per cent of your projects in on budget. I'd like you to contrast that, using the design-build in this federal building and these extras and what the extras may cost us, and, if you don't mind, touch a little bit on something like the south Calgary campus hospital, that was originally announced at \$500 million and is now at \$1.6 billion. Was this all planned change? Was this a cost plus? What happened there?

**Ms Nelson:** What I would start by saying is that we look at each project, and we determine what's the best procurement and project delivery method in relation to each project. Some projects are much more straightforward and much simpler – schools are an example of that – and they lend themselves quite nicely and easily to certain kinds of procurement. Other projects are more complex or have other kinds of demands on them.

For example, with the federal building, when that project was first envisioned in 2008, there was a desire to move that project ahead very quickly to align with the hundredth anniversary of the Legislature Grounds. The idea was to finish that project to align with that time frame. There was also a fairly significant cost escalation occurring at that time, so there was a desire to move ahead very quickly to avoid as much cost escalation as we could.

As a result of those pressures, that led us to look at the construction management procurement methodology, which allows you to move ahead quickly, before design is complete, and to bring the contractor in early. What that can do is basically improve your schedule, but it is being done at a time when your scope is not clear. So there are risks with that, and we are experiencing the consequences of those risks now.

9:50

We have used other projects. The Edmonton Remand Centre: we used construction management with respect to that project. It was delivered on time, on budget, and the user needs were clear and clearly met. It really depends on the nature of the project, and we make those judgment calls each time that we go through.

In terms of the Calgary South Health Campus, that was a project that was started by AHS's Calgary health region, and we took it over from them. [A timer sounded]

**The Chair:** Oh, man. I'd love to hear the answer to that, actually. Could you provide that answer in writing with regard to the billion-dollar cost overrun at the south campus? I think a lot of the people in the community would be curious as to how that happened.

We'll go to the Liberal opposition online. Mr. Hehr, you have nine minutes.

**Mr. Hehr:** Thank you very much, Mr. Chair, and I thank the department for being here. My questions are going to be centred around schools, school maintenance, deferred maintenance, and the like. Although some questions have been answered, I'll try to go a little deeper here.

You know, if we look at the portion of schools in fair condition, it's 43 per cent. If we look at that in comparison to health facilities and postsecondary facilities, for instance, 24 per cent of health facilities are in fair condition. Postsecondary facilities: 24 per cent are in fair condition. Government-owned and -operated facilities: 29 per cent are in fair condition, and the rest of them are in good condition.

[Mr. Dorward in the chair]

It appears that our education facilities are not being kept up to the same standard as other government-owned buildings. Is there any reason why this is happening? Has it something to do with

their life cycle, something to do with what we're doing in building new schools, or the like? Why is that number lower compared to other government-owned facilities?

**Ms Nelson:** My understanding of why that number is lower when compared with other government facilities really goes to the age of the schools that we have in the province. We do have many schools that are aging, and with that many schools that are aging, you're going to find more of them at the fair FCI level. That's also why we're undertaking a program to modernize 70 schools and replace some of those schools, and we will be implementing 50 new schools throughout this year as well. Once we actually have those modernizations and those schools done, you'll see those numbers change significantly as some of the poorer quality schools come off the list.

**Mr. Hehr:** Okay. Well, you know, you brought it up earlier. We've been running at approximately a billion dollars in deferred maintenance in our school system since around 2000. We've made very little progress on lowering that number. I get nervous when I hear that the department is thinking about changing the definition of deferred maintenance. What's wrong with this current definition, and is it just, frankly, getting embarrassing for the department to see these numbers and these, I guess, rankings of fair schools instead of good schools? I'm wondering: why the change in definition at this time?

**Ms Nelson:** We haven't arrived at any changes to the definition at this point. What we do know is that for our major partners in postsecondary institutions, Alberta Health Services, the school boards, each one of them uses a different definition of deferred maintenance. In some of those cases they can be including upgrades that they would like to see. They could be including anticipated future needs. Our definition doesn't encompass that. Our definition looks at what we would have done at the time, and we have not done so. Our effort here is really to bring the stakeholders together, to bring us all together around a common definition, and we believe that will help us come together with common solutions on how to address it. That's our objective.

**Mr. Hehr:** Okay. You mentioned again sort of the promise, I guess, of 70 modernizations and 50 new schools. We know that the promise of 50 new schools was highlighted in the Progressive Conservative election campaign. We also know that to date no schools have been built. Actually, no shovels have been put in the ground, and no concrete plans have been made. Can you confirm for me today if any of these schools are starting to be built in any form or fashion?

**Ms Nelson:** One thing I can confirm as well is that we do have a complete list of all the schools' locations, methodology, time frames posted on our website. We've completed the procurement analysis, so you can see on the website every school, when they're anticipating to be done, how they're going to deliver those schools, and who is responsible for doing it. I think that's a good piece of information to have.

Over 50 per cent of the schools are currently in the planning stage. We've got tenders that have been put together. You're correct that it's still early stages, but we feel we're in good shape, and things are moving forward.

**Mr. Hehr:** Okay. Well, how long does it take you guys to build a high school in Calgary? As one of those is on the list as being, I think, one of the schools that's going to be built, how long do you guys anticipate it takes to build a high school in Calgary?

**Ms Nelson:** For us traditionally and, I guess, on average in terms of the construction period it takes about 18 to 20 months. Of course, you need to add on design time, you need to add on commissioning time, and, of course, to get an operational school, you need to add on time for the school to outfit it and have teachers come in. But our part of the job is about 18 to 20 months.

**Mr. Hehr:** Well, you talked about design time. You talked about getting teachers in there. Can you tell me what the timeline is for that entire process? You guys have been involved in this process before. What's the global timeline on getting all the pieces in place to establish a working, operating school in this province?

**Ms Nelson:** I do want to confirm that our target date is to complete these schools by 2016 – and that's June of 2016 – to allow the school boards to have the opportunity to basically outfit those schools, bring their teachers in, and make sure everything is operational for the September 2016 school year. We are amending our processes and streamlining things in order to do that. Our average time, you know, where we would have done this in the past, would have been two years or more to complete the process start to finish, but we are streamlining it significantly so that we can aggressively work to try to meet these timelines.

**Mr. Hehr:** That sounds like a bit of a political answer, not necessarily an answer I'd hear from someone in the department.

Now, where are we on the design? Have you guys selected how these schools are going to be built? Where are we on selecting by whom and how these schools are going to be built? Can you give me a breakdown on how many will be P3 projects, how many will be done by traditional government-backed money? Can you give me an exact breakdown of how this is going to work?

**Ms Nelson:** Sure. Probably the most expeditious way for me to do that is to refer you to the procurement plan on the website. It's got every school. It's got who's responsible for the school, whether it's us or the school board. It has the procurement methodology, whether it's going to be a design-build or is going to be a P3. It's got timelines related to each, and I think all the information you'd be looking for is there.

In terms of my previous answer I would say that we're certainly feeling the pressure of the aggressive schedule, so that's, I guess, what drove my answer. We're working really hard to try to get these schools done on time.

**Mr. Hehr:** Okay. That's all right.

Just one thing also concerns me. It doesn't appear, when you're looking at the maintenance that has to be done on schools, whether there's any consideration for the utilization rates on the schools and how it's going to affect the condition from good to poor to fair. Is there a way that your ministry is incorporating that analysis into future needs of schools, and are you going to prioritize in that manner?

**The Deputy Chair:** We have about one minute for that answer.

**Mr. Fedor:** Very quickly, if I understood the question correctly, there is a formula in place based on the utilization. The formula is basically driven by Education as the program ministry. Infrastructure provides technical support in terms of what the impacts might be.

**Mr. Hehr:** Okay. Does the ministry internally assess any other performance measures with regard to cost-effectiveness of infrastructure such as those related to meeting deadlines and

budgets of infrastructure projects when we're looking at school maintenance?

10:00

**Mr. Fedor:** Mr. Chairman, absolutely. We look at life-cycle costing. In other words – I'll give you an example – rather than focusing on, say, going the cheap route, if I might, we want to make sure that when we spend the money on a capital project, in fact, it's going to be usable for a reasonable life cycle so that we don't off-load capital costs onto the operating costs of the school boards.

**Mr. Hehr:** Thank you very much for your answers and your time.

**The Deputy Chair:** Thank you, Mr. Hehr.

Now I'll move to the ND opposition. Mr. Bilous.

**Mr. Bilous:** Thank you, Mr. Chair, and I thank the ministry for being here. You obviously have a very, very important role in the development of our province and maintenance of it. I'm going to start by talking about the facility evaluation. The Auditor General pointed out in their briefing to us that your office appears to be late in reviewing health facilities, having evaluated only 88 per cent over a five-year period. So I'm curious, just to start with: why aren't facilities being evaluated on time?

**Ms Nelson:** This is a piece of work that we've started to do with Alberta Health Services. We effectively only received responsibility for this work in 2010, when Alberta Health Services was brought together and responsibility for health facility construction and maintenance went over to the Department of Infrastructure. We are working with Alberta Health Services on that. It really is about a five- to six-year cycle of work that we need to do because of the number of buildings. Alberta Health Services is closely aware of all the maintenance needs that they have for all their buildings. They prioritize them on an annual basis, and we do provide funding to them in order to start, you know, taking off elements at the top of their list on an annual basis.

**Mr. Bilous:** Is every five years sufficient for evaluating health facilities, in your opinion?

**Ms Nelson:** Yes.

**Mr. Bilous:** Okay. Now, I know that you've spoken, when we were talking about schools – and I'll get to schools in a moment here – of priority lists for evaluations. My question is going around – so a building, for example, like the Edmonton General, which is quite massive, has previously identified unaddressed life safety risks and hasn't been evaluated for more than five years. Now, would that take priority over a smaller and newer facility without previously identified risks?

**Ms Nelson:** We rely on Alberta Health Services to identify the priorities that they have for maintenance because, you know, frankly, they're in close observation of those facilities on a day-to-day basis. So they set their priorities, and we provide funding to them to meet their priorities. Our role really amounts to ensuring that the projects that they identify are eligible for the funding. We trust them to know their business and work on their priorities.

**Mr. Bilous:** So is the FCI, the facility condition index, an accurate way of measuring the condition of our buildings? What alternatives exist?

**Ms Nelson:** The FCI is a pretty standard and recognized tool throughout industry. It's something that gets used in the housing industry. It's used here. It's used across the country. It's a pretty standard and recognized tool. It isn't the answer to all questions. That's why we have other methods that we bring to bear, and we certainly will address any issues that emerge, as Dave spoke to, on an urgent basis as they might arise.

**Mr. Bilous:** Okay. I mean, this is leading to, you know, specific questions here. For example, how do you reconcile Edmonton General, a building where a broad health inspection would be potentially catastrophic according to Covenant Health executives, being ranked in fair condition?

**Ms Nelson:** Well, in that case our process is to work with Alberta Health Services to identify what their priorities are. Again, they work closely with Covenant Health – that's the operator for that facility – and they would identify if they felt that building was a priority for any of the maintenance that they have in their budget.

**Mr. Bilous:** What about the Misericordia, a building that the Minister of Health has admitted needs replacing, being ranked good?

**Ms Nelson:** Again, the facility condition index looks at, like, some basic building envelope components. You can take a look at the report for the Misericordia that's on the website. It's a RECAPP report that identifies all the various systems, what their status is, and what they can support. It's an old building; it has a set of maintenance needs. Certainly, funding has been provided to bring the Misericordia up along that list. I think it was \$19 million that was provided this year to address some of the deficiencies. I believe that once Alberta Health Services has concluded its Edmonton zone plan, we'll have a better sense of what the priorities are for health facilities in the Edmonton region.

**Mr. Bilous:** With the Mis and Edmonton General evaluation reports, I mean, some of the issues we've discovered have been missed. There are other issues that are clearly urgent and marked high priority that the ministry doesn't seem to follow up on. For instance, at the Mis the report notes that sanitary pipes are so rotten that they break when they're snaked to remove clogs. You probably know that the Mis had a flood that caused millions of dollars worth of damage. Quite literally, not keeping up with priority repairs is pouring money down the drain. What's the procedure when higher priority needs are identified in a report? Are they tracked, and are funds expedited for their repair?

**Ms Nelson:** I guess one clarification I would provide with respect to the flood that occurred at the Misericordia is that that was basically a flooding that happened as a result of staff error. You know, repairs were being made, a valve was left open, and the flooding occurred. So it wasn't an equipment failure as much as it was a staff error. That did compound other problems, there is no doubt, in that building. I know that Alberta Health Services is aware of that work. They're working closely with Alberta Health and the Misericordia. Funds have been provided to do some of that work, and I've got a list here of the work that's under way.

**Mr. Bilous:** Okay. With the General your infrastructure report says the following regarding the need for sprinklers in the R wing: "This should not be deferred as it is a life safety issue. Staff and tenants are currently at risk." That's from 2008. The R wing is still without sprinklers on floors 6 through 12, more than five years

later. How do you explain leaving staff and seniors in a care facility facing a life safety risk for more than five years?

**Ms Nelson:** I don't have that information in front of me. I'll have to get something back to you on what the status is there. I know that part of that space has been decommissioned. I thought that the 6th floor was no longer in use, but that's information that I'll have to provide back to you.

**Mr. Bilous:** If you could provide it to the committee, that would be greatly appreciated.

How much time do I have, Mr. Dorward?

**The Deputy Chair:** Three minutes.

**Mr. Bilous:** Beautiful.

I want to move on to schools for a moment, and again we're going to be talking primarily about deferred maintenance. Over the past year and a half the government has been announcing school projects, but we've heard concerns regarding the completion of some of the 2011 schools. Specifically, Northern Lights school division is worried. They haven't seen any progress on a new J.A. Williams high school for months and are highly skeptical that things will be done in time for the new school year. Obviously, this construction has occurred largely throughout the budgeting period we are reviewing, so there is relevance here. We've asked for information in the past from Education and received incomplete data back. Will all the school projects announced in 2011 be completed by September of this year, 2014?

**Ms Nelson:** I've got the list here in front of me. I believe that all of those schools will be completed. There are, I think, two that I'm aware of that have site-specific conditions that could lead to their being a bit over. If someone can pull up the list for me while we're talking about another question, I can give you a more detailed answer. My understanding is that we are on track for 35 schools.

**Mr. Bilous:** Okay. That's good, and we will hold you and the ministry to that.

I want to jump back to how facilities' conditions are evaluated. I know that you spoke about synchronizing with other institutions, whether it's hospitals, schools, et cetera. I find it interesting that at the moment your definition of deferred maintenance, as you said earlier this morning, is: maintenance ideally done but put off for now. I want to challenge your definition of ideally done. As another member brought up, Good Shepherd school in Edmonton was closed due to water damage and mould and is expected to cost \$5.5 million in repairs. Infrastructure reports didn't highlight any of the pressing needs, and although water damage was visible, it was not noted in the report.

You know, I really question, and I'm sure many Albertans do as well, the value or the authenticity or accuracy of your facility indexes when we've got examples of schools being closed, hospitals in dismal condition, yet they're still getting passing grades by your evaluation standards.

10:10

**The Deputy Chair:** Excuse me. We have about a minute for that answer.

**Ms Nelson:** I did want to just go back to the previous question if I might. We did find the information on the school that you identified, and our best information is that it is still on time. We do have a couple of schools out of this number that were going to be delayed, but they are just site-specific, so we're just remediating some site issues there.

With respect to the facility condition index and the definition we want to work with our partners to arrive at a common definition that everyone feels will capture what the needs are and help us come together to arrive at solutions, for sure. A facility condition index finding is at a point in time. It's an indicator of what the situation is, and certainly events can occur where that situation changes. Those do get brought to our attention and to the attention of the school boards, and plans are put in place to try and remediate those emergent conditions.

**Mr. Bilous:** Yeah, but clearly they do miss current conditions. My frustration, again, looking at the state of many hospitals and schools around the province, is that they are deteriorating and that they're not being caught or identified in your reports.

**The Deputy Chair:** Thank you very much for the line of questioning. We will have a chance at the end to just quickly put any questions on the record that we may want for a written follow-up as well.

MLA Jeneroux, did you have a question? Actually, let's just check on the line. MLA Allen, did you have a question for the Infrastructure folks?

**Mr. Allen:** Yes, Mr. Chair, I do have one question if possible.

**The Deputy Chair:** Do you want to take a few minutes for that? Do you want to go ahead?

**Mr. Allen:** Okay. Thank you. Well, thank you for your presentation this morning. Of course, I'm focused primarily on the Fort McMurray-Wood Buffalo region. I do have one question. First of all, a statement just to commend the department and the ministry. Of course, Fort McMurray had such significant growth pressures over the years, which led to some rather large infrastructure deficits. I know the ministry is going out of its way now to do some catch-up here. But as a result of all of the deficits over the years, delays in land release, that sort of thing, we saw some significant increases in land prices, housing prices, where we now have that unenviable position of having the highest average house prices in the country.

In your 2013 financial statements there's one item here on land planning and development in the Wood Buffalo region showing inventory for resale of about \$143 million. Could I get you to comment on that and explain the increase of the inventory from the prior year of \$73 million as well as what the sales and the cost of sales were for land sold that year?

**Ms McCann:** Those numbers relate to the land development in Parsons Creek. When work is done on the development, that goes into the inventory. As we do more work, the inventory value would increase because we inventory that cost until the actual parcels of land are sold. There was a considerable amount of work done in 2012-13, so that shows up in that increased inventory value.

We also sold some parcels of land in Parsons Creek in that year. When we sell parcels of land, we take a portion of that inventory and say that, you know, we've spent money to develop that inventory, and we're now recognizing that we've sold a piece of that. So the cost of sales just reflects the value of the inventory that was sold during that year.

**The Deputy Chair:** Excuse me for one sec, MLA Allen.

Could you just identify yourself, please, for those online and for Hansard?

**Ms McCann:** I'm Faye McCann with Infrastructure.

**The Deputy Chair:** Thank you.  
Go ahead, MLA Allen.

**Mr. Allen:** Okay. Well, thank you for that. I understand, of course, that at the end of 2013 was when a significant amount of work – I think it was 895 lots that were prepared and sold off. Then, of course, we've since run out of lots largely due to access issues from highway 63, but that is now being looked after again. So we're not anticipating any level of land sales like that again in the 2014 year. Would that be a correct statement?

**Ms Nelson:** That's correct.

**Mr. Allen:** Okay. So as a result of the land that we're doing now, do we anticipate that we're going to have stable land prices, or are we still looking at – I guess the reason for my question is that I did have one department individual a number of years ago indicate to me that their mandate was to make as much money for the citizens of Alberta as they can in regard to selling assets of the province. When they heard that land prices were going up, they decided to hold on to it, which to me led to land speculation on behalf of the province. Can you tell me if that is a mandate for this ministry at this point or if that has been considered?

**Ms Nelson:** That is not a mandate that this ministry is pursuing with respect to Parsons Creek.  
I'll ask Dave to speak to the activity.

