



Legislative Assembly of Alberta

The 27th Legislature
Third Session

Standing Committee
on the
Economy

Department of Infrastructure
Consideration of Main Estimates

Tuesday, February 23, 2010
6:30 p.m.

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Standing Committee on the Economy

Bhardwaj, Naresh, Edmonton-Ellerslie (PC), Chair
Taylor, Dave, Calgary-Currie (AL), Deputy Chair

Allred, Ken, St. Albert (PC)
Amery, Moe, Calgary-East (PC)
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Hinman, Paul, Calgary-Glenmore (WA)
Lund, Ty, Rocky Mountain House (PC)
Marz, Richard, Olds-Didsbury-Three Hills (PC)
Taft, Dr. Kevin, Edmonton-Riverview (AL)
Weadick, Greg, Lethbridge-West (PC)
Woo-Paw, Teresa, Calgary-Mackay (PC)

Also in Attendance

Kang, Darshan S., Calgary-McCall (AL)
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Department of Infrastructure Participant

Hon. Ray Danyluk Minister

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6:30 p.m.

Tuesday, February 23, 2010

[Mr. Bhardwaj in the chair]

**Department of Infrastructure
Consideration of Main Estimates**

The Chair: Good evening, ladies and gentlemen. I'd like to call the meeting to order. Welcome, everyone. Just a quick reminder that you don't need to touch the microphones. *Hansard* staff will operate the microphones.

The committee has under consideration the estimates of the Department of Infrastructure for the fiscal year ending March 31, 2011. I'm just going to go around for the introductions. Minister, we're going to start with you. You can introduce yourself and introduce your staff, please.

Mr. Danyluk: Well, thank you very much, Chair. My name is Ray Danyluk, and I am the Minister of Infrastructure. With me I have my deputy minister, Barry Day; Rod Skura, who is the senior financial officer; Diane Dagleish, who is the assistant deputy minister in charge of capital projects. Also, I have with me Alan Humphries, who is the assistant deputy minister, policy and corporate services; at the back also Bob Smith, the assistant deputy minister for properties. I have Jody Korchinski, who is the director of communications; Cheryl Mackenzie, who is the assistant director; as well as Ethan Bayne, my executive assistant.

The Chair: Thank you very much.
We'll go over to Teresa.

Ms Woo-Paw: Thank you. Good evening. Teresa Woo-Paw, Calgary-Mackay.

Mr. Allred: Ken Allred, St. Albert.

Mr. Lund: Ty Lund, Rocky Mountain House.

Mr. Bhardwaj: Naresh Bhardwaj, MLA, Edmonton-Ellerslie.

Mr. Taylor: Dave Taylor, MLA, Calgary-Currie.

Mr. Marz: Richard Marz, Olds-Didsbury-Three Hills.

Mr. Amery: Moe Amery, Calgary-East.

Mr. Weadick: Greg Weadick, Lethbridge-West.

Mr. Kang: Darshan Kang, Calgary-McCall, critic for Infrastructure and Transportation and Service Alberta. You're already making me nervous.

The Chair: Thank you very much, colleagues. I just need to read a few comments into the record and for information as well. On speaking order and time Standing Order 59.01(4) prescribes the sequence as follows:

- (a) The Minister, or the member of the Executive Council acting on the Minister's behalf, may make opening comments not to exceed 10 minutes,
- (b) for the hour that follows, members of the Official Opposition and the Minister may speak,
- (c) for the next 20 minutes, the members of the third party – that would be the Wildrose Alliance – if any, and the Minister may speak, and
- (d) any Member may speak thereafter.

With the concurrence of the committee the chair will recognize the member of the fourth party, NDP, if any, following the member of the third party, and for the next 20 minutes the member of the fourth party and the minister may speak.

Also, we're sort of asking for a general consent from everybody if it's okay that we take a 10-minute health break after the Official Opposition speaks. Is everybody okay with that? Thank you very much.

Committee members, ministers, and other members who are not committee members may participate. Department officials and members' staff may be present but may not address the committee.