**Mr. Bentley:** Thank you. In Fort McMurray we have a number of activities that are helping produce land lots where residential housing can be developed. We have Parsons Creek, and obviously we're capped off at the thousand residences that can be built until the intersection of highways 63 and 686 is completed. In addition to that, government has released land down south by the airport. The Rotary lands, as they're called, are currently under development. They're anticipating having lots available for sale, I believe, later this year or next spring. In addition, Keyano College has a land trust which is also developing its lands at Saline Creek. We feel that residential land availability will in fact improve as we move forward.

**Mr. Allen:** Good. Thank you.

I guess for the benefit of the members here I'll just comment on that as well. We were anticipating those lots this year, but of course there were other constraints due to access from highway 69. I think it's appropriate to just give a pat on the back to your current minister, who did come up with that land for a highway-infrastructure swap earlier this year. We're still hoping that we'll see those lots out.

Thank you very much for your answers.

**The Deputy Chair:** Thanks very much, MLA Allen.

We are now going into what we call the faster round, so lots of questions. We only have 14 minutes left.

MLA Jeneroux has a question.

**Mr. Jeneroux:** Well, that sounds exciting, Mr. Deputy Chair. Thank you, everybody, for being here today, and thank you for your commitment to building the schools. Did I hear that the Edmonton-South West school is being built in September 2015?

**Ms Nelson:** I think you heard that all our schools are going for 2016.

**Mr. Jeneroux:** Okay. I tried to get you on record.

What I do want to chat about, though, is the Royal Alberta Museum. I go to the Royal Alberta Museum quite often with my two girls. It's a fun place. We like the buffalo with the bleeding nose for some reason. That's a must-see at the museum. We're very excited by the new museum, though. Can you comment on where we're at in terms of progress for that and also comment on how much provincial funding and how much federal funding is going into that?

**Ms Nelson:** Sure. We're excited about the new Royal Alberta Museum project as well. Construction for the Royal Alberta Museum is slated to be completed in July of 2016. We have had some delays on that site because the land was not transferred to us at the time when we had anticipated that it would be, so that is resulting in about a nine-month delay, but we are making up some time on the site. I think you'll see, if you go there now, that the demolition is all complete. There are two cranes working away, and we're just really thrilled with the progress that we're seeing.

I think that the government of Canada, through the building Canada fund, provided about \$122 million toward the project. That was not in '12-13. I believe that will be as part of this year's budget. The total project cost, if you're interested, for the RAM is \$361 million.

**The Deputy Chair:** Okay. Thank you, MLA Jeneroux.

I'm going to build on that just a little bit because I do have a question on page 29 of your annual financial statement from last year. Well, first, I'm going to make a comment, and then I'm going to ask a question. I'm going to ask a question about a big old goose egg zero.

The comment is that when I see other revenue – you know, annual reports should be read by more people. I read them. They can be friendly, and they can be good, and they can be informative. Albertans can read the story of what the Infrastructure department does. You'll notice how corporate financial statements have moved in that direction in the last number of years so that they tell a story, but there are also the numbers.

I see on page 29 the other revenue actual for 2013 of \$104 million, and I see parking and investment income, and there's no note on the other income – that's a big number – to tell Albertans what is in that other revenue number. I don't know what's in that other revenue number, but Albertans might want to know what's in there. I don't want an answer now, actually, but maybe you could get back to the committee clerk and tell us what's in the number.

**Ms Nelson:** I can't help myself. It's on page 42. It's there.

10:20

**The Deputy Chair:** No, I don't want you to read that.

We're going to go on to the next question, which is regarding the zeros. I see zeros in transfers for government of Alberta. Is your ministry responsible to go and get money from other levels of government? I'm talking about the – you mentioned the building Canada fund with respect to the museum. There's something called the new building Canada fund. I hear something called the small communities fund. Is your ministry responsible for getting that money, and how are you doing? Are we getting everything we can get?

**Ms Nelson:** We'd be happy to answer that question.

**The Deputy Chair:** Go ahead.

**Mr. Skura:** Yeah. The very quick answer is that there was a change in accounting policy around government transfers in the fiscal year 2012-2013 where, instead of recognizing the money as it comes in, we now defer and amortize over the life of the asset. In '12-13 any money we actually received from the federal government has been deferred over the life of the asset. It's a change in a PSAP standard.

**The Deputy Chair:** Are we getting everything that Alberta – you know, when the government comes up with a plan like that, I understand that they . . .

**Mr. Skura:** Absolutely. For the new building Canada fund right now, that we're currently negotiating with the federal government, that money has been dedicated and earmarked to the province. It's spread out over 10 years, so there's no allocation by year under that funding. That funding is available to Albertans and Alberta going forward.

**Ms Nelson:** It's \$948 million over 10 years.

**The Deputy Chair:** MLA Amery, you have a question?

**Mr. Amery:** Thank you, Chair, and Ms Nelson. Many of the questions this morning have focused on cost overruns and overexpenditures and delays in project completions. My question is going to be on unexpended amounts of money. On page 46 of the 2012-2013 Infrastructure annual report, under realty services, there is an unexpended amount of \$13.3 million under leases. Could you tell us what contributed to this underexpenditure?

**Ms Nelson:** Sure. I think that the \$13.3 million that you're talking about really relates to underexpenditures for us in the category of leases. This can be anything from space or rent reductions that we incur in the year, new kinds of lease assignments. For example, it can be a case where a lease is assigned to another party, and then we're not responsible for that cost. We terminate some of our smaller leases and consolidate them into bigger ones, which can get us better pricing. Certainly, some projects do get delayed, and that can account for some cash-flow changes. We also have seen in some instances lower than anticipated operating costs. You know, in certain types of spaces there could be cheaper energy costs and so on. So those are all reductions that are found in the lease portfolio.

**Mr. Amery:** Just another question on the same unexpended amount of money. Again on page 46 of the annual report, health facilities support is \$256 million. Can you explain what the reason for that is?

**Ms Nelson:** Sure. In that line that \$256 million is primarily related to adjusting our cash flows on some of the major health care projects that we're undertaking. Those would be the ones I mentioned before: the Calgary South Health Campus, the Medicine Hat regional hospital, the Kaye Edmonton clinic, and the Lethbridge Chinook regional hospital. As we moved ahead with construction on those projects, tenders came in, we had more specific details on when the funds would be required, and we just profiled the cash flows accordingly. It doesn't mean that we don't have access to that \$256 million, and it doesn't mean that we're experiencing delays in all cases. It just means that we need the money in a bit of a different time frame.

**Mr. Amery:** Okay. Thank you.

**The Deputy Chair:** MLA Pastoor, do you have a question?

**Ms Pastoor:** Just a very quick one if you don't mind. Has your department performed the results-based budgeting process? If so, were there any redundancies found that could have been eliminated, and what other savings may have been found?

**Ms Nelson:** Yes, we did participate in both cycle 1 and cycle 2 of the RBB process under the rubric of some of the reviews that other departments were doing, and there were some relevant recommendations to the items that you mentioned.

Dave.

**Mr. Bentley:** Sure. We didn't find any redundancies. Under cycle 2, which was started in the fiscal year we're reviewing right now, we had a review of our approach to maintenance funding on our buildings. We were looking at our land release strategies for marketing land for government as well as looking at the Swan Hills side of things. Really, the outcomes of those are currently being looked at and implemented.

**Ms Pastoor:** Thank you.

You mentioned Swan Hills. Has there been an analysis of what the administration costs are to run Swan Hills as opposed to what their operational costs are?

**The Deputy Chair:** That's on *Hansard* now, so if you could, add that onto the answer that you're going to get back regarding Swan Hills later.

Can we go to MLA Steve Young?

**Mr. Young:** Thank you. First of all, my kids like the bug room at the RAM.

When building a house, you know, I always hear that you can have quality, price, and timeliness, and those are sort of the principles here. When we're talking about P3s, which clearly have benefits to them, can you comment on, in the various rounds of P3s that we've had, the number of bidders or groups that put in? I understand that that's been declining. What is the effect of the value of that P3 process when we're having a decreasing number of bidders to these quite onerous processes? Were there any where we only had one bidder? What is the effect on the total price?

**Ms Nelson:** Sure. Our decision to proceed with P3 projects is really based on sort of assessing a few criteria, right? The first criteria has to be value for money. Can that project be delivered through a P3 methodology to derive better value for money for the taxpayer? We also get other benefits. Fixed-cost pricing: you enter into a contract, you know what the cost is, and that's the price you're going to pay. We get guaranteed delivery dates, and you'll have seen on the most recent ring road project that penalties do occur if those dates are missed. We also like the fact that we have what we consider to be a built-in warranty for the entire life of the project, that for the next 30 years life-cycle maintenance is applied and the issues around deferred maintenance don't accumulate. So those are the reasons why we pursue P3 projects. We assess each project on its own, and not every project is a good candidate for the P3 methodology because of the interest of industry.

In the recent case that you're talking about, we did go out on a bundle of 19 schools. We always do market sounding in advance to identify if the market is going to be interested. Does it offer enough equity? Is it the right size? You know, can they put together the right teams? We had some assurances before we went out for that procurement that there were enough in the market that were interested. Subsequently, when the request for qualifications went out and the bids came back in, we only had one bid. We did do a follow-up consultation with industry – and I think that report

is also on the website; it's a Deloitte report – to canvass the reasons for that.

Basically, the reasons were pretty straightforward. First and foremost, it was and currently is a very active construction market. There are a lot of projects out there. At that time in the market, when our tender was out, there were other big tenders that were out as well that were deemed to be more attractive. One of the reasons that they were deemed to be more attractive is that the process for P3 school funding has really driven down the margins for industry on what you can make in delivering a school. We know how much they cost. Industry knows how much they cost. You know, the margins are very thin on building a school, so if you can choose between building 19 schools and building a big project in Fort McMurray with a much higher margin, that's how they made their choices.

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

**Mr. Young:** Can I just make a . . .

**The Deputy Chair:** Yeah. You have about 4 seconds to make a comment. Then Mrs. Sarich will have a verbal question to which we would like a written response to the clerk. MLA Fox had one as well.

Are there any other MLAs who had a verbal question that they'd like to have a written response to?

Okay. Four seconds.

**10:30**

**Mr. Young:** Yeah. Did we pay more? When there are so few players, you know there will only be a single bidder. Did we pay too much?

**Ms Nelson:** We haven't awarded the contract yet. We did put in place a number of extra oversight mechanisms to ensure that the process was still open and transparent and fair. We'll be receiving the bid, and it will have to come in underneath the public-sector comparator.

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

Go ahead, MLA Fox.

**Mr. Fox:** Thank you, Chair. Just two quick questions. How much money do you award for failed bidders on the RFP submissions in your P3 processes for schools?

**The Deputy Chair:** Okay. That's a written response. Is that fulsome, or did you have another one?

**Mr. Fox:** Just a follow-up to that: do other jurisdictions pay failed bidders for RFP submissions on P3s?

**The Deputy Chair:** Okay. Thank you.

Mrs. Sarich.

**Mrs. Sarich:** Thank you. Mr. Skura, you had said that capital planning is on a five-year cycle, that you receive strategic directions, and that there's a back and forth between Treasury Board on scenario planning for infrastructure prioritization and spending. In your status report provided regarding the Auditor General's recommendations that are outstanding, you say, "Under the auspices of the interim Capital Planning process," and then you provide a response. It's almost like it's the first time that you're doing capital planning, yet you had said that it's a five-year cycle. Please clarify that. Is this the first time that the government

has transferred responsibility for capital planning to the Ministry of Infrastructure?

Thank you.

**The Deputy Chair:** All of those questions are in *Hansard*. They're now recorded.

On behalf of the chair, Rob Anderson, I'd like to thank you, Ms Nelson, for coming and representing Infrastructure so well. Please thank your staff and all those in the gallery that came. We're very appreciative of that time.

On behalf of Mr. John Incoom, our guest from Ghana, thank you as well for your comment on accessibility and the government of Alberta.

We will now just take a short break – we will not adjourn the meeting – of about five minutes, and then we'll have our next visitors. If everyone in the room that's not involved in the next section could leave the room and allow the folks to come in the room, that would be greatly appreciated.

Thank you.

[The committee adjourned from 10:32 a.m. to 10:39 a.m.]

**The Deputy Chair:** Thank you, everybody. My name is David Dorward, and I'm the deputy chair of the Public Accounts Committee. The chair is coming back from a short meeting that he had just before and over the break.

We will move ahead with our meeting, but first we're going to do introductions. We will do introductions of those that are here, and then we'll do a second round of introductions.

Mr. Incoom, if you could also introduce yourself when we come to you.

I'm David Dorward. I'm the deputy chair of Public Accounts and the MLA for Edmonton-Gold Bar.

**Ms Pastoor:** Bridget Pastoor, MLA, Lethbridge-East.

**Mr. Jeneroux:** Thank you and welcome, everybody, today. Matt Jeneroux, MLA, Edmonton-South West.

**Mr. Incoom:** My name is John Incoom, coming from Ghana. I work with persons with disabilities. I'm executive director of Future Hope International.

**Ms Mensah Kodja:** I'm Eva Mensah Kodja, Future Hope International, and I'm a social worker in Ghana.

**Mr. Awudi:** I'm Albert Awudi, Future Hope International. I'm an advocacy officer.

**Mr. Tait:** Bruce Tait, executive director of federal-provincial relations, standing in for ADM Garry Pocock.

**Mr. Harvey:** Lorne Harvey, ADM, corporate services.

**Ms De Silva:** Gitane De Silva, deputy minister.

**Ms Locke:** Sandra Locke, chief ADM for international relations.

**Mr. Driesen:** Rob Driesen, Assistant Auditor General.

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

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

**Mr. Fox:** Rod Fox, MLA for Lacombe-Ponoka.

**Dr. Massolin:** Good morning. Philip Massolin, manager of research services.

**Mr. Tyrell:** Chris Tyrell, committee clerk.

[Mr. Anderson in the chair]

**The Chair:** Rob Anderson, chair of Public Accounts.

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

**Mr. Khan:** Good morning. Steve Khan, MLA, St. Albert.

**Mr. Young:** Good morning. Steve Young, MLA for Edmonton-Riverview.

**The Chair:** Anybody on the line?

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

**Mr. Allen:** Mike Allen, MLA, Fort McMurray-Wood Buffalo.

**The Chair:** Anybody else? Okay.

The reports to be reviewed today are the Alberta International and Intergovernmental Relations annual report for 2012-13, any relevant reports of the Auditor General in this regard, past reports, as well as the 2012-13 annual report of the government of Alberta, consolidated financial statements, and the Measuring Up progress report.

Joining us now, of course, are representatives from Alberta International and Intergovernmental Relations. We welcome you. You may make an opening statement of no more than 10 minutes on behalf of your ministry, and then we'll go to the Auditor General for some brief comments before opening it up to questions from committee members.

Go ahead.

### **International and Intergovernmental Relations**

**Ms De Silva:** Thank you, Mr. Chairman. It's my privilege to appear before this committee today to represent the Ministry of International and Intergovernmental Relations. In addition to my team here at the table, I'd just like to point out that we also have Howard Wong, executive director, finance and administration, and Jeannie Smith, who's our director of communications.

I would like to take a few minutes to provide this committee with an overview of the ministry along with some financial highlights from 2012-13. IIR's overarching mission is to advance Alberta's interests by leading government-wide strategies that capitalize on the province's regional, national, and global relationships and opportunities. Ultimately, our role is to build connections with governments and key partners across Canada and around the world. We lead initiatives that enhance Alberta's national and international presence. We help get Alberta's products and services to markets, and we promote Alberta as a stable, advantageous place for foreign investment. To achieve these goals, IIR is comprised of two operational divisions, intergovernmental relations and international relations.

Our intergovernmental relations division works across the government of Alberta to ensure a co-ordinated and consistent approach to building strong and productive intergovernmental relationships within Canada. It is responsible for advancing Alberta's interests at intergovernmental forums, ensuring that Alberta's voice is represented in domestic and international trade policy development, and managing the Alberta Ottawa office so

relationships are strengthened and Alberta's priorities are communicated to the federal government and other decision-makers in the National Capital Region.

Our international relations division works with other Alberta ministries to provide a co-ordinated Alberta approach to international relations, advancing strategic economic priorities and promoting Alberta's interests both in the development of Canada's foreign policy and around the world.

The international relations division also manages Alberta's growing network of international offices, which in the 2012-13 fiscal year consisted of 10 offices located in key markets around the world. The work of both of these divisions is supported by our corporate services and communications teams. These two supporting divisions provide essential services for the planning and implementation of ministry activities.

**10:45**

At \$36 million for 2012-13 IIR has the smallest operating budget in the Alberta government and a relatively small staff complement. Our executive team proudly led a dedicated staff of 187 people, with the majority located in Alberta and more than 20 located in seven other countries around the world. While we may be the smallest ministry, the work we do is vital to expanding Alberta's access to new markets. In a rapidly changing global economy you must continue to increase Alberta's visibility and enhance our connections in Canada and around the world to grow opportunities for Albertans and ensure the economic future of the province.

IIR ended the 2012-13 fiscal year with a \$7.5 million surplus. This was due to a number of factors: the elimination of the Alberta ambassador program; the additional time required to establish the Alberta abroad program; the additional time required to establish Alberta offices in India, Chicago, and Ottawa; savings in contracts resulting from fewer than anticipated trade disputes; and savings resulting from staff vacancies, including several senior management positions both in Alberta and in our international offices abroad.

Today we are pleased to discuss any of the elements in our annual report or business plan in more detail, but first I would like to touch briefly on aspects of our business that may be of most interest to this committee.

I'll begin by highlighting some of our accomplishments as we work towards achieving goal 1 for 2012-13, that Alberta is a leader in advancing co-ordinated economic and intergovernmental relationships. To facilitate intergovernmental collaboration and promote trade and investment both within Canada and around the world, IIR established an office in Ottawa in March 2013. The work of the Alberta office is vital to advancing Alberta's priorities and communicating the positive work being done in the province to key contacts in the National Capital Region.

Our work on intergovernmental relationships was also highlighted by the implementation and expansion of the New West Partnership trade agreement with British Columbia and Saskatchewan. This agreement is unprecedented. Its goal is to lower interprovincial trade barriers and harmonize many provincial regulations. Ultimately, this makes it easier for businesses and consumers in the western provinces to benefit from economic growth.

In 2012-13 we reviewed more than 350 intergovernmental agreements from ministries across the government of Alberta to ensure a consistent policy approach and the co-ordination of Alberta's intergovernmental interests.

Our work to engage in strategic advocacy activities with decision-makers within Canada and around the globe was also

continued as we highlighted Alberta as a secure, reliable, and responsible energy provider. Through face-to-face meetings with key decision-makers, arranging incoming visits to Alberta's oil sands, and participating in outgoing missions and forums, we continue to build Alberta's reputation for openness and transparency and to provide fact-based information to ensure that decisions affecting Alberta are informed and based on the facts. In this context, we hosted visits to the oil sands and co-ordinated international incoming missions and partnerships with other ministries.

We also provided policy advice, strategic analysis, and support to the Premier, minister, associate minister, and other elected officials to advance Alberta's position at major international and intergovernmental meetings.

Other highlights supporting Alberta's global partnerships include the implementation of the Asia Advisory Council Act to strengthen our relationships in Asia and enhance public awareness of the importance of expanding market access to Asia and our work to launch the Alberta abroad program by negotiating the first agreements with a number of host organizations. In the first 10 months of the Alberta abroad program's operation we placed 16 interns in nine cities around the world, providing recent graduates with the opportunity to work in international organizations through short-term work opportunities. Alberta abroad advances the province's long-term objectives by broadening our international networks and opening new doors for Alberta and showcasing our talents to the world.

This leads us to IIR's second goal for 2012-13, ensuring that Albertans secure greater access to Canadian and global markets, including co-ordinated trade promotion and investment attraction activities. Alberta is an export-based economy, and growing access to key markets, as I mentioned, is vital to the future of our economy. To achieve this goal, IIR worked closely with other ministries, including Agriculture and Rural Development, Environment and Sustainable Resource Development, and Energy to attract investment and make Alberta a preferred global supplier for agricultural, energy, and forestry products and services. As chair of the interdepartmental Trade Policy Committee we directly supported 18 international trade and investment events around the world to promote Alberta's access to markets and to support Alberta businesses in the global marketplace. These are highlighted on pages 26 to 29 of the annual report. All of these efforts add to the day-to-day work of our ministry staff, who provide advice and support to Alberta businesses looking to export their products and services.

IIR also led the negotiation and implementation of national, regional, and international agreements. We work closely with the federal government to ensure that the province is represented in negotiations that impact areas under provincial jurisdiction. For example, the ministry has been actively engaged in the Canada-European Union comprehensive economic and trade agreement, or CETA, negotiations as the completed agreement will provide meaningful access to the EU market for Alberta products, including beef, pork, and wheat.

Another major agreement for the ministry is the trans-Pacific partnership, which will secure greater access to markets in countries where Canada doesn't currently have bilateral trade agreements, including Japan, Malaysia, Vietnam, Australia, and New Zealand.

Lastly, I would like to highlight the vital role played by Alberta's network of international offices. In 2012-13 651 Alberta companies worked with our international office network to participate in trade and investment missions abroad, and our international office network also helped to facilitate incoming

missions to Alberta. Alberta's international offices play a vital role in building strong economic and cultural relations, connecting Alberta businesses to new and growing export markets, and promoting our province as a preferred trade and investment destination. Our international office staff are committed to helping prepare Albertans to excel in the global community while supporting other provincial interests such as immigration, tourism, education, and culture and keeping abreast of economic and geopolitical trends.

Our international offices are located in Washington, DC, Mexico City, Munich, London, Tokyo, Seoul, Beijing, Shanghai, Taipei, and Hong Kong. Since the publication of our 2012-13 annual report we've expanded our international office network by adding offices in three key markets: Chicago, New Delhi, and Singapore.

I hope that this brief overview has provided you with a good understanding of IIR's core business. I would now be pleased to take your questions. Thank you.

**The Chair:** Mr. Auditor General.

**Mr. Saher:** Thank you, Mr. Chairman. In our October 2013 public report on page 137 we highlighted a 2008 recommendation to the Department of IIR to improve processes to evaluate the performance of Alberta's international offices. This recommendation has not yet been implemented by the department. We plan to carry out a follow-up audit on this recommendation within the next year. We issued an unqualified Auditor's report on the financial statements of the ministry for the year ended March 31, 2013. Also, we reviewed one of the ministry's performance measures included in that annual report.

Thank you.

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

Well, we'll now go to questioning, starting with the PC caucus for about 17 minutes, then we'll go to Wildrose for 17 minutes, and then the Libs and NDs will each have eight and a half minutes. Then the PCs will finish off with an additional 17 minutes.

Mr. Deputy Chair.

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

MLA Young, you had a question.

**Mr. Young:** Well, thank you, and thank you very much for being here. I've got to say that I'm quite proud when I talk to my constituents and explain the breadth of our involvement at an international level advancing Alberta's economic position and stuff. Most people don't realize all the good work that we do.

My question is focused more at a strategic level. I look at your performance measures, and I'm really struggling with – I see more activity measures. I'd start off with a comment. You know, we want relationships, we want friends, but those aren't the end of the game. It seems to me that the measures are more about counting our friends and relationships and how much they like us rather than the outcome, rather than the activity, what we're trying to do, which is increase our exports or increase our trade. The measures, especially when they're in a survey format, are really unrevealing in terms of the breadth and the type of outcomes we're trying to achieve. There are lots of surveys, and it doesn't matter what we do; it would still give us a 92 or 87 per cent margin. I see this in other departments, too, so I've asked a similar question. How are we measuring the outcomes rather than the activities that relate to your strategic priorities, your vision, and the mission of your ministry?

10:55

**Ms De Silva:** Well, thank you for the question. Maybe I could just start on the issue of client satisfaction. IIR is a very client-oriented ministry. A lot of what we do, as I said before, is focused on expanding market access. That means that we're working with Alberta-based businesses to help them achieve their objectives abroad. Getting a sense of how they feel about the services we're delivering is in fact an important indicator. I realize that it's not as objective as some other things, but it still is an important indicator for us in terms of how we're doing and making sure that we're providing the services that they require. That's why we look at that.

On the intergovernmental side as well we're working with companies to get a sense of what they'd like in international trade agreements or working with other government ministries to facilitate intergovernmental agreements. Again, it's important to get a sense of whether or not we're providing those services properly.

We have worked with KPMG to develop a whole series of performance measures. Some of those are still under development – it's going to take a bit of time for us to get that baseline information – but we are going down that road, to get more quantifiable outcomes. Currently when we have companies that have been asked on a mission, they're not required to tell us if they've concluded a business agreement or not, and that's something we're working towards, to better quantify that.

**Mr. Young:** Okay. Clearly, a quality product at a good price is going to drive itself. We wouldn't have to do anything, but we're trying to push that freight a little faster and make those connections. I guess, looking at that, that what gets measured gets done. I know that the relationships and the connections are important and client satisfaction is important, but their satisfaction should be based on whether they actually sold the product or connected with the services. Sometimes that's a sophistication of the client. You're asking if they're happy with how friendly you were and if you responded to their e-mails rather than asking if they actually sold the product, which is more objective.

Chair, basically, the question I had was more about how we measure in terms of our contribution to the increases in GDP and our connection to the markets rather than 87 per cent of clients satisfied. It is somewhat unsatisfying from a measuring point of view.

**Ms De Silva:** I take the point. We've actually developed a new reporting template for our international offices, and this is in part to respond to the Auditor General's recommendation of 2008. We're just looking at quantifying some of those things. Of course, stats on trade are generated by Statistics Canada, so we're reliant on that, but we are looking to better quantify that information so we can share.

**Mr. Young:** Okay. If I have a little bit more time, I'd also like to ask a question in terms of expenses. How do we distinguish between the different ministries that are participating, from Agriculture to Tourism, that are facilitated through your department in terms of: where is it, IIR's costing, versus its spread across all the ministries? Can we get a sense of a mission, what it costs? Is it all activity-based in terms of that mission, or do we have to find it all parcelled out in different ministries?

**Ms De Silva:** Right now each ministry would report on its own expenses. When there is an international mission, IIR would only report on those expenses for which we are responsible, either IIR

employees, our minister, or the Premier. Other ministries would report their own expenses directly.

**Mr. Young:** Okay. Thank you.

**Mr. Dorward:** I wonder if I could refer to the annual report, if you have a copy of it. I would like to do a quick review of the numbers there in a macro kind of a way, and then I'll get to my point.

If we go to page 39, it takes 39 pages to get to the financial numbers, which, to me, is a good thing. You're telling a story up front here of what the ministry does and what the results are in kind of a narrative sense. We get down to page 39, and you see some expenses in very big, broad numbers for international relations. Then on the next page there's the financial position, which is like a balance sheet, then the statement of cash flows, where the money came from. You get into some notes, and I don't see anything too meaty or detailed in there. You get into a schedule on page 51, which, again, is very broad – salaries, wages, you know, supplies, other costs – and then you get into schedule 5 on page 53, which is kind of a comparison of actual to budget with some differences but, again, fairly broad categories. Salaries and benefits disclosure – good stuff – is on page 54. Then we get into a page called Other Information, page 57. Then we flip through other information.

I'm really going through this fairly quickly because there are no numbers in here. Your annual report to Albertans doesn't really tie the narrative descriptions in the first part of the report with any real, tangible, touchy-feely dollars as to what things cost Albertans. In order to get that kind of information, one has to go to the website and look at detailed reports of trips and initiatives and missions that were held. Even then, it's very difficult for a person, in my experience, to kind of tie that back to the overall expenses that are contained in the annual report. So that's a very broad kind of a comment. I don't know if there's a question in there.

For me, I think that if I was to hand this to some constituents of mine and say, "This will tell you what's happening in intergovernmental relations," they would say, "Yes, very, very broadly," but they wouldn't say in a very detailed way what things were actually costing with respect to the offices that we have and the travel and things that have happened. So that's a broad comment.

A little more specifically, if you did go to the website – I think it's still on the website; our researchers did this work, and I must say that I didn't get a chance to check to see if it's still there, but I do believe it's still there – for the mission to London, which is a part of the expenses in this report ending March 31, 2013, on the website those expenses were listed at an actual total cost of \$87,000. That was the trip to the London Olympics in July, August of 2012. When the final report came out, there was an additional \$431,000 in costs.

Can you comment on whether there was an intention to not put all the costs on the website, to not say what the costs of the trip were, or if there were other costs that came out later that you didn't know about when the website numbers came in there or just generally on how that discrepancy – and maybe it was an oversight, which, you know, happens in the world. And maybe if it was an oversight, that's a hint that something should be kind of tied together to numbers so that we can touch and feel the totals and get a sense of reconciliation of all that.

Specifically, you're welcome to talk about my overall comment, of course, and then more specifically about how the website could say that the costs for London were \$87,000 whereas there were

these other costs that were picked up on the final report when that was done.

**Ms De Silva:** Well, thank you for the question. Just on the first point, we could say that the annual report is a bit prescriptive in its format, so we look for other opportunities to get that information out there. One example would be the annual report we have on our international offices and their activities. I agree it's not all in one place, but we do try on the website to get that information out there for people. I don't know, frankly, what the readership is of our annual report, if it's riveting reading for people or not, but on the website there is a bunch of information about the international offices, about the mission reports, and all those types of things.

For the London Olympics, I wasn't in this position at the time, so I can't speak to the specifics of it, but I do know that our colleagues at Tourism, Parks and Recreation and Culture were heavily engaged in that.

Just going back to that earlier question about how expenses get reported, I would report those expenses specific to the ministry, and other costs would have been borne by other ministries, so it would have been reported separately. That could be a question that I could take back to my colleagues at Treasury Board and Finance in terms of how that information gets disclosed and reported.

**Mr. Dorward:** Yeah. Thank you for that explanation. Let's explore that a little bit. So IIR has some costs that are on the website, and then in addition to that, there are costs that are borne by other ministries that end up in a final report, and then that's the end reconciled amount between those two things?

**Ms De Silva:** Yes.

**Mr. Dorward:** Does that exist with respect as well to an area like, for example, the Premier's office with respect to travel? Would the Premier's office have their own budget? To what extent do you interact with the budget of a ministry like the Premier's office?

**Ms De Silva:** Well, if the Premier is travelling out of the province, so either within Canada or internationally, those costs are borne by IIR. Those costs are then disclosed at the end of the mission, and you'd find those on IIR's website.

**Mr. Dorward:** Okay. Thanks so much.  
MLA Khan, did you have a question?

**Mr. Khan:** I do. Thank you, Mr. Deputy Chair. I would agree with one of your statements, Deputy Chair, in that elaborate commentary of yours.

I was struggling to find part of a question. What I'm attempting to do here is build on a narrative that my colleagues Mr. Young and Mr. Dorward are sort of scratching the surface of. Again, I would agree with you in terms of the report, and I do appreciate that you've referenced that perhaps some of the information I'm looking for is available on the website.

**11:05**

I do agree that the work your department is doing in terms of building relationships and promoting Alberta and creating essential trade for the success of our province is being run out of the 10 offices of which we speak: Beijing, Hong Kong, Shanghai, Taipei, Tokyo, Seoul, Mexico City, Munich, London, and Washington, DC. I know Mr. Young was trying to sort of grasp at what some of the outcomes were and how we measure those. Would you care to just – you know, it would be impossible to be entirely comprehensive – perhaps identify some of the highlights,

specifically, of the work that those offices accomplished on behalf of Albertans.

**Ms De Silva:** Sure. Well, I can give you an example here with our Alberta-Japan office and some work that they did with some agricultural producers here in the province. Japan is the world's largest net importer of agrifood products, obviously an important market for Alberta. What we did is that our Alberta office in Japan got a group together of like-minded agrifood suppliers in Japan and in Alberta to develop a high-quality pork sausage. What they did, then, was connected back to the Alberta food processing centre in Leduc to further develop this product.

Once it was ready for market, they, unfortunately, encountered a challenge. A portion of the product, which was a Japanese-made collagen casing for the sausage, was not actually allowed to be reimported into Japan. Through the work of our Japan office we found out that a similar product from the United States was not subject to the same import restrictions. So our office in Japan worked with the federal government to overcome that restriction, and as a result – you know, they also provided on-the-ground customs expertise and language facilities, things like that – now this pork sausage, that's got a Japanese casing and an Alberta pork product in it, is able to be exported to Japan. That's a very specific example of the types of things that they do every day.

**Mr. Khan:** Okay. Then, again, more comprehensively, this type of information is available on the website?

**Ms De Silva:** That's right, and in our International Office Report as well. It goes office by office, and they'll provide examples of the types of work that they do and successes that they've had.

**Mr. Khan:** Okay. Thank you very much. I'm just trying to tie those two narratives together.

**Mr. Dorward:** Thank you.  
MLA Sarich.

**Mrs. Sarich:** Thank you very much, Deputy Chair. Thank you for the insightful information thus far. Boy, am I really happy that you're working with KPMG on your performance measure work. I looked at some of the output measures. For example, you set some targets in '12-13 for a number of meetings and events and have reported over the years. You know, it goes exponentially up. If I could bridge this with a CEO's activity of a corporation, it just seems rather odd tracking meetings and events. Myself or a CEO could say, "I went to 5,000 meetings and 5,000 events, and, boy, those were really great," but what were the results that it produced? When you look at something like that or the number of companies or investors, the bigger question that you need to keep in mind is that you have to be accountable for results. What were the results produced, and how are you accounting for that? What are your performance measures that you're going to rework to capture those types of activities?

In regard to the point that some of your data is fragmented, what two colleagues so far have said is that some is contained in the annual report, some is given in the mission report, and some is given in the expense report. I'm the third individual that's going to mention this, that you need to take a serious look here and consolidate these reports into one.

Your comment, Ms De Silva, was that, you know, you weren't too familiar with how many people may read an annual report. The answer to that is: it doesn't matter. It doesn't matter what that number is – it could be one Albertan; it could be 10 Albertans – when Albertans want to have a look at how their money is being

spent. What are the results that are being achieved? If they are not meeting that expectation, what actions and steps have you taken? I think that when you look at the annual report, some of the other ministries that have come to present in front of Public Accounts certainly really strive to put it all here. Please take a serious look. It should be coherent. It should be consolidated. I appreciate that you can replicate onto websites and other platforms of information sharing, but certainly they'd like to know: where do I get it? It should be easy, really easy for Albertans to find it.

The other thing I was also wondering about. You've got some performance measures in your international strategy of 2013. There are four points:

- diversify markets to expand the economy
- build Alberta's reputation as a global citizen
- prepare Albertans for success in the global community
- prioritize and integrate government actions to take advantage of international opportunities.

I'm wondering if you could comment on how you're tying the international offices to meet these indicators right there and what are the results that have been achieved so that Albertans can see the tie to accountabilities around Alberta's international strategy of 2013. Any comment?

**Ms De Silva:** Yes. Thank you. Well, first of all, just to clarify, I didn't mean to in any way indicate that we're not striving to get our information out there. We take our accountability to Albertans very, very seriously, and we will take your comments back and see what we can do to make sure that that information is integrated and easily accessible to people.

On the performance measure side we do have a list of 52 performance measures that we are implementing. What is happening is that some of the performance measures, some of the more transactional stuff, those performance indicators: we're using that to then develop a baseline on the performance measures. It's going to take us a little bit of time to get the information in place to report on a sound performance measure. It is important that we get that information right. The reality of our work is that it often takes lead time. You know, a meeting, an introduction made by our international office may not lead to a trade deal that day or the next day, but it may be six months or a year down the road. So it takes us a little bit of time to build that information, but that is something that we're very focused on and very, very committed to.

We have about four performance measures which are still under development, and those are the ones that link back the most directly to the international strategy.

**Mrs. Sarich:** If I could just interject. I really appreciate, you know, the connection, making a meeting, but Albertans need to know: what was the result of that meeting? It may not result, just like you had said, in something concrete, but there is something that is achieved as a result of a meeting. That's what we're driving at. It doesn't necessarily have to be a document, a memorandum of understanding, or a contract to move product, but people can stretch and understand that activity in a different capacity. I thank you for that.

**The Chair:** Excellent. We'll come back to the government caucus at the end so you can answer that question more slowly if you'd like at that time.

We'll move over to the Wildrose caucus and Mr. Fox.

**Mr. Fox:** Thank you, Mr. Chair, and thank you, Deputy Minister and your assistant deputy ministers, that have come out to help you answer some of the questions here today. My first question

revolves around the work that is done in preparation for missions. We know that Premier Alison Redford's mission to India and Switzerland cost the taxpayers of Alberta \$131,375.55. In addition, Minister Dallas spent \$61,481.83 on a mission to India and Singapore over the same time period. In getting ready for missions like this, that the minister and the Premier undertook, I would expect there is a bit of reconnaissance done or an advance party that might go out and do some work on their behalf before they show up. Can you tell me who was sent from the government of Alberta on any reconnaissance trips for the missions to India?

**Ms De Silva:** For advance missions to India we have a couple of employees in the department that are focused on India, so they would have gone to do the advance. As well, we have an individual in the department, and specifically her job is to do advance for the Premier.

**Mr. Fox:** Where are these costs of the advance trips captured and reported to taxpayers?

**Ms De Silva:** They would be reported depending on the level of the individual. For one of the individuals, an executive director, his information would be publicly disclosed as per the directive set up by Treasury Board. For the other individuals their expenses would be captured in the annual report when you go through the expenses for international relations and those expenses related to travel.

**Mr. Fox:** I guess I'm a bit curious, then, why the advance trips aren't recorded as part of the costs of the trade missions in the reports that are released to the public on the website. When I look at the \$131,000, that cost is not associated with that particular disclosure. I'm curious why it isn't.

**Ms De Silva:** Well, that's just the formula that's currently used, the format. It indicates to us which costs are to be disclosed. The rule right now is that for executive directors and above, their costs are publicly disclosed and others' are not. But we can certainly take that comment back and share it with our colleagues at Treasury Board and Finance.

11:15

**Mr. Fox:** Thank you.

Who is the one that authorizes these advance trips? Is it done by the minister, or does it come from the Premier's office?

**Ms De Silva:** It's done through the ministry.

**Mr. Fox:** Thank you.

Do the same policies and procedures for arranging travel and accommodation apply to the Premier as to the minister and your staff?

**Ms De Silva:** Well, the directives for travel are set by Treasury Board and Finance. I can say that, for example, my travel would be approved by the minister. I understand that cabinet ministers' travel is co-ordinated through Minister Dallas's office and then by the Premier's office. Decisions about the Premier's travel are made by the Premier's office.

**Mr. Fox:** So they don't necessarily have to adhere to the policy set out by Treasury Board as there is an exemption there, that the Premier can sign off and say that they've authorized expenditures that aren't necessarily authorized by Treasury Board?

**Ms De Silva:** No. As I understand it, ministers are bound by the Treasury Board guidelines on travel.

**Mr. Fox:** What about the Premier, though?

**Ms De Silva:** I'm not an expert on the Premier's office travel, so I don't know the answer to that question.

**Mr. Fox:** But the Premier's office travel is paid for by IIR, correct?

**Ms De Silva:** That's right, and we only plan travel or book tickets based on approvals from her office.

**Mr. Fox:** All right. Thank you.

Alberta's International Office Report has made nine recommendations. Recommendation 8 is to create externship opportunities in Alberta's international offices. This seems like something that would be fairly simple to do. It's a bit of a no-brainer, to have positions in the international office sent to Alberta abroad externs. Has recommendation 8 been implemented, and in which offices?

**Ms De Silva:** Right now with our Alberta abroad externs I do not believe that there are any currently in our offices abroad. That's something we're working towards as we fully ramp up that project.

**Mr. Fox:** When do you expect to have that implemented?

**Ms De Silva:** Well, in this year's estimates we were granted some additional funding for that. We lost some funding for that last year, which is reinstated. We're looking to fully ramp that up this year and looking for opportunities to move quickly.

**Mr. Fox:** Thank you.

Coming back to the advance trips, can you tell me exactly how much was spent on the advance trip for the India mission?

**Ms De Silva:** I don't have those specifics as we came prepared to address 2012-13, but we could certainly get back to you with that information.

**Mr. Fox:** All right. Would you be willing to give us that information for all of the mission trips that were planned in 2012-2013, planned and implemented?

**Ms De Silva:** I don't have that information here with me, but we can get back to you with that, yeah.

**Mr. Fox:** You will submit it to the committee here, then?

**Ms De Silva:** Yes.

**Mr. Fox:** Thank you.

Now I want to ask a few questions about how staffing is done in your ministry. Can you explain to the committee, please, the financial implications for a department when a minister of the Crown appoints a member of the political staff to the public service?

**Ms De Silva:** Well, there are rules within the public service in terms of how staffing is done, and there are areas of exemption whereby someone can be exempted into a position in the public service if they're deemed to have very particular qualifications, qualifications that would be of benefit to that ministry and where you wouldn't find someone more qualified through an open competition. If an individual comes into the ministry, they're put

against a full-time equivalent, an FTE, and then the salary would be funded by the department.

**Mr. Fox:** So that position, then, would not have an open job competition and would not be open to the public to submit.

**Ms De Silva:** It depends. You know, there are a variety of staffing tools open to you, so we do have some positions that are open for competition, where people apply and compete, and there are other times when individuals would be exempted into a position.

**Mr. Fox:** Okay. I noted with a bit of interest – and I asked about this in the Legislature – that a former Premier's executive assistant was hired in your department in 2013 to the role of commercial officer, reporting to the executive director of international policy and strategic services. The online directory of employees tells me that that employee is no longer with you, but the commercial officer was being employed at a salary of \$127,827.96 with an additional \$32,207 in benefits. Could you explain to me why this employee was making more money than their boss, who was only drawing a salary at the time of \$114,000 and benefits of \$29,000?

**Ms De Silva:** Well, two things. One, I was not in the position at that time, so I was not involved in those. I do not have specific knowledge of it. Two, we would not typically discuss an individual HR case. What I can tell you is that when an individual comes into the public service either from a ministerial office or another department, there are mechanisms whereby that individual's salary could be protected. So if that individual had been making a similar salary in the Premier's office when they came into the public service, it could be possible that their salary would have been at a comparable level.

**Mr. Fox:** For that specific position, was it the minister of the Crown that made the appointment, or was there a public and open job competition that was posted for it?

**Ms De Silva:** Well, as I've said before, there are opportunities to exempt people into a position, so that would have been utilized in that case.

**Mr. Fox:** What specific skill sets would a person like this bring to the government of Alberta and specifically to IIR that would make them eligible for a patronage appointment like this in your department?

**Ms De Silva:** Well, I can say that in a ministry like ours, where we are involved in a number of intergovernmental forums, the ministry supports not only the minister and the Premier, but anytime there's a federal-provincial or federal-provincial-territorial meeting, we do have an employee there. Having individuals who have direct involvement and experience in working with elected officials is of huge benefit to us, so those types of skill sets that they would develop working in an elected official's office can help in doing their work within the ministry.

**Mr. Fox:** Okay. Thank you very much for that. This is going quite quickly. You're being quite direct with me. Thank you for that. I do appreciate it.

**Ms De Silva:** We Albertans are direct, right?

**Mr. Fox:** Well, I know I certainly try to be, so I would expect that most others are here as well.

I guess the next question that I have for you focuses more back on the Premier's travel again. The Premier's international travel is always paid by the ministry. Why are the Premier's travel costs accounted for in this fashion rather than through Executive Council or the office of the Premier? Do the same policies and procedures apply for arranging travel and accommodation applied to – oh, we went through that part already.

I'm curious why in this instance they reported through IIR, but when other ministers travel, it's not always reported through IIR; they actually may report through their own ministry.

**Ms De Silva:** I don't know the specifics. I mean, each minister is accountable for the expenditure of his or her own funds, so their funds would be reported through their ministry. The way it's set up is that if the Premier travels, as is mentioned, internationally or in Canada, then IIR would be responsible and would disclose those funds.

**Mr. Fox:** All right. I'm a bit curious about some of the costs, too. Over the last 10 years we've seen it increase exponentially, but the number of missions hasn't increased that drastically. In 2010-11 we see a cost of about \$397,000 a year, but in the last year it was \$479,000 a year, and the difference was just in one trip. I'm curious why we're spending so much more on international travel now than we have done in the past. Have travel costs risen that much, or are there other issues that we might be seeing, where we're staying in more posh hotels or wining and dining a lot more dignitaries or taking more business associates with us when we go?

**Ms De Silva:** Well, I think, you know, it's been made clear that certainly the ministry's number one objective is to diversify markets and expand market access. We saw in the economic downturn of 2008 that having such a strong trading relationship with only one partner is not necessarily to our advantage, so we have been very aggressively travelling the world, going to key markets, looking to identify opportunities, taking companies with us, helping open doors, concluding trade agreements. We've also become much more engaged on the international side of trade agreements. We were at the table for every round of the CETA negotiations and are now actively involved in the trans-Pacific partnership negotiations as well. I would just say that I think that, you know, it generally does cost money to make money and that there is always going to be a cost associated with those international missions.

We are co-operating fully with the Auditor General on the work that they're doing looking at the Premier's travel. Certainly, if he comes up with any recommendations that can be useful to the department, we would look to extend those to our team in the public service as well.

We are proud of the work that we do on the front of expanding market access because we think it will lead to economic benefit for all Albertans.

11:25

**Mr. Fox:** Since we have been trying to hold the line in budget spending, I'm wondering what cost reduction measures you have contemplated in your ministry in regard to accommodation and travel, which would be the two largest sources of expenses. I'd be talking, like, airfare and hotel accommodations.

**Ms De Silva:** Well, we certainly always look, when we're planning travel, at the costs of it. We take our role as stewards of public funds very seriously, so we look for opportunities to save money there. When we're travelling internationally, we do have to

be conscious as well of the logistics and the safety issue, the safety side of things. I mean, it's one thing when you're travelling, you know, within Canada, but we do end up in places in the world where you have to stay in a certain kind of hotel for the safety and security of your staff, not only in terms of their physical safety but just to ensure things like clean water and not falling ill from eating the food, those things like that.

**Mr. Fox:** Well, thank you for bringing up the security measures. I'm curious about the costs associated with sending Alberta sheriffs as part of the Premier's security detail. Do they go as part of the advance trip, or do they just go with the Premier when the Premier goes?

**Ms De Silva:** Well, the sheriffs report through Justice and Solicitor General, so I wouldn't have any specifics regarding the sheriffs.

**Mr. Fox:** So those costs aren't captured by IIR, and there is no specific line item that reports it, then?

**Ms De Silva:** That's correct.

**Mr. Fox:** Thank you.

It seems kind of interesting that Albertans do have to juggle and go back and forth between ministries just to get an idea of what's being spent and how it's being spent on our international trips. Is there any plan to start bringing some of that information under one roof so that, you know, we can go to one place to look for that information and that the media, myself, and members of the public can actually see a detailed summary of what these trips cost us and juxtapose that against what you're reporting in the accomplishments of that mission?

**Ms De Silva:** Certainly, that's something that we'll take under advisement. We'll see what we can do to report those more holistically.

**Mr. Fox:** All right. Well, thank you very much for the opportunity.

I think, Mr. Chair, I'll turn it back over to you.

**The Chair:** Sure. We still have a couple more minutes. I have a quick question for you. I'm trying to understand the relationship between IIR and the Premier's office. So IIR books the trips – okay? – and you say that you comply with all Treasury Board guidelines in doing so. Fantastic. When the Premier asks for something out of her office, that her office wants to do, that does not align with . . .

**An Hon. Member:** Her or his.

**The Chair:** Or his. Sorry. That's right; it is "his."

When that happens, why doesn't IIR still have to follow the rules in that regard? If there's something that's untoward, a request, coming from the Premier's office, why don't they say, "Sorry; we can't do that because it doesn't comply with the Treasury Board regulations" rather than just approve it and then go ahead and book the trip and organize it? There's a disconnect there.

**Ms De Silva:** Well, as I mentioned before, all approvals for the Premier's travel or the Premier's office travel come from the Premier's office. But I do understand – and I've gotten clarification – that the Premier's office would be bound by those Treasury Board guidelines. What we'd do is that we would do the research,

propose the options for the travel, and then the decisions on routing and flights and things like that would be made by the Premier's office.

**The Chair:** So if they request something that is not in line with the Treasury Board recommendations, as we have seen over the past little while, why would you then go ahead and book something that contravenes the Treasury Board regulations? Why have regulations if you're not going to follow them?

**Ms De Silva:** Well, as I said, we are complying. We are participating, actually, with the Auditor General in the work that he's doing. He's looking into that, and we'll wait for his recommendations and then implement them.

**The Chair:** Okay. All right. That brings us to the end of our – oh, sorry; Mr. Auditor General.

**Mr. Saher:** Maybe it would help if I just made a comment here. In the work we're doing at the moment under the title of a special duty request, which, in fact, arrived in our office from the former Premier, one of the aspects of that special duty – and I'll just read exactly what it is – is that first

I will assess whether the former Premier and the Office of the former Premier's employees complied with Government of Alberta's

- travel, meal and hospitality expense policy
- public disclosure of travel and expense policy
- Air Transportation Services' policies
- other applicable policies, directives and guidance; (e.g. credit card policy directive)

So, in due course, if there has been noncompliance with those policies based on audit evidence from looking at all of those expenses, we will produce a public report. It could be that we would be confirming that there has been full compliance.

**The Chair:** Thank you very much, Mr. Auditor General. We very much look forward to that report whenever it does come.

To the Liberals now, eight and a half minutes. Mr. Hehr.

**Mr. Hehr:** Well, thank you very much, Mr. Chair. I was very interested in that last line of questioning. The Auditor General's comments I take at face value, and I understand that there's a report coming, but I'd just like to sort of flesh this out a little bit more. It's my understanding that when the Premier's office is arranging travel, whether that be abroad or even in the country, they would have IIR purchase the tickets and make the travel arrangements. Is that correct?

**Ms De Silva:** Yes. That is correct.

**Mr. Hehr:** Okay. As the chair pointed out, there are several flagrant instances of the government policy bound by IIR and Treasury Board, where the Premier's office did not follow government policy in this regard. Was IIR aware that the Premier's office was not following this policy when they were making the bookings on behalf of the office?

**Ms De Silva:** As I said previously, decisions regarding the Premier's office and the Premier's travel are made by the Premier's office, and we are co-operating fully with the Auditor General and will await the recommendations of his report.

**Mr. Hehr:** Well, I think I asked: was your department aware that the Premier's office was not following government policy when you were making bookings on behalf of that office?

**Ms De Silva:** Well, as the Auditor General mentioned, his office is currently looking for compliance, so they're currently conducting that review. We will await the outcome of that review to determine recommendations and a path forward.

**Mr. Hehr:** I don't think that's good enough. I think I'm well to ask this question. I think I'm entitled to an answer. When you were making bookings on behalf of that office that were clearly outside of the rules and regulations that IIR was to follow as set down by Treasury Board, was your department aware of this when you made the bookings?

**The Chair:** Mr. Hehr, I'm just going to rephrase it slightly, because she's already answered the . . .

**Mr. Hehr:** I would love that if you could, Mr. Chair.

**The Chair:** If you can just say: we're not going to go into wrongdoing because that's the Auditor General that's going to figure that out for us, as he just said. But were you aware of the – I guess it's kind of an obvious answer there – request that the Premier was making for travelling? I think you've already answered that, yes, you obviously are aware of those requests. So if they were not in line with the policy, then there's a problem that we'll await the Auditor General on. Is that kind of what you're saying?

**Ms De Silva:** That's right. When we're working to develop travel or a trip for the Premier, we would provide the options for travel. We provide those to the Premier's office. The Premier's office would consider them, and we do not take any action without the approval of the Premier's office.

**The Chair:** Okay. Is that good, Mr. Hehr? We'll have to wait for the AG on this.

**Mr. Hehr:** I think I get it. I thank you very much for going through it very slowly with me. I was just trying to make it clear in my mind as to what transpired. I thank you now for at least alerting me. At least from my view the Premier's office, at least from my understanding, just ignored the rules, and IRR played along. But I will wait for the Auditor General's report on this matter to really clarify the issue.

Nevertheless, moving on, we look back to the October 2008 report of the Auditor General. I know we've discussed somewhat this issue, but in that report the Auditor General reported on the ministry's process to evaluate international offices' performance and made one recommendation to improve that process. To date that has not been completed. The implication of that recommendation not being implemented is that the ministry will not have current and reliable information to manage the risk and assess continued relevance and cost-effectiveness of each international office. Can you tell me why there have been no concrete structures put into place despite the Auditor General recommending this in October of 2008?

11:35

**Ms De Silva:** Well, I can say that we certainly made considerable progress in addressing that recommendation. We released the Alberta International Office Report in May of 2013. As we've discussed previously, we have developed performance measures for the international offices, we've provided additional variance explanations and methodologies in the Alberta international offices business reports, and we've now developed, as I said before as well, a monthly reporting template for international offices. We are working towards fully implementing that and hope

to have it all in place before the Auditor proceeds with the follow-up audit this fall.

**Mr. Hehr:** This has been six years. What have been the barriers to the ministry not fulfilling this requirement given the length of time that has transpired?

**Ms De Silva:** Well, you know, I'm not able to speak to that. Unfortunately, I've only been in this position for nine or 10 months, so I'm not able to speak to the time that came before me, but I can say that in the time I've been in the seat, we've been pushing very hard to get this addressed because we do realize it's outstanding and we do want to make sure we fully comply. We're on track to do that before the Auditor undertakes his next audit this fall.

**Mr. Hehr:** I guess, given that you've had 10 months now in your position, would you agree with me that it seems ridiculous that this has not been fulfilled in six years?

**Ms De Silva:** As I said, it's something that we're taking seriously. As I mentioned, we've got this new reporting template for international offices, which will help us to accumulate the information that we need in order to comply with the recommendation.

**Mr. Hehr:** Okay. So you're not going to comment on that? That's fair.

Now let me ask: when you guys eventually get around to fulfill this performance measure, will the ministry's implementation strategy be leveraged to report progress against the four main objectives described in the government of Alberta's international strategic plan, specifically where you have performance measures that say: well, how are we doing on diversifying the markets, how are we doing on building Alberta's reputation, how are we preparing for success in the global community, and how are we doing on prioritizing and integrating government actions to take advantage of international opportunities? Will we see a clear protocol on tangible benefits on value for money? We are starting to expand, and I would like to see value for money. It doesn't seem like we have our ducks in a row at this time to evaluate these processes despite a significant expansion of our IIR duties.

**The Chair:** And, Mr. Hehr, you were saying "success" in that last question, right? Success: was that right? Not something else?

**Mr. Hehr:** Well, I'm not sure what I said. I'm just struggling to spit out my question here, but I think the honourable members of IIR can figure out where I'm going with this question.

**Ms De Silva:** All right. Thank you. We do have 52 performance measures that we have developed, and on that list there are those that address, specifically, looking at the international strategies, so we do have an objective that says, "percentage of objectives in the international strategy accomplished." We also have percentage of objectives in the regional strategy met. Those are the types of things where those measures will look at how successful we are being and looking at things like, you know, how our exports are doing. Of course, those are impacted by macroeconomic forces, but we are looking at things like that. We're looking at the value of our exports from the province. We're looking at how the province ranks compared to other parts of Canada. We're looking at total investment into Alberta per capita. I think that once those performance measures are fully implemented, we will be able to be reporting on the types of information that Albertans want to see.

**Mr. Hehr:** Another thing that concerns me, not only with your department but with other departments like – if we look at Health, if they don't like the results they're getting on their performance measures, well, they change the criteria. We also see the Education department, which is considering changing their criteria on what, you know, measurements they're going to report on. I note that your ministry changes performance measures very frequently, and this leads to an inconsistency or inability to actually track if we're actually finding success in our efforts abroad. Can you tell me why the ministry changes their performance measures so frequently?

**The Chair:** Okay. Thanks for that, Mr. Hehr. We would ask that our guests put that answer in written form for the committee if that's okay.

Now eight and a half minutes to the NDP. Mr. Bilous.

**Mr. Bilous:** Eight and half minutes. All right. Thank you, Mr. Chair. Thanks to the ministry for being here.

I'd like to talk initially about some of the international offices if I could. Now, I think measuring the impact of an international office is a bit of a hard thing to nail down, no doubt, and can be tricky. But having said that, has the ministry figured out just how to do it?

**Ms De Silva:** We do have a number of performance measures that track the work of the international offices, so we have a number of stats there that indicate, you know, how many meetings they facilitated, how many incoming missions, how many outgoing missions, all those types of things. Then, obviously, the success of the offices would be linked back to the success of the international strategy. When you start to look at things like, "Are we succeeding in achieving the objectives of the international strategy?" the work of the offices would be central to that.

**Mr. Bilous:** Right. Okay. But how do we know, aside from anecdotal stories or data that tracks outputs more than return on investment, that these offices are paying off?

**Ms De Silva:** Well, the offices would do more. Obviously, I mean, a big role that they do play is facilitating exports and expanding, diversifying export markets, right? So a lot of what they do would be to provide support to Albertans that are looking to export their products and services overseas.

Another big part of the reason why they exist is to better advocate for Albertans, to better tell our stories. So they would do things like, for example, at our office in London, which has been extremely active on the issue of the fuel quality directive, working to make sure that people understand what regulatory system Alberta has in place, you know, the world-class environmental monitoring system and things like that. Those are things that might be less quantifiable in terms of numbers of exports and things but are still extremely valuable and relate back to one other focus of the international strategy, which is, you know, increasing the reputation of Alberta as a good global citizen.

**Mr. Bilous:** Okay. You know, this sounds like it's going down the PR route, so now it's about selling the province or selling the image of the province and doing PR in other countries to talk about Alberta. I'm curious to know: how is spending in these offices determined?

**Ms De Silva:** Well, each office would have a budget depending on the size of the office, the number of staff they would have, and, you know, the amount of space they were taking up. All those

things would be considered in terms of determining the budget that they would have.

**Mr. Bilous:** Okay. You know, still within international offices here we've raised concerns about the potential Brazil office not being located in the capital city of Brasilia or in the largest economic driver in the country, which is São Paulo. It's scheduled to be located in the vacation capital of Rio de Janeiro. Now, it's been in planning since the 2013 budget, and actually it was a March 2013 IIR report that suggested that the choice was going to be Rio. Has your ministry decided where it will be, and, you know, what factors are part of that decision as far as where it's going to be located?

**Ms De Silva:** Sure. Well, I would say that Rio is an important financial centre, and we do have offices not only in capitals but also in major financial centres. Brazil is obviously an important export market for us as we look to diversify and are working to have an office there. Once we've identified a country as a key market, then we'd work, if the decision has been made to co-locate within either the Canadian embassy or consulate, in terms of where they might have space for us and undertake those negotiations. In a number of instances, you know, they're looking right now – Foreign Affairs is moving offices or expanding offices, so that comes into consideration as well.

**Mr. Bilous:** Okay. But if you compare Rio to São Paulo, São Paulo is definitely a much larger city and is the economic hub of Brazil, much more so than Rio de Janeiro. Is it because there's space in the embassy in Rio? Can we speak specifically to Brazil?

**Ms De Silva:** Well, we're looking for where it makes the most sense for Alberta to be. So we're taking a look at what the opportunities are there. As I've said before, a financial centre is extremely important for us, too, as we do need a considerable foreign investment here to continue to develop our oil sands in particular, so we take all of those factors into consideration in determining where the office would be located.

**Mr. Bilous:** Can you tell us when the decision will be made?

**Ms De Silva:** It'll be made this fiscal year. Our plan is to open the office by the end of this fiscal year.

**Mr. Bilous:** Okay. You know, I know other members have asked a similar question, and I know that you've been in this position for only 10 months, I think you had mentioned. I'm just curious if the office, maybe some of your colleagues who have been in the office longer, might be able to address, again, why it's taken your office six years to implement some of the AG's recommendations, specifically on evaluating international office performance.

11:45

**Mr. Harvey:** I think one of the reasons is that just in trying to get an understanding of what the Auditor General was looking for in the way of performance measures – there were certain steps that we had to do along the way, too, I mean, the major one being the work that went into producing the international strategy that was released last year. That's not something that only took, like, you know, six months to put together. That was a long, drawn out process to plan that work towards that. Basically, what we wanted to do was to see what came out of the international strategy as to get a sense of where we're going with our performance measures.

Also, what went into that was the review, the work that we did with KPMG on our performance measures for the entire ministry, so we didn't really want to jump the gun and come out with

something that we were going to do specifically for the international offices that then would not align with what the ministry was doing for a whole package of performance measures, making sure it aligned with our international strategy as well.

So there was some, let's say, delay in working on those specific recommendations of the OAG as a result of looking at the bigger picture and where we wanted to go as a ministry.

**Mr. Bilous:** Right. And, you know, to an extent, fair enough. However, in those six years taxpayers were still paying for these offices that weren't being adequately assessed as far as their performance, so even though you're working toward a comprehensive strategy or working with the international strategy, it's not like we're putting the work of the international offices on hold for six years. The other thing is – I mean, maybe this is more of a comment – that six years is a long period of time to get that in line, in my opinion anyway.

**Ms De Silva:** We certainly take the point that it would have been beneficial to have it done more quickly, but I think we are on track now to have it fully implemented by the fall.

**Mr. Bilous:** Okay.

Jumping to travel – and I probably only have a couple of minutes left – how does IIR control for return on investment regarding ministerial or Premier travel?

**Ms De Silva:** Ministerial or Premier missions are generated in a number of ways. One might be that we receive an invitation for the Premier or a minister to speak or attend an event, and we would provide an assessment or recommendation as to whether or not we think that is a worthwhile opportunity. We also might look to have a minister or the Premier head up a business delegation. There are instances where having an elected official head up a delegation provides opportunities for those businesses that they wouldn't have if they were to travel on their own. Then there are also instances where we as a ministry might suggest that the minister or Premier look to travel to a particular market. So we take all of that into consideration when working on the travel and then would plan a visit that would, you know, be appropriate for the Premier or the minister and ensure that they are achieving real outcomes.

For example, when we travelled to India, we signed an MOU with the province of Meghalaya, an agricultural trade that will result in the sale of live swine and swine genetics from Alberta into that part of India, which is obviously an important market opportunity for us.

**The Chair:** All right.

**Mr. Bilous:** Oh, please, tell me that I could read one into the record.

**The Chair:** Super quick. You bet. Sure you can.

**Mr. Bilous:** Although I do want to take a swing and just say that I'm not sure about the South Africa trip, which one that fits into exactly.

What has the results-based budgeting process for travel looked like? It seems that a nearly fivefold jump in travel expenses while the results-based budgeting has been occurring would require some justification. Again, how is the ministry implementing or using results-based budgeting when it comes to travel and approving travel expenses? We'll have to get that in writing.

**The Chair:** Absolutely. We'll provide that in writing. Thanks.  
All right. The final 15 minutes for the government caucus.

**Mr. Dorward:** All right. Well, I'm certainly looking forward in the next few weeks to watching the world indeed gather in Rio for the 2014 World Cup soccer in Rio and Brasilia but not São Paulo. You know, Rio, with its population of 11,600,000 people: I'm sure there's a lot of commerce there that Alberta companies can do. This is good stuff.

We have a question from MLA Amery.

**Mr. Amery:** Well, thank you very much. I'm looking at the Alberta international offices output measures: since 2008 until now exceeding your targets. These results really remind me of the election results in the Middle East. It's always 99.9 per cent and sometimes a hundred and ten per cent. My question is about the Washington office. The Washington office is focused on advancing policy interests instead of trade and investment, and the performance measures of that office are not included in this table that we have here. How do you measure the performance of that office based on policy given what's happening to Keystone and other things?

**Ms De Silva:** Well, I'd like to start by saying that, in fact, the new reporting template that we've established for our international offices will now capture our office in Washington as we do feel it's important to report on their activities. That office there, as you said, does exist for advocacy and policy purposes, and I think they have been extremely active. We've had, I believe, something like 61 visits to the United States by a Premier and elected officials over the past two or three years advocating Alberta's interests on Keystone and other issues as well as COOL, country of origin labelling. So they've been extremely active there.

I think that's one of those instances where, you know, the progress that we've made, while we may be frustrated and still hope for a positive outcome on Keystone, you know: would our voice have been heard as loudly if we had not in fact been there? It's one of those things that I think would be noticeable by its absence. They've been extremely active not only in terms of facilitating visits to Washington but also encouraging people of influence from the U.S. capital region to travel to Alberta. We've had a number of successful visits by U.S. members of Congress, Senators, and other elected officials to come and see first-hand what the oil sands development looks like and then carry that message back home. So they've been hugely helpful to us in that regard.

**Mr. Amery:** So is the performance measure for that office under target or under expectations?

**Ms De Silva:** Well, no. As I've said, we're now capturing them in that monthly reporting, so we will have that information shortly.

**Mr. Amery:** Okay. Thank you.

**Mr. Dorward:** MLA Sandhu.

**Mr. Sandhu:** Thank you very much, Deputy Chair. I just have a question about the New Delhi office. How are we doing with it? Is it fully functioning now? Is it working now?

**Ms De Silva:** Yes. Thank you for the question. A new managing director has been appointed. Rahul Sharma has been appointed, and he's currently undergoing, you know, his predeparture process. That office is co-located within the Canadian High Commission, so he's required to go through security screening

and everything else. He will be in place before the fall to take up that office, and then we're in the process of hiring our local engaged staff as well to have them on site so that by the time he arrives it will be fully up and running.

**Mr. Sandhu:** In another that you were answering, an MOU signed on the India trip – it was two MOUs. You only mentioned one.

**Ms De Silva:** That's right. One is also with the state of Punjab.

**Mr. Sandhu:** Thank you.

**Mr. Dorward:** MLA Sarich.

**Mrs. Sarich:** Thank you very much, Deputy Chair. Just looking back at the annual report for 2012-13, pages 61 to 74. This is the inventory of international and intergovernmental agreements. I'm just wondering. It's a listing, and the first one, on page 61, takes us back to 2011, and the last one, on page 74, takes us to 2013. I guess an Albertan looking at this report would say: "Okay. You've signed this agreement, so you have this instrument in place." Now they're asking: "So if we go back to the agreements that were in place for 2011 or even highlight the '12-13, what were the results achieved?"

I'm wondering if you could think about even some of the stories that could be highlighted out of these agreements that would be of value so we could see the value-added by setting up these agreements and accounting for them, you know, because it is a sign of progress. It means something to industry, the departments that were involved like Agriculture and Rural Development, which is one of the big drivers here in our economy for Alberta. So if you could pull out some extra meat and potatoes for Albertans in this particular area, that would be one suggestion.

11:55

The other comment is on the international missions. For example, if you're tapping into the Sol Gen's area for the security, they would be reporting in their financial statement the costs of international missions. I'm wondering if you would consider having a note in the financial statements, because that number is reported, and that it would be cross-referenced in yours as well as anything else that would be helpful that involves another ministry of which you could consolidate that reporting through a note, a notation, in the financial statement about that number and really what it means because it gives you an opportunity to explain, an explanatory note.

**Ms De Silva:** Thank you very much for the suggestions. On the intergovernmental agreements if I could just take a moment. Of course, our ministry needs to approve all intergovernmental agreements before they can take effect, but they're in fact administered by each ministry. So that's another case where Albertans would have to, unfortunately, do a little bit more digging, but we can certainly look to find ways to highlight because the role of the ministry there has been extremely effective, in particular with files where, you know, line ministries have looked to IIR to in fact help to conclude that agreement. We are unique in that we are involved in almost every aspect of government, so we have a broader perspective of the province's relationships with other parts of the country. That is an excellent suggestion of a way we can better highlight the value that we add there.

**Mrs. Sarich:** Thank you very much. That's it.

**Mr. Dorward:** I had a question about the intergovernmental relations work that you do and that I could look at the cost line in the 2013 statements and see what you're spending in that area. I note that you're involved in the Alberta, British Columbia, and Saskatchewan two-year anniversary of the New West Partnership. I think the reference is page 23. It says in there that the agreement between the three provinces is "to lower interprovincial trade barriers and harmonize regulations, making it easier for businesses and consumers to benefit from economic growth," so that's a situation where we have an agreement that lowers interprovincial trade barriers.

I was recently approached by somebody who was concerned that potential Alberta jobs were leaving the province or not getting here, I guess, scenarios whereby large construction projects, prefab work on those construction projects – and as an aside, they weren't related to the oil sands in this case. The prefab work was done in other provinces, namely down east somewhere: a significant number of hours, you know, in the tens of thousands of hours of fab work.

So here we have an agreement with British Columbia and Saskatchewan whereby we're trying to make it easier for trade to happen, yet there may be some concern out there in our marketplace whereby contractors are fearful that subsidy by other provinces potentially is allowing a situation whereby tenders are not equally maintained. Does the intergovernmental work that you do examine or take a look at scenarios like I'm describing here at all? I know that's a big question. I'd rather not focus right now on the New West Partnership part of that. We can ask that question if we have time. I'm more interested in your ability intergovernmentally within Canada to find out or explore these things to see if there is subsidization potentially going on in these kinds of things and therefore if Albertans are losing out on jobs that could be here at home.

**Ms De Silva:** Well, thank you for the questions. In addition to the New West Partnership trade agreement, there is, of course, the agreement on internal trade, and that's what governs trade within Canada, and it looks like this whole range of issues. So when we become aware of a particular issue, and I can use the example of Quebec and a longstanding case there with – what's the exact wording? It has to do with, you know, butter versus margarine, and those types of things. What happened in that instance is a case there where we became aware of what we felt was an unfair situation, and we took the matter before a trade tribunal. Alberta joined in with a number of other provinces to take Quebec to court to say that, you know, their practices were noncompliant with the agreement on internal trade. So that's what we would do in those instances.

If you, in fact, have a particular example in mind, it would be very useful to us if you could share that with us so the department could follow up and see, you know, what the facts are behind that case and if we do need to move forward to a trade panel to see if we can resolve that issue because that's part of what the department does, move forward in those instances where we feel that the province is being unfairly disadvantaged and that our trade obligations are not being met, that we would move forward to a trade tribunal and help to see that be addressed.

**Mr. Dorward:** Okay. Can you describe the confidentiality with respect to that in that case? How does the Albertan corporation or individual know – I mean, there is a bit of fear in the sense that they're kind of talking about the owner of the project, for example, who didn't choose them. Potentially, in this case, steel could be bought by that other company, by the same company that

they buy for. It flat out doesn't make sense in this scenario. Thank you for that, and I will pass that on to them. Can they feel comfortable coming forward to you knowing that this is fully going to be confidential, or is it subject to FOIP and those kinds of things whereby they're at risk in our delicate marketplace of being concerned about this issue?

**Ms De Silva:** No. We would certainly look to protect commercially sensitive information. Once we'd had a conversation, then we could determine how best to move forward. Certainly, once you go to a trade tribunal or some type of trade panel, then you have to be able to discuss information, and there would be rules around that, about how that information is disclosed. But where we can start is looking at major policy issues. For example, in Ontario, when they moved forward with their green power initiative, that was something that was deemed to be non trade compliant. We're able to look at those sorts of macro issues and determine whether or not there is an issue and figure out how best to move forward and help protect Alberta businesses.

**Mr. Dorward:** Okay. Thanks very much. I appreciate that answer.

**The Chair:** Mr. Luan has a question.

**Mr. Dorward:** Yes. Thank you for that reminder.  
Mr. Luan, do you have a question? Go ahead.

**Mr. Luan:** I'm good for now.

**The Chair:** All right. Excellent.

**Mr. Dorward:** Do any other members of the PC caucus have a question? We're good? Okay.  
Are we close, Mr. Chair?

**The Chair:** Yeah.

**Mr. Dorward:** Okay. Well, then we're done.

**The Chair:** All right. Excellent. Thank you very much.  
I hope your next nine to 10 months are much better than your first nine to 10 months.

**Ms De Silva:** It is a privilege to serve, so thank you for the opportunity.

**The Chair:** All right. Excellent. Well, thank you for being here.  
Let's break for lunch. Obviously, remember that we have our friends from Ghana here, whom I'm sure we'd love to talk with and see what they're doing in their public accounts in their country and learn from each other. Let's do that over lunch. We'll be in here at 12:30 sharp to start, but you can bring your food with you if you haven't finished it or if you're having seconds or thirds, hon. members.

[The committee adjourned from 12:03 p.m. to 12:30 p.m.]

**The Chair:** All right. I think we're going to get started now. First, we will go around the room one last time and introduce everybody who's at the table, and then we'll go from there.  
I'm Rob Anderson, the MLA for Airdrie.

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

**Mr. Khan:** Hello. Steve Khan, MLA, St. Albert.

**Mr. Bilous:** Good afternoon. Deron Bilous, MLA, Edmonton-Beverly-Clareview.

**Ms Mensah Kodia:** Good afternoon. Eva Mensah Kodia, Future Hope foundation from Ghana. I'm a social worker.

**Dr. Link:** David Link, Alberta Culture.

**Mr. Hui:** Ernie Hui, Deputy Minister of Culture.

**Mr. Marchand:** Shannon Marchand, Assistant Deputy Minister of Culture.

**Mr. Fischer:** Brian Fischer, ADM of Culture.

**Mr. Leonty:** Eric Leonty, Assistant Auditor General.

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

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

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

**Dr. Massolin:** Good afternoon. Philip Massolin, manager of research services.

**Ms Quast:** Allison Quast, committee clerk.

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

**Mr. Young:** Steve Young, MLA for Edmonton-Riverview.

**The Chair:** Excellent.  
And two folks on the phone.

**Mr. Allen:** Mike Allen, MLA, Fort McMurray-Wood Buffalo.

**Mr. Luan:** Jason Luan, MLA, Calgary-Hawkwood.

**Mr. Pedersen:** Blake Pedersen, MLA, Medicine Hat.

**The Chair:** There you are, Blake. I was wondering when you'd be there for this.

Okay. I think we have everyone.

I do want to recognize again our delegation from Ghana. We're really happy to have you here. The delegation from Ghana is here to observe how we conduct our Public Accounts Committee and what are some of the practices and procedures that we use, and we were having a chance to converse with them over lunch and in other places. They just got here yesterday, I believe – is that right? – from Ghana. I'm just absolutely amazed that you're even awake right now. Feel free to put your head on the table and have a good nap. We won't judge.

If you could introduce yourselves real quick as the delegation just for the record. Go ahead.

**Mr. Incoom:** Yeah. My name is John Incoom. I work for an organization for persons with disabilities. I'm the executive director. I'm also a member of the World Disability Union. We were supposed to come with a Member of Parliament to attend this section, but unfortunately he's not here, so we will be here to take a few things to him.

**The Chair:** That's right. He had an unfortunate family emergency that he had to attend to; otherwise the Member of Parliament from Ghana would be here. Yes. Thank you for that.

**Mr. Awudi:** Albert Awudi. I work for Future Hope International. I'm an advocacy officer.

**The Chair:** Excellent.  
One more member?

**Mr. Jeneroux:** Hi, everybody. Welcome. Matt Jeneroux, MLA, Edmonton-South West.

**The Chair:** And to be clear, Matt is not a member of the Ghana delegation.

**Mr. Jeneroux:** Yet.

**Unidentified Speaker:** An honorary member.

**The Chair:** An honorary member. That's right.

Okay. Well, we're meeting, obviously, with Alberta Culture. Reports to be reviewed are the Alberta Culture annual report for 2012-13, any relevant reports of the Auditor General of Alberta related to the department, as well as the 2012-13 annual report of the government of Alberta, consolidated financial statements, and the Measuring Up progress report.

Again, we're here with Alberta Culture. Good afternoon. You'll be given up to 10 minutes to give opening remarks, and then we'll turn it over to the Auditor General for a brief overview, some brief comments, and go from there.

Mr. Hehr, would you like to introduce yourself?

**Mr. Hehr:** Kent Hehr, MLA, Calgary Buffalo. Sorry for being a couple of minutes late.

**The Chair:** No worries.  
All right. Go ahead.

## Culture

**Mr. Hui:** Thank you, Mr. Chair. Good afternoon to everyone here. I'm certainly very pleased to be here today on behalf of the Minister of Culture, the hon. Heather Klimchuk, to share the department's highlights and accomplishments for the fiscal period 2012-2013. I can say that it was a very eventful year as we continued to foster growth and develop sustainability within our province's cultural sector. You've already met key members of my executive team, who are sitting here with me this afternoon and who will be very pleased to answer any questions that the committee may have of us.

I would also like to introduce a number of key staff that are here today in support of our appearance before the Public Accounts Committee: Brad Babiak, who is our director of planning and performance measurement; Carmen Vidaurri, who is our acting senior financial officer; Beryl Cullum, who is our communications director; and Donna Chaw, who is my executive adviser.

We also have in attendance this afternoon a number of staff from the ministry. They indicated that they were very interested in seeing what happens at Public Accounts. Certainly, I would support them in their learning experience, so I've asked them to attend and just observe the key questions that Public Accounts will have for us this afternoon.

I do want the committee to know that I've been the deputy minister for this department for only a few months, but every day I find that I learn more about the breadth and scope and diversity of the responsibilities of the department, and I also observe the passion and commitment of the staff in Culture in serving Albertans.

By way of background, in May of 2012 the government announced new structures for government, changing our name from the department of Alberta culture and community services to simply Alberta Culture and transferring to us the responsibility for the Francophone Secretariat in that year. A number of entities report to the minister, including the Alberta Foundation for the Arts, the Alberta Historical Resources Foundation, the Government House Foundation, the historic resources fund, and the Wild Rose Foundation.

Our operational expenditures for fiscal 2012-2013 totalled some \$249 million to deliver programs and services that matter to Albertans and that are crucial to building strong families and communities, a cornerstone of the building Alberta plan. A key portion of our work is to help further the efforts of artists, heritage and arts organizations, and the nonprofit, voluntary sector and to grow our cultural industries through grants. In fact, some 66.5 per cent of our operating expenses for the fiscal year went to grants alone.

In 2012-2013 Alberta Culture provided more than \$83 million to support more than 3,500 community initiatives across the province, including \$23.5 million to encourage and promote the arts, \$4.9 million to protect, preserve, and promote heritage landmarks, and some \$25.3 million to the film and cultural industries in this province. All of the work done in fiscal 2012-2013 supported the goals of the ministry.

I would now like to talk about our progress in achieving these goals. Our first goal is that Alberta has a sustainable, vibrant arts community that inspires creativity and innovation and is essential to how we live, work, and learn. Our ministry worked with artists, arts organizations, and cultural industries in supporting this goal. You only need to look at the success of Alberta Culture Days, which is a three-day event that drew thousands of people to some 1,200 events in 81 communities across the province, to see the enthusiasm of Albertans in support of the arts in communities large and small.

**12:40**

Alberta's vibrant culture was also on display internationally when the minister travelled to London during the 2012 Olympics to showcase why Alberta is such an attractive place to live, invest, work, and do business. Cultural relationships that were established on the London 2012 journey continue to grow for the ministry and the Alberta artists. Nine performances by Alberta artists were featured at a cultural function with almost 80 representatives from institutions, arts organizations, festivals, and other arts presenters. Discussions with festival organizers led to bookings for Alberta artists at cultural events in the United Kingdom.

Progress was made on fostering cultural exchanges and growing Alberta's cultural industries. For example, as a result of the mission, the Alberta Music Industry Association, with support from the Alberta Foundation for the Arts, will be promoting Alberta music in the United Kingdom over the next two years.

As a follow-up to the culture forum held in 2011-12, we released a report on what we heard from participants and identified priority actions, including a renewed mandate for the Premier's Council on Culture to expand the capacity of Alberta's culture sector and to develop a long-term, province-wide plan. To improve Albertans' access to the arts, the Alberta Foundation for the Arts launched its redeveloped website in December of 2012, giving improved virtual access to the foundation's art collection.

In 2012-2013 as well we had 66 screen-based projects that were supported through the Alberta multimedia development fund, including internationally acclaimed productions such as *Hell on Wheels* and a movie that I just saw recently, *The Bourne Supremacy*, and \$79.9 million was spent in Alberta as a result of

these 66 productions, which was \$19.5 million more than the ministry's target.

The contributions of volunteers and volunteer organizations are important to Alberta communities and the province's quality of life. We estimate that thousands of Albertans in the nonprofit, voluntary sector deliver goods and services worth \$9.6 billion annually in this province. Our second goal in our business plan for 2012-13 is that Alberta, with the support of a strong nonprofit, voluntary sector, has resilient, inclusive, and engaged communities. Great examples of work in this area include recognizing outstanding volunteers through the stars of Alberta awards, which provide some \$65,000 to 150 communities to organize volunteer recognition activities during National Volunteer Week and provide Albertans from roughly 500 organizations with training and skill development opportunities at the annual Vitalize conference. To help communities and community-based organizations build on their strengths, address issues, and achieve their goals, Alberta Culture's community development officers continue to work with rural and urban community-based organizations and local authorities.

Another highlight was when the Minister of Culture welcomed federal, provincial, and territorial ministers responsible for the Canadian Francophonie to Edmonton for the 17th annual Ministerial Conference on the Canadian Francophonie in June of 2012. Delegates shared ideas and best practices on promoting intergovernmental co-operation in support of Canada's franco-ophone communities.

Our final goal is that Alberta's rich heritage is valued and historical resources are preserved and accessible to Albertans, Canadians, and international audiences. We achieve this goal in a number of ways. Alberta Culture continues to operate and promote a network of provincial heritage facilities that include five major museums, 14 historic sites and interpretive centres, and the Provincial Archives of Alberta. Highlights included celebrating the 25th anniversary of the Head-Smashed-In Buffalo Jump interpretive centre, which is a UNESCO world heritage site, and continued collaboration with the Department of Infrastructure on developing a brand new Royal Alberta Museum project.

With more than 110,000 students participating in approximately 4,000 heritage programs, Alberta Culture continued to be the largest provider of kindergarten to grade 12 education programs outside the school system.

**The Chair:** Thank you, Mr. Hui. I appreciate that very much.  
Mr. Auditor General.

**Mr. Saher:** Thank you, Mr. Chairman. These are my opening comments with respect to the Ministry of Culture. We audited the seven sets of financial statements for the Ministry of Culture for the year ended March 31, 2013. These audited financial statements include – and I'm going to list them much the way that the deputy minister did – the consolidated financial statements of the ministry, the department, Alberta Foundation for the Arts, the Alberta Historical Resources Foundation, the Government House Foundation, historic resources fund, and the Wild Rose Foundation.

We issued an unqualified audit opinion for each financial statement. The results of our audits did not result in any recommendations, and there are no outstanding recommendations for this ministry.

**The Chair:** Excellent. Thank you.

All right. We will now move to the PC caucus. They have the first 18 minutes.

**Mr. Dorward:** MLA Young, would you like to take the first part of that?

**Mr. Young:** Sure. I've got a couple of questions. I seem to be on a bit of a theme. Thank you so much for coming. I love Alberta Culture because they always seem to bring a cheque and party with them. It's always a big welcoming when they're involved in anything in my constituency.

I'm looking at the documents I see here – you listed them off and the goals – and what I'm going to ask about are the measures. Especially when you have a big budget line item for grants and handing out grants, the measure shouldn't be whether we gave out all the money. It's about: what is the ROI on it, and how does that contribute to the goals we've stated, especially with Alberta Culture, with the grants supporting these fantastic cultural programs in Alberta and the many activities in the community?

For those that have been through the results-based budgeting, I found that a very useful exercise. I'm not sure where Culture is in that process. Starting at zero, you're looking at what the outcomes are that we're going to try and achieve, what the outputs are, the activities, and then we get to the inputs as opposed to working the other way through the process. My question is: what are the measures that we have for achieving these goals?

**Mr. Hui:** Well, thank you. I think that's a great question and a question that perhaps requires some context before we get to answering the question about performance. I'm going to ask Shannon to talk about the various grant programs that we have, to just very quickly give an overview in terms of what the purpose was behind some of those grant programs. Then we'll come back and answer your question about the performance. So that everyone is clear about why we give out grants, I think there needs to be an answer to: what grant programs do we have, and why do we actually give out the money?

Shannon.

**Mr. Marchand:** Sure. I would say that associated with each goal in the business plan, there are granting programs. For the first goal, around the arts and support to the arts, the primary granting mechanism is through the Alberta Foundation for the Arts, which gives us an arm's-length granting agency for arts organizations as well as grants to individual artists to support both the sustainability of organizations as well as the creation of artistic content.

12:50

Associated with the goal around the not-for-profit and voluntary sector, there are a number of grant programs: the community facility enhancement program, which is really targeted at supporting community needs and interests in terms of developing community facilities; then the community initiatives program, which is not facility based but is targeted at activities, some projects, some operating funds to organizations; as well as the international development grant stream, which provides support for the work that Albertans are doing in terms of expressing overseas benefit. Within the third goal, around heritage, the Historical Resources Foundation also provides grants.

Really, with many of the grants it's about partnership with communities and supporting community interests and sustainability within those organizations and commitment on the part of community so that our grants are generally a portion of the initiative.

**Mr. Young:** That's fantastic. I think those are great activities.

My question, I guess, is focused around the connection between the money we're giving out and the goals. How do we measure that? Year over year or over the years how do we know – what are the decisions or the criteria to make sure that we're achieving those goals more effectively even if we had the same pool of money year after year?

**Mr. Hui:** Yeah. I just wanted to finish up the answer there. In fiscal 2012-2013 our business plan and the annual report that we put forward identified seven performance types of measures. Five of the seven performance measures were met or exceeded, and the results fell below the targets for two performance measures.

In terms of your comment with respect to the RBB process I can indicate that the business line for Alberta Culture did go through both cycle 1 and cycle 2 of the RBB process. Certainly, one of the recommendations that we're anticipating coming forward from that process is that we relook at some of our performance types of measures and link those performance measures more closely to some of the outcomes that we are hoping for through some of our programs, that we deliver through the Department of Culture. That's exactly what we're doing right now. I can't report in terms of our coming to some conclusion on changing those performance measures at this point in time, but that is a recommendation that is likely coming forward through the RBB process and one that we are going to be working on.

**Mr. Young:** Thank you very much.

Those are my questions, Chair.

**Mr. Dorward:** Well, thank you very much for coming. I'm very pleased that you have folks from your area that are here. I wonder if it would be appropriate for them to please stand up and tell us their names and what they do in the department. It's an honour to have them here, and we're very thankful for the work that they do. Would that be okay?

**Mr. Hui:** I think that would be okay.

**The Chair:** If you go to the microphone real fast, then *Hansard* will be happier.

**Ms McDonald:** Erin McDonald, manager of provincial art collections.

**Ms Ingbergsson:** Margret Ingbergsson, arts services consultant.

**Mr. J. Anderson:** Good afternoon. Jeffrey Anderson, executive director for the arts branch at Alberta Culture and also the Alberta Foundation for the Arts.

**Mr. Humeniuk:** Patrick Humeniuk, director of program co-ordination for the creative and community development division.

**Ms LeBlanc:** Cindie LeBlanc, executive director, Francophone Secretariat.

**Mr. Brinton:** Jeff Brinton, executive director, cultural industries.

**Mr. Williams:** Richard Williams, corporate and strategic services.

**Ms Gomez:** Hi. I'm Janet Gomez. I'm executive adviser to Shannon Marchand, ADM, Culture.

**Ms Evans:** Kim Evans, marketing and communications with cultural industries.

**Ms Porenchuk:** Karen Porenchuk, financial analyst, program co-ordination branch. Thank you.

**Ms Telenko:** Kristine Telenko, community liaison officer, community grants.

**Mr. de Vos:** My name is Pieter de Vos. I'm a community development officer, and I'll just tell you what that is because it's a glorified title. Basically, we work with the nonprofit sector to help them with organizational development, strategic planning, board governance work, and some conflict resolution and network building.

**Mr. Dorward:** Oh, that's wonderful stuff. I mean, everybody likes this. Community liaison officer: that means they kind of know who's going to get the money and who's not going to get the money.

We're going to go to MLA Sarich, and then I'll have a couple of questions after that.

**Mrs. Sarich:** Really great. Thank you very much, Mr. Deputy Chair. It's quite an interesting day for us. We've had other ministries present to the Public Accounts Committee, and we learned through International and Intergovernmental Relations from questions that we had asked that for the London, U.K., mission, that happened, there were approximately \$431,000 of other costs that were not included in the IIR reporting. I'm asking because it was suggested that they're located somewhere else, so I'm looking to Alberta Culture. Where would we find those costs in Alberta Culture? Where would you have reported some of those other costs that relate to this mission?

**Mr. Hui:** Well, let me start the answer to that question, and then perhaps I'll ask Brian Fischer if there's any supplement. I can tell you that the total cost to the Ministry of Culture for the minister's journey to the 2012 Olympics was \$48,000. All those costs not only included the costs for, perhaps, the minister's travel but also for some of the artists that were representing Alberta.

Maybe I'll ask Brian if there is anything else that we should add to that.

**Mr. Fischer:** The cost of the ministerial trip was actually paid for by the department itself under cultural industries, I believe.

**Mrs. Sarich:** I'm going to ask if our Auditor General has any follow-up questions on this particular line item.

**Mr. Saher:** Okay. I'm going to try and help you. As the member has just said, this morning we heard discussion from IIR regarding the London trip, and what we learned was that that ministry picked up certain costs. In fact, I don't exactly know, so I won't go further there. The issue is that there are some costs in IIR, and there was a suggestion that a large sum, the balance of the total cost of the mission, would be found in Culture. I think that's why this question is being asked.

In fact, I think we're looking for about \$430,000. At least, the committee is looking for \$430,000. It's helpful that you've found \$48,000 of that. I think it would be useful to everyone if Culture, as you're coming up last, wouldn't mind taking a look and producing for the committee a breakdown of the full costs of the London mission because I think we're learning that the costs are fragmented, sort of piecemeal. If you could conduct an exercise, if you will, to consolidate all of the costs and get up to what I think we were told this morning, that the total costs of the mission were in the order of something approximating, say, \$500,000.

**Mr. Fischer:** We can do that. We'll combine it. We'll work with IIR. But a large part of the costs were picked up by TPR – Tourism, Parks and Recreation – for all the artists. We will combine all of that information together and provide it to the committee.

**Mr. Saher:** Okay. If I could just make an observation, it's not intuitive that costs relating to artists would be in Tourism, Parks, and Recreation. I think that's why people are struggling.

**Mrs. Sarich:** Okay. Moving along, we look forward to receiving that information as a committee.

I'd like to move interest to the policy called Spirit of Alberta. As I'm moving through the annual report and, you know, other documents, websites, things like that, I'm just wondering – it's not very clear – about the status of the performance measures, the targets that you're trying to achieve. What are the results you're trying to achieve through this particular policy, and how are you demonstrating that you're accountable?

*1:00*

Are you still in the process of developing this policy? What would that status be? Are there any financial resources allocated to this particular policy area? I'm asking these questions because it's been really hard to piece all this together. You have to appreciate that it's Albertans' dollars, and we need to try to step up and be very accountable for results.

**Mr. Hui:** Good question. I'm going to have Shannon provide a bit more history on it. When I came into the department, that was one of the first documents that was put before me. They said, you know: this is the Spirit of Alberta; this is Alberta's cultural policy. I was not around when that policy was developed, so I'd like Shannon just to give a little bit of background on what it is and where we're moving with that.

**Mr. Marchand:** Sure. The Spirit of Alberta cultural policy was developed a few years ago. A couple of things I would say about it. It's a broad policy framework – right? – and as you identify, it doesn't contain necessarily a lot of specific targets or next-step actions associated with it. But it does give us an important sort of anchor and focal point as a ministry on how it defines culture. It takes a very broad definition of culture. It doesn't sort of create a narrow perspective on culture where, you know, culture is high culture and is about the arts. Culture is very broad. Albertans understand it broadly, and Albertans enjoy and engage with culture in a very broad way.

The framework then, I think, lays out the keystones of the framework, which are really about access, so our efforts to create opportunities and access for Albertans to enjoy cultural activities and be engaged, which do to a degree get picked up in our performance measures, as well as some of the efforts we've made in our subsequent years. If you look at our business plans for '13-14 and '14-15, we've created a new goal that speaks much more particularly about awareness of culture and engagement in culture by Albertans, which, in turn, then guides activities. It's then capacity, which is about sort of building the capacity of organizations. Much of our grant activity that we're engaged in would be focused on that capacity.

**Mrs. Sarich:** I'm going to interject. I'd like you to take a look at the questions that I've asked and provide yourself another opportunity to have a look at what the answers are that you'd like to provide to the committee. I'm going to use one of the examples that you have put forward to this committee. If you're going to

create awareness, awareness could mean a lot of things. It does have a logical tie to a financial statement, the bottom line. It does cost money because that could be marketing. That could be advertising to create that awareness. So it's just not a goal out there that isn't tied to a financial number. Are you able to answer if you're going to set as a goal an awareness of this particular policy, that you've drilled it all the way down, that this is what, you know, the ballpark figure or actual cost could be for that? Are you able to provide that information?

**Mr. Marchand:** No, not at this time.

**Mrs. Sarich:** Okay. These are some of the struggles that we're having. I mean, performance measures are only as good as the measure itself, and the measure should be tied to the financial picture as well so that when Albertans or members of this committee are trying to make some linkage between what you're saying on a piece of paper and the financial statements, that get audited, and how the money is being spent, we could see the logical linkage of all of these moving parts, as it were.

I'll leave it at that and pass it on to another member. Thank you.

**Mr. Dorward:** We'll go to Jason Luan on the line.

**Mr. Luan:** Thank you, Mr. Chair. I just have a question related to the community engagement that you guys are talking about. Deputy Minister, when I hear you saying that the ministry's objective is really to promote and develop inclusive and engaged communities, I can tell you that that language very strongly connected with me.

Now, if you look at the budget for the expenses, my reading is that the ministry support services only constitute about 3.7 per cent of the overall expenses. Can I ask a question? When you have a program like CIP and CFEP funding and you administer it, you do an audit, and you do a report, is the 3.7 per cent in ministry support services included in that area, or is that in a different bracket?

**Mr. Hui:** If I understand you correctly, what I would point your attention to is that in 2012-2013 the ministry had a division called community and voluntary support services. I'm going to have Shannon confirm this, but my understanding is that back in that fiscal period of time that is what our community development officers and that type of staff were categorized under. Just focusing on the ministry support services does not give you the total breadth and scope of the efforts that the Department of Culture had in terms of engaging the communities that we wanted to support.

**Mr. Luan:** Thank you for that. Maybe I will try to phrase the question slightly differently so you know where . . .

**The Chair:** Mr. Luan, we'll have to come back to that at another time, on the second run-through.

All right. We'll move over to Mr. Pedersen. Are you on the line?

**Mr. Pedersen:** Yes. Good afternoon and thank you, everybody, for coming out today. I apologize for not being there in person. I do appreciate everybody taking the time out of their day to attend. Can you hear me okay?

**The Chair:** Yes.

**Mr. Pedersen:** Okay. Perfect. Thanks.

I have a number of questions. I apologize if I ramble through these quite quickly, but I'm just looking to try and get as many of these answered as possible.

I'll start with: the ministry has a number of entities, funds, and foundations to support its mission. Has any analysis or consideration been given regarding the requirement, need, and benefit of audited financial statements for each of the entities?

**Mr. Hui:** That's a great question. As I indicated in my remarks, we have five sort of organizations or foundations that report to the minister. There has been some review through the results-based budgeting process. There has been a recommendation that has come forward for us to review the Wild Rose Foundation, and that is exactly what we're doing.

**Mr. Pedersen:** Okay. Thank you.

The second question is: has the increase in the maximum Alberta production grant amount from \$3 million to \$5 million in 2010-2011 started to have a positive impact on the number of foreign productions applying for that grant, and if so, to what degree?

**Mr. Hui:** I'm going to have Shannon answer that question.

**Mr. Marchand:** Yeah. I think it has had a positive effect. I wouldn't say necessarily just on foreign productions applying for the grant but on all production activity. I think that as we're able to support a higher volume or a larger size of production, you do attract additional production activity.

**Mr. Pedersen:** Do you know to what degree?

**Mr. Marchand:** I wouldn't want to say offhand. I think we could get back with that information.

**Mr. Pedersen:** Okay. That would be great. Thank you very much.

I just want to make note that the Alberta media fund grants were increased by 9 and a half million dollars from the 2012-2013 time frame, yet the amount spent as a direct result of the grants only increased \$4 million. I'm curious. We're missing 5 and a half million dollars in spend there. How do you account for that? I would consider that a loss, and I would like to hear your perspective on that.

**Mr. Marchand:** Sorry. I'm wondering if you can just refer me to what you're looking at so I can see what you're seeing.

**Mr. Pedersen:** Sure. That's on page 8 from the background research that we were provided from research services.

1:10

**The Chair:** I don't think they have that document, Mr. Pedersen. Why don't you just say the question again, and hopefully they can understand it.

**Mr. Pedersen:** Sure. In 2011-2012 \$15.8 million in media fund grants were given out, which resulted in \$75.5 million in the amount spent as a direct result. Does that sound about right to make sense to you folks?

**Mr. Marchand:** Yeah. Okay.

**Mr. Pedersen:** And then in 2012-2013 the Alberta media fund grants were increased to \$25.3 million. [interjection] Okay. I think I'm still good there.

**The Chair:** Yeah. Keep going. Remember, folks online, to go on mute if you're going to yell at somebody.

**Mr. Pedersen:** So the \$25.3 million in grants only generated \$79.5 million in spending as a direct result. As you can see, there was a 9 and a half million increase in grants, which only accounted for an increase of \$4 million in spend. So there was 5 and a half million dollars that I would call a loss based on that performance. How would you respond to that?

**Mr. Marchand:** That's helpful clarification. I think there are two factors that are at play. One is that depending on whether it is considered an indigenous Alberta production, the amount is a little bit higher than if it is a non-Alberta production. So the production support to the project will be either 30 per cent or 26 per cent. Depending on the mix of projects that you have, you will get a different volume of production expenditure in relation to the grant that's provided.

There is also a bit of a factor of just connecting the dots through time, so it's not always in terms of when the productions actually deliver but sometimes when the production activity occurs. So there can be a little bit of variance there as well that might account for some of that difference.

**Mr. Pedersen:** Okay. I'm not sure that you answered that. I would expect that if you granted more money, you would get more of a spend overall. I do understand the 25 and 30 per cent, but I would have expected a greater return on investment.

**The Chair:** Can you respond as to why there is a discrepancy there?

**Mr. Marchand:** Well, again, I think that if the money, though, is spent on indigenous production, where we'll fund up to 30 per cent of the production, as opposed to nonindigenous, where we would fund up to 26 – the thing that you see this year is that *Hell on Wheels* is coproduced by their Canadian coproducers, so that gets the top tier of funding for *Hell on Wheels*. In that fiscal year there are two seasons of *Hell on Wheels* that were provided with grant funding, so it skews the number because a big dollar amount of grant funding, about \$11 million, went to that production. We funded 30 per cent, which means the return on investment for funding an indigenous production is actually slightly lower because you're funding 30 per cent as opposed to a nonindigenous or a service production coming in from Hollywood to shoot for a few weeks, a few days, where you give 26 per cent.

From the efforts to build the Alberta production community and support Albertans, we do get less of a return on investment on a dollar-for-dollar basis than we actually do on a service production. It's not a huge number, but it's enough, and *Hell on Wheels* was big enough that year, I think, to be what sort of drives that distinction.

**Mr. Pedersen:** Sure. I would just say that investing \$9.5 million extra to only net a \$4 million gain is, to me, not smart investment. But we can leave that there.

My next question: does the ministry collect financial information with respect to the economic impact of the film, television, and digital media industry in Alberta, and if so, is that information publicly available, and has the ministry considered adding a performance indicator that would measure the economic impact of this industry in Alberta?

**Mr. Marchand:** We have the performance measure that speaks to the production volume, so that's very much tied to the activity

we've just been talking about. We recently undertook some work with Treasury Board and Finance to make sure we had a solid understanding of the economic impact associated with production. The direct and indirect economic activity resulting from the production grant is over \$6 for every dollar that is put in through the Alberta media fund. That is work that was done subsequent to this fiscal year, so it doesn't appear or isn't referenced in this annual report.

**Mr. Pedersen:** You're saying that this is available online and easy to access?

**Mr. Marchand:** I don't believe that we have put that work online, but we'll certainly take that back. It's economic analysis work.

The other piece that we're engaged in, to be sure, on the broad understanding of the culture sector – and Statistics Canada suggests that it's an impact in the order of \$8 billion or \$9 billion – is working with Statistics Canada and other provinces and territories on the cultural satellite account so that there is good statistical information and data. That work has been going on for some time. We expect to start to see information become available in the next few months, I believe.

**Mr. Pedersen:** Okay. So that would sort of tie into adding a performance indicator to that measure as well.

**Mr. Marchand:** Yeah.

**Mr. Pedersen:** Sorry. Was that yes?

**Mr. Marchand:** Yes, it would tie in. Yes, they're connected.

**Mr. Pedersen:** Okay. Sorry. Thanks.

My next question, here, is: does Telefilm Canada have any impact on what screen-based projects get approved for content and how they are funded?

**Mr. Marchand:** I would say that they don't have explicit impact in the sense that their decision in some way connects to our decision-making. But I also would say that the reality for the production industry in trying to mount and create productions is that they are looking to make sure that the pieces all fit together – right? – so that their production that they're proposing to do, if there's support that they're potentially looking for from Telefilm, will satisfy those criteria as well as ours. So there's not a hard correlation between them, but I would say that my expectation would be that people who are putting productions together are influenced by both sets of guidelines and develop productions as best they can to fit within them.

**Mr. Pedersen:** Okay.

A follow-up to that: would you say that Telefilm Canada could stop a production from going forward based upon an Alberta approval, or could they work independently?

**Mr. Marchand:** It would be independent.

**Mr. Pedersen:** Okay. So they're not totally reliant upon each other.

**Mr. Marchand:** No.

**Mr. Pedersen:** Okay. Thank you.

We're aware that there are government funds pumped into the various cultural and heritage projects and organizations. However, I've been hearing concerns, especially from members of IATSE and ACTRA, that there are projects that have received govern-

ment funding that are not paying their contractors, staff, or vendors. As I'm sure you can appreciate, I don't think we should be giving money to people that aren't paying their staff. How is this being tracked by your department? Are you making sure that projects the government is funding are following through on their obligations and, if they aren't, that they receive no additional government funding at any point in the future?

**Mr. Marchand:** Yes. We are aware of those productions. The way the media fund grant process works is that we make an initial commitment. But this is an area where we manage risk by not flowing any funds until the project is completed and fully accounted for, which does ensure that projects are completed before the funding goes out.

What it doesn't do as well, though – in this instance it does become a bit of an issue, right? We hold the money still. The production isn't working the way it's supposed to. It's not necessarily paying all its bills. So we've been working very closely with the producers' association as well as IATSE to track those productions and make sure we understand what they're doing with a focus primarily on trying to ensure that they're exploring other market mechanisms to secure the funding they need to pay the bills they need to get paid. But no funds have been released to the productions, and that would be a factor going forward in terms of an individual who came forward for them with another project.

We also have audit arrangements in place, both with corporate internal audit as well as using the audit function of the Alberta Gaming and Liquor Commission, to do audits on behalf of our grant funds as most of the grant funds are ultimately derived from the gaming dollars.

1:20

**Mr. Pedersen:** Okay. If I did have an example – there were people who were involved in a production that did work in good faith and were not being paid – how do they go about bringing this forward? How do we move this process forward so that individuals that are out of cash or are out of pocket can feel safe that, you know, their work is not going to go unrewarded?

**Mr. Marchand:** Yeah. I think that has been a real issue for us. Those individuals, I think, have been working through their unions and their representative organizations with us. In some instances where these situations happen, the Labour Relations Board and other entities are involved, so we follow those proceedings and continue as well to work with the producer and try to get them either to make good or to find ways to secure the financing they need to get the production back on track.

**Mr. Pedersen:** Okay. Sounds great. I'd like to expand on that later if I get a second round.

How much time, Mr. Chair?

**The Chair:** You don't get a second round, my friend. You just get three more minutes.

**Mr. Pedersen:** Okay. Three more minutes. That's all I needed to know.

Next question: does the minister have discretion in approving more than \$5 million for a project from the production grant, and on whose advice would the minister make that approval, and what accountability is there for the minister or the advisers in making such approvals?

**Mr. Marchand:** The minister does have the ability, the authority to approve grants beyond the \$5 million. She would make that decision on the advice of the department officials. I think, in making that advice, we are looking at the overall value of a production, both in terms of the impact on the Alberta industry and the Alberta workforce who would be engaged in the production activity as well as the value from how the production would support the ongoing development of Alberta as a location for production to happen.

**Mr. Pedersen:** Okay. I'm just going to change gears here. On the website, under culture, you're able to go and find out the granting process for CFEP and CIP, but it's only organized by community. Would the ministry entertain the idea of providing the CFEP and CIP applications and funding by constituency, not just by community?

**Mr. Marchand:** The website where that information is available is with the Gaming and Liquor Commission. It's on their Who Benefits website because many of our granting programs, as mentioned, are supported by lottery funds. I think their rationale and the current design and organization of that website is that it's based on, you know, an Alberta audience and organized by community with the expectation that the people who are looking for the information are looking for what's happening in their community. That's why it's organized by community.

**Mr. Pedersen:** Sure. I appreciate that, but there are comments made as well. As one of the previous members said: "Hey, Culture is great. It's like a party every time, and there's a cheque showing up whenever Culture comes around." I think, you know, a lot of people want to know how much money is actually applied for and how much is funded per constituency. That can be tied back to who actually represents those constituents. We're not all government members, and when you're not a government member, you don't get to participate in that cheque presentation. So I am just putting it out there that I think that a lot of constituents would like to be able to do this information sourcing online to find out, you know, number one, if they're an applicant, who is applying within their constituency, and what funding level is being applied to each constituency as well. I appreciate the community portion, but I recommend that we want to take politics out of this.

**The Chair:** All right. Thanks, Mr. Pedersen.

I couldn't agree more. We would love to be invited to these cheque presentations as the government members are. We will be there. You have our absolute commitment to support you in that, but we can only be there if we're actually invited, which is difficult in opposition sometimes. If you could do that, that would be fantastic.

Liberals, you're on for nine minutes.

**Mr. Hehr:** Well, thank you very much, Mr. Chair, and I thank the department for being here to discuss the culture and community spirit file. I have some questions that have been shared with me by my colleague Laurie Blakeman, who shares a great passion for this, so we might as well get started.

We look at the other initiatives program, which is shown in the budget, and it's funded by lotteries. This program is supposed to offer a diverse range of financial supports to meet the needs of nonprofit organizations. You know, that has a pretty wide application to it. What types of groups are receiving money from this other initiatives program?

**Mr. Hui:** That's a great question. I'm going to ask Shannon Marchand because the OIP falls within his division as well.

**Mr. Marchand:** Sure. The other initiatives program is intended to support projects that don't fit with the established program criteria of other programs. There's a wide variety of projects that are funded. For example, in 2012-13 some projects would have included a grant to the Canada West Foundation on behalf of the government to support the work of the Canada West Foundation with its research institutes, that are aligned with a number of priorities of the government. Rotary International, the Calgary and Edmonton districts, made a commitment as an anniversary pledge to support the international eradication of polio. It didn't fit within the established criteria of the international development program, so we matched their efforts through the other initiatives program. Calgary 2012: the federal government, in the last year of its cultural capital of Canada program, had identified Calgary as the cultural capital, so we provided a grant through the other initiatives program to support that initiative. So that would be . . .

**Mr. Hehr:** Is there a way, like, to get a listing of all of these, I guess, projects? Is there a way on your website to find them? We just haven't been able to find that.

**Mr. Marchand:** Absolutely. If you go to the Who Benefits website of the Gaming and Liquor Commission – you can get there from Culture's website – you can find all of the grant programs in the department, by community, for the last number of years. When the report comes up on an annual basis – so if you went by the other initiatives program, you'd get a series of reports for each year. Click on the year's report, and you would see all of the grants that I've referenced and the other ones.

**Mr. Hehr:** Okay. These other initiatives, are they multiyear funding, or are they just one-offs that come up before the minister?

**Mr. Marchand:** It can be a little bit of both. Sometimes they're one-offs. The initiatives are generally a one-off. You know, a decision may be made based on their cash needs or other reasons. The funds may be split over a couple of fiscal years. Probably one of the sustained initiatives within the other initiatives program has been support to the Alberta junior A hockey league for a number of years, just to support the functioning of it. It's annual support, but it has been happening for some time.

**1:30**

**Mr. Hehr:** Okay. How does the ministry ensure that the money spent under this program is spent and accounted for properly?

**Mr. Marchand:** With all of our grant programs we have a range of assurance activities, I think, that we undertake in terms of clarity around the expectations for what the funds will be used for in the first place and some efforts to assure ourselves of that. For other initiatives, programs, and all grants there's a formal grant agreement that outlines the conditions of the grant. We have regular accounting officer review audits within the ministry to make sure that the expenditure of funds is happening in accordance with policies and guidelines. There's then the requirement for final reporting from the organization that received the grants. There's also auditing as well, ad hoc auditing as and when we need it.

**Mr. Hehr:** Just switching gears here, you know, Culture has numerous blueprints and working plans if you look through the past. You have the Spirit of Alberta cultural policy in 2008; the Alberta nonprofit, voluntary sector initiative from 2006; the Premier's Council on Culture in 2013; the regional cultural facilities dialogue from 2009; and a few more out there. What's the status of all of these initiatives? Are they all ongoing? Have you retired some of them? Were some of them considered a failure, and that's why you needed another one? It just appears there are a whole lot of strategic directions out there with not a lot of rhyme or reason to them, at least from our perspective.

**Mr. Hui:** Well, let me answer that question for you. Let me start with the Premier's Council on Culture. In fiscal 2012-2013 there were a number of recommendations put forward from the previous Premier's Council on Arts and Culture. They did conclude their work in 2012, and one of their recommendations was to move forward with perhaps a new, revised Premier's Council on Culture and that that Premier's Council on Culture be directed to help develop a long-term plan for Alberta's culture sector. I'm very happy to report that that was followed through on, and the Premier's Council on Culture currently is hard at work on developing a broad action plan to promote and develop . . .

**Mr. Hehr:** Well, okay. That plan's going. Good. I got a handle that that plan's going.

What about these other plans? Have they been now superseded by the Premier's Council on Culture? Is that now the definitive direction, or are these other plans still in place and going with other initiatives?

**Mr. Hui:** Right. There was a previous question that was asked about the Spirit of Alberta. Certainly, that is the policy that our department is proceeding with. I think the question that was raised was: is there an action plan to put that policy forward and to implement it? We did indicate that we would report back to the committee on actions that we're going to be undertaking to achieve the outcomes of that. I think you also mentioned that there was a plan with respect to the regional dialogue on culture.

**Mr. Hehr:** The regional cultural facilities dialogue.

**Mr. Hui:** Yeah. You know, I will answer that question. Actually, I was just talking about that the other day with my staff. My understanding is that that work was carried out in 2010 and was not followed through on. We are taking another look at that and seeing if there is an ability for us to move that work forward, but we haven't made any decisions on that at this point in time.

**Mr. Hehr:** Okay.

Do you remember the Alberta nonprofit, voluntary sector initiative of 2006? Is that similar to these, different from these? My reading is that they all sound pretty much alike, to be honest.

**Mr. Hui:** No. Just to be clear, that last initiative that you talked about is really . . .

**The Chair:** We'll have to ask for that one in writing as well.

**Mr. Hui:** Okay.

**The Chair:** Thanks. We're on a tight schedule here.  
Mr. Bilous.

**Mr. Bilous:** Thank you very much, Mr. Chair. I thank the ministry for coming. I mean, you folks support a lot of phenomenal community projects throughout the province.

All right. I'm just going to start off with support for infrastructure. Capital spending for Culture has actually dramatically dropped since 2012-13. For the 2013-14 budget it went down to \$12.6 million and even further with the latest budget, to \$6.8 million, you know, that amount despite the fact that developing sustainable, long-term growth in culture is your key priority 1.1. So I'm curious if you can answer: how have things changed since 2012-13? Has there been a lack of applications or a lack of interest in developing new cultural spaces compared to then, or is it a lack of interest in the government in funding them?

**Mr. Hui:** Let me start by giving a partial answer to that, and then I think I'll ask Shannon to sort of supplement. Certainly, we have no shortage of people interested in building that type of infrastructure. I would say that certainly the number of applications that are received within the department far outstrip the funds that are available through the granting process. So I don't think there's a shortage of interest. I think we certainly have a lot of applications come in, but we don't have enough money, I think, within our grant programs, basically, to sort of satisfy those applications that are coming forward.

I don't know, Shannon, if there's anything . . .

**Mr. Bilous:** Is there any plan or desire to change that, or again you're just working within your own limits? Does the Department of Culture have plans moving forward of increasing budgets for capital projects?

**Mr. Marchand:** Yeah. The support for cultural infrastructure is a specific element of our capital budget and reflects largely broad government commitments where we're holding the grant agreement and managing the grant agreement. So the reason you see that variance is because – and it is related a little bit sometimes to the federal government's funding initiatives. So that creates a bit of a pool of money, which creates momentum, and you get some projects, and Alberta has some matching dollars that go into that. That's probably what you see in the 2012 actuals, where there was a pretty high level, and then that has been falling. So in 2012-13 there was a different set of projects there, so some of the projects over the years – right? – have included, for example, the National Music Centre in Calgary, support to the GO centre, the Saville centre in Edmonton, things like that. So that line is really quite variable from year to year.

**Mr. Bilous:** Is it fair to say that that can change and does also change depending on government priorities?

**Mr. Marchand:** Yes.

**Mr. Bilous:** Okay.

I'm going to touch briefly on the Community Spirit grant. Now, the grant program had its last budget year in 2012-13. The program helped encourage donations to nonprofits that do phenomenal work in our communities, and many of them have come out since and been very vocal about how hard the loss of that program has been on them, groups like Riseup House in Leduc, which provides help to women suffering from domestic abuse. For them, specifically, Community Spirit was roughly the equivalent of a whole staff member, about \$50,000 annually.

Now, you know, beyond saying that applications have stalled, I'm curious. First of all, were there consultations or a review

process that was done with the Ministry of Culture before that program was cancelled? How was it arrived at?

**Mr. Marchand:** With the Community Spirit program there wasn't a formal process of consultation in advance of that decision being taken. There had obviously been ongoing discussions with the community. I think with the Community Spirit program the maximum amount of funding was \$25,000 a year for organizations, with a maximum of \$50,000 over three years. There is no doubt that the Community Spirit program and its absence would have an impact.

*1:40*

At the end of the day, when we were at the time being challenged to make sure that every dollar we were spending was sustainable, when we looked at that program and what the purpose behind it was when it was introduced as well as the enhanced tax credit, which was to increase donations, it did appear that it not only had an impact, because we did see increased donations happen with organizations, but at the organizational level we also saw in the last couple of years that the number of organizations that were coming to the program had sort of plateaued, right? We essentially had, you know, literally within 50 applications from the 2011 year to the 2012 year. It had really plateaued after a period of growth when the program was introduced.

We still have the charitable tax credit. Our tax credit combined with the federal tax credit is still the highest donor tax credit in the country. Were we in a position to support that charitable giving and inciting that charitable giving in two ways? At that time the conclusion was that we had to sort of go with the tax credit and be there.

**Mr. Bilous:** Right. I understand what you're saying. I mean, I don't know if I necessarily believe that just because applications have plateaued, that's a reason to eliminate a program.

Just a simple yes or no to this one. I'm sure my time is running out, and I apologize for cutting you off if I do. Is there any desire to return to a program like that in the future? [interjections]

**Unidentified Speaker:** Maybe we'll answer the question henceforth.

**Mr. Bilous:** Okay. Thank you. Yes. I hear other members answering for the ministry.

I'd like to jump back to Alberta Film, and part of this is just a clarification, when you were answering questions from the Wild-rose about indigenous film productions, of the term indigenous. I'm probably misinterpreting it. You're referring to Alberta-based, not necessarily indigenous or aboriginal communities, correct?

**Mr. Marchand:** Yes. For some reason in the film industry indigenous is used in that way. It took me a while to get used to it as well.

**Mr. Bilous:** Okay. I appreciate the clarification.

I recognize and the Alberta NDP recognizes that when we invest in Alberta's film industry, it does pay dividends. Whether it's a film in a small town or even in a city, when you have room bookings, foods, trades, demands, et cetera, you know, it does bring back an economic benefit above and beyond just the film itself. You know, I appreciate that we're competing with places like B.C., Ontario, and California for productions, and I do think that we have a lot to offer here in Alberta. My first question is: how do we compare as far as incentives for film production with

other jurisdictions in Canada? I admit it might not be a short-answer question.

**Mr. Marchand:** It's not bad. You know, we're quite competitive. I don't think we have the most competitive regime, but we are certainly up there in terms of people being able to make production decisions. Our incentive program is an attractive program, and combined with our talented crews, combined with the great scenery, combined with the range of sets that we offer, we're a very competitive jurisdiction.

**Mr. Bilous:** If I can just get further clarification. You actually started answering my next question. Other than financial incentives is there a short list of other incentives to attract film production to the province?

**Mr. Marchand:** I think there are a few factors that relate to where film production will go. There's talent. Do you have crews? Our crew base has been slowly rebuilding over the last number of years. We have great technical programs. SAIT has a great program, so we're producing people to work in the industry. There is the question of access to capital, which is your incentive program, as well as: do you have opportunities to sort of get private sector? There is your natural beauty and what you have to bring to the table, and then there are also facilities, so studio space.

**The Chair:** Excellent.

Did you have anything you want to quickly, very quickly, read into the record, or are you good?

**Mr. Bilous:** No. This would be more of a back and forth. I appreciate the offer.

**The Chair:** Excellent.

All right. The remaining 15 minutes or so will be to the Wildrose caucus, and Mr. Amery will be chairing that portion. Is that right, Mr. Amery?

**Mr. Amery:** The PC caucus.

**The Chair:** Did I say Wildrose caucus? I'm getting ahead of myself. I'm thinking of the Member for Calgary-East after 2016. Just kidding.

Go ahead, Mr. Amery. You're chairing it.

**Mr. Amery:** Thank you. Since I'm going to be David Dorward for the next 15 minutes, with a different hair colour, I would like to call on Mr. Luan to ask his question.

Mr. Luan.

**Mr. Luan:** Thank you, my new deputy chair. How much time do I have?

**The Chair:** You have 15 minutes total for the caucus, so whatever you want.

**Mr. Amery:** Oh, 15 minutes. Go ahead.

**Mr. Luan:** Thanks a lot. My question, going back to where I left off earlier, is related to the CIP and CFEP funding. As you can see, the committee colleagues and a number of people spoke about that. This is a program very much liked by our communities, constituencies, and our grassroots community groups. My question is regarding the ratio between the cost of administering the program versus the total amount of money managed under this program. I know, generally speaking, for any funders there is

always a percentage of cost associated with it, mostly around the 7 to 11 per cent range. I'm just wondering, our Culture folks: in your ministry where does that ratio stand as of today?

**Mr. Hui:** If I understand your question correctly, you're asking us: what is our cost in administering those financial grant programs? Is that correct?

**Mr. Luan:** For the community initiatives program and the community facility enhancement program. Those are the two I'm specifically looking for.

**Mr. Hui:** The understanding I have is that we don't have that information right at hand, but we will provide that to the committee.

**Mr. Luan:** Excellent.

I'll give you another related question so you can totally see where I'm coming from. On the one hand I very much appreciate and applaud the ministry for keeping those programs, and I can tell you that at a constituency level it is well utilized, well liked. The flip point of that is that recently I've been getting four sort of unrelated complaints but all pointing to the same direction.

The current procedures and auditing evaluation, the sort of administrative process for the community initiative program, have been so burdensome. I'll give you an example. A small grassroots program asked for \$7,000; they matched with \$7,000. But the auditing process took about six months, and the forensic auditing cost is triple the amount of the program under review. So it begs the question: on the one hand, yes, we want to make sure every taxpayer's money is being accounted for and so on and so forth – I'm a big fan of that – but the flip point is that when you drag the volunteers through this kind of an extensive process, to a degree they get intimidated, and then they don't want to touch this anymore. It's kind of defeated the purpose, which early on you guys talked about, you know, to promote and develop inclusive and engaged communities. I'm just curious: in terms of our ministry, when we administer those different programs, do we distinguish the level of scrutiny we pursue for smaller programs versus a couple of million dollars on big projects?

**Mr. Hui:** Yeah. I'm going to ask Shannon to answer the last part of your question, but I do want to thank you for providing that feedback. I think that is valuable feedback. We as a department have begun to hear some of that as well. Certainly, as we've gone through the results-based budgeting process, we actually have asked ourselves: can we take a look at the process and see if we can do better? I know that we have some staff that are beginning to look at that, to see whether we can streamline the process a bit better than, perhaps, as it's currently being sort of encountered by the public.

I'm just going to ask Shannon to talk about the last part of your question, which is: do we apply a different set of lenses to the various grants that we have?

*1:50*

**Mr. Marchand:** Yeah. The short answer to that question is: we do. We have, you know, a risk assessment framework in place for CIP and CFEP, where we do look at the conditions we need to apply to a grant, including audit and financial reporting requirements and just the level of detail that we need. Two of the big factors in making that assessment are sort of our experience with the organization and the grant holder as well as the dollar amount in question because we certainly don't want to be

expecting organizations to spend more money administering the grant than the value that the grant was in the first place.

**Mr. Luan:** Thank you very much. I would really appreciate it if you guys could get back to me with those answers because if that's the direction you're taking, I can tell you that that is very welcome to the community groups that I have been in contact with. Certainly, they raised these concerns through different venues and for different programs. I was just about to write a letter to you about that. I appreciate the opportunity to address that question. Thank you very much. That addresses my question.

**Mr. Amery:** Thank you, Mr. Luan.  
Mr. Khan.

**Mr. Khan:** Thank you, Mr. Amery. I'd like to thank my colleague Mr. Luan for a little bit of a segue into my question, and I do very much want to thank everybody from the ministry and department who is here today. It's very important work that you do, impacting a very positive quality of life for all Albertans, and your work contributes directly to that.

When I'm saying that, I'm speaking of events like the International Children's Festival, which is happening right now in St. Albert, which is a world-class event . . .

**An Hon. Member:** It's a plug.

**Mr. Khan:** Absolutely, it was a plug.

. . . that contributes to the fabric of our community but also all of northern Alberta and really lets us show off who we are as a community and a province. That was a Dorwardian preamble there.

What I'd like to talk about is what I view in terms of your report as a real positive, and that's, on page 19 of your annual report, some of the performance measures around the percentage of adult Albertans who volunteer in their community. A remarkable success from your department is the fact that in 2013, as per the report, there's a 9.1 per cent increase in the percentage of adult Albertans who volunteer in their community, which is phenomenal, because as much as the not insignificant grant from the department contributed to the International Children's Festival, the festival would not happen if not for the tremendous number of volunteers that come and work that event in our community. My question specifically is, you know: what are you guys doing to achieve this kind of success? Are there specific initiatives that you've launched that have helped create 14.5 per cent higher results than your targeted goals? I mean, this is really remarkable stuff. I'm curious to know what you're doing.

**Mr. Fischer:** Thank you for the question. The volunteer participation we break down into formal organizations and informal volunteering, and we noticed that in the year in question the informal volunteering skyrocketed. That's just people helping their neighbours or helping out in the community, but it's not part of an official organization. What we've noticed is that as the economy improves, there is a lot more volunteering that takes place plus the demographics as well, right? People as they get older have time on their hands, and they get involved in a lot of different activities as well.

**Mr. Khan:** Just a little supplemental. I'm very proud of these numbers. I'm curious if you track or measure how our numbers in Alberta compare to our neighbouring provinces or other jurisdictions.

**Mr. Fischer:** Actually, we do have that information. Alberta ranks about – I think we're third in the country for volunteerism, and it's growing, of course.

**Mr. Khan:** Well, congratulations for the work in the department to enable that and to make that happen. That's phenomenal work.

**Mr. Fischer:** Thank you.

**Mr. Amery:** Any other questions?

**Mr. Khan:** If I could have a quick . . .

**Mr. Amery:** Yeah. Go ahead.

**Mr. Khan:** I'm on a roll here, so if I may continue. Thank you, Moe. Throughout this discussion today there has been a little bit of reference to the RBB processes that Culture has participated in, and I had the pleasure myself of participating in a little bit of that process with the folks from Culture. I'm curious to know if, you know, there are some specifics in terms of the benefits of that process and what we could see as some positives coming from the RBB process as it relates to Culture.

**Mr. Hui:** Yeah. That's a great question. We certainly did appreciate the review that occurred under the RBB process because I think it really did challenge all of us to sort of look at the dollars we have and how we're spending them. From my perspective I thought that there were sort of two primary areas that came out of the RBB review and recommendations that came forward. One of the recommendations really did deal with the issue of outcomes and did deal with the issue of how we would measure those outcomes. While I indicated that we had seven types of measures in fiscal year 2012-2013, I think the RBB process really did identify whether those were the appropriate measures that really linked to the outcomes that we wanted within the Ministry of Culture. Certainly, that was a recommendation that I believe is coming forward and one that we will really provide some focus on during the upcoming year.

I think the second key sort of recommendation that came forward is one that I spoke of, which is to look at some of the entities that we have within the Ministry of Culture and really ask ourselves what benefit or what value those entities are providing. Certainly, I've indicated that we are going to be reviewing the Wild Rose Foundation. And I'm going to probably get this wrong, but film classification is one area that we've been asked to look at as well, seeing whether the service that we currently provide needs to continue as a separate function or if that's something that we can look at with a more western Canada perspective.

Those are the two main things that I would say have come out of RBB.

**Mr. Khan:** Thank you very much.

**Mr. Amery:** Thank you, Mr. Khan.  
Mr. Jeneroux.

**Mr. Jeneroux:** How much time do we have, Mr. Chair?

**The Chair:** Three minutes.

**Mr. Jeneroux:** Great. Thank you, everybody, for being here today. Ernie, you do a great job at training the rest of your staff that come out and get excited about Public Accounts. Good on you, and good on your staff.

I would like to chat just a little bit, knowing that we only have three minutes, about indigenous productions versus foreign films. Knowing that it's always appealing to have the money come in from the foreign films and the spending, everything they do for the economy, that I think was highlighted by the hon. Member for Edmonton-Beverly-Clareview here, and knowing that this is an industry that we want to continue to raise up and continue that economic benefit, is there enough value in place to encourage the indigenous productions and even more so, going down lower, which is probably not the right term, the universities, post-secondaries, encouraging them to stay in the province once they graduate from Red Deer College, the SAIT program that you mentioned there as well? Is there enough of that support from your ministry to allow them to continue to do their jobs here?

**Mr. Marchand:** For a lot of the individuals graduating from those programs, you know, for the work they do as a technical person on a film set or a production, the ownership or the background or the history of where the production comes from isn't all that important, right? What's important is that the production activity is actually happening so you can get a job, you can sustain and build a crew base, and as you build that crew base and expertise, you're then able to get the people who are making the small productions, who certainly get the support and build their capacity so that they can become the bigger producers, enter into a coproduction arrangement with a major studio so that you get the bigger pieces.

2:00

Our sense is that the two pieces sort of need to work together. We've got the support for people coming through our educational system and working in the field, but to really build a sustainable career in Alberta right now, I think you need to see both of those activities happening so that the crew can stay, be here, and you build that capacity.

**The Chair:** Okay. You have 40 seconds. Do you want to use it?

**Mr. Amery:** Forty seconds. I think Mrs. Sarich has something under other business.

**The Chair:** Well, we'll go to that later. Are there any more questions?

All right. We'll wrap up now. Mrs. Sarich, you had a piece of business that you wanted to bring forward?

**Mrs. Sarich:** Yes. Thank you very much, Mr. Chair. I have provided copies for the members that are here. Unfortunately, they're hard copies, but if the clerk and chair of the PAC would like an electronic version, I would be willing to circulate that later today.

What I've done is this. The Public Accounts Committee at almost every meeting reads questions into the record, and we are provided with the answers. This isn't a new topic. It's been a conversation over the past number of months that the PAC has been meeting. I have put together a sample working draft for the purposes to be rolled into the working committee. The Ministry of Tourism, Parks and Recreation came to the Public Accounts meeting on March 12. What I've done on this sample working draft is simply taken two samples of questions that were asked by two members of the committee. You will see by the working draft that Mr. Dorward asked the first question, and the other question that's in this sample working draft is a question that was asked by Mr. Strankman. The answer has been provided by that ministry, and I've plugged it into the table.

We were having this ongoing dialogue about whether or not the answer that was received by the department was satisfactory to the member. It could be a simple yes or no response. If there was some additional information required, then the member of the committee could signal that. Certainly, this could be information brought forward under other business because I'd like the working committee to also consider that the responses that are provided by the department back to the PAC don't come forward to us on the public record. We don't have ways and means of bringing them forward as of yet onto the public record. Maybe this is a way to do that. I'd like some consideration given to that dialogue and this particular item by the working committee.

I was wondering, Mr. Chair, if the working committee could take some time to look at this particular issue and come back to the PAC in the fall with some other ways and means or something similar so that we can tackle the questions that are read into the record and the answers. Does it meet the satisfaction of the PAC member who asked the question? Are there any other details that would be of interest to that member or the PAC itself? How do we get onto the record those answers that were provided to questions previously asked in meetings? Perhaps it's just a written report in some capacity.

I see this sample working draft mechanism being supported by the clerk, some work to help facilitate this by the clerk and perhaps also the office of the Auditor General if there needs to be that extra support.

I would like you to know that I prepared this; a staff member did not prepare this chart. I did it because I wanted to get an appreciation for how much time it would take. It was very simple to plug the information right into a chart matrix and generate this sample for today. I'll leave that with the working committee.

That's the only business that I would like to address today. Thank you.

**The Chair:** All right. Thank you, Mrs. Sarich. I don't know if you've taken this up with our deputy chair, but I'd be happy to go over this with the informal working group and have a discussion. I mean, obviously, the majority of the members are government members, so please have that discussion with Mr. Dorward, in particular.

Just for your information, the answers are posted on the committee website, which is publicly available. So it is available to the public that way, but I understand you might want – you know, sometimes the answers aren't what we're looking for, so I like the idea of some kind of closing loop and feedback. It's a good idea.

**Mrs. Sarich:** Yeah. Also, Mr. Chair, the committee is looking, you know, for extra opportunities for honing one's skills for asking questions, and one observation that I picked up is through the answers provided by this particular ministry. It gives the member another opportunity to really look at the question that was asked – is that what you were driving at? – and to personally ask yourself some questions in self-reflection. If there was something more that was of deeper interest, it provides an opportunity.

Thank you.

**The Chair:** As always, thank you so much for your input on these things. You know, we've implemented several of your suggestions in this committee, and I think it's done our committee a lot of good. So we'll definitely take a look at this one as well.

Is there any other business besides that? No?

Okay. Well, this is the last meeting of the committee until the fall. I know that's, you know, really hurting you.

**Mr. Amery:** That's sad.

**The Chair:** It's a sad situation, for sure.

I know that there was interest expressed for us to have another training session, Mrs. Sarich, with CCAF, and our plans are to hold that in late September, at some point after you folks do the things you do every couple of summers and get us a new Premier. After that's all done, we'll come back in September and get that

done. Our committee clerk will organize that for us and contact members over the summer regarding the exact date of that meeting.

Could we have a member move that the meeting be adjourned? Mr. Young. Those in favour? Any opposed? Carried.

Thank you very much. Have a great summer.

[The committee adjourned at 2:07 p.m.]