Members may speak more than once; however, speaking time is limited to 10 minutes at a time. A minister and the member may combine their time for a total of 20 minutes. Members are asked to advise the chair at the beginning of their speech if they are planning to combine their time with the minister's time.

Three hours have been scheduled to consider the estimates of the Department of Infrastructure. If the debate is exhausted prior to three hours, the department's estimates are deemed to have been considered for the time allotted in the schedule, and we will adjourn. Otherwise, we will adjourn at 9:30 p.m.

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

The vote on the estimates is deferred until Committee of Supply on March 18, 2010.

Amendments to the estimates cannot seek to increase the amount of estimates being considered, change the destination of a grant, or change the destination or purpose of a subsidy. An amendment may be proposed to reduce an estimate, but the amendment cannot propose to reduce the estimate by its full amount. The vote on amendments is also deferred until Committee of Supply, which is March 18, 2010.

Written amendments must be reviewed by Parliamentary Counsel no later than 6 p.m. on the day they are to be moved. Seventeen copies of the amendments must be provided at the meeting for committee members and staff.

Follow-up information. A written response by the office of the Minister of Infrastructure to the questions deferred during the course of this meeting can be tabled in the Assembly by the minister or through the Clerk of the Legislative Assembly for the benefit of all MLAs. A copy to the committee clerk would also be appreciated.

At this time, Minister, I'm going to ask you to make your opening remarks. You have 10 minutes, please.

Mr. Danyluk: Well, thank you very much, Mr. Chair and members of the committee. I want to say that Infrastructure's core businesses are to provide efficient public infrastructure; to create and to protect environmentally, operationally, and fiscally sustainable infrastructure; and to provide space that ministries need to fulfill their mandates. Alberta Infrastructure's business plan sets out how this will be accomplished.

Let me start by saying that this is more than just what we build. It is how we build it and who we build it for. Albertans and the services we deliver to them are our first priority. Through our partnerships with other ministries we fulfill our commitment to Albertans to provide high-quality, well-designed public infrastructure. That is what is laid out in this three-year business plan. For example, in the Transportation-Infrastructure partnership we share some corporate services while we pursue our respective mandates. We work with Education, Advanced Education and Technology, Health and Wellness to bring schools, colleges, and hospitals for Albertans to work, learn, and heal in; with Finance and Enterprise and the Treasury Board on an award-winning process like P3s; and

with all ministries to build or to lease the space they need so they can serve Albertans.

Mr. Chairman, our business plan and the budget continue to support the Premier's vision of building the most advanced infrastructure in North America. We will continue to seek, develop, and use smart, creative ways to build innovative, world-class facilities. The key to our success is partnerships. We work with Alberta Education, with teachers, with school boards, and with parents. Together we find innovative ways to build the best learning environment possible.

Our innovations include core schools, standard designs, and high-performance classrooms. Building on these ideas, the school community and the parents are valued partners in creating the layout of each school. It ensures collaboration, and it saves time so that children can get into the new schools faster. Standard designs ensure that the expertise we have gained over the years gets applied wherever the school is built.

The ministry has a broad base of experienced people, people with expertise in architecture, mechanical and electrical, acoustics, structural, and project managerial fields. You know, we are fortunate to have experts like this, people like Kelly Kruger, an Alberta Infrastructure employee who is also an internationally acclaimed acoustics expert. His skills help children succeed, and he is just one of the hundreds of experts in the ministry.

When you have a ministry staffed by experts, it creates an environment where innovation thrives. Mr. Chairman, our team of experts have applied their experience and innovative ideas and brought us solutions like the high-performance classroom. No, this is not just another way to say portable. I have seen them. I have been in them. These are not your traditional portables. In fact, they are as far from portables as you can possibly imagine. They have easy access to all of the latest technology, and as technology evolves, so can high-performance classrooms. They have all the comfort and visual appeal of regular classrooms. They are built to be moved, so we can accommodate growth pressures by moving a classroom or by moving it to different areas. These classrooms have changed the way people think about portable classrooms. While I was in Grande Prairie, I heard teachers talking about these high-performance classrooms. They liked them. School trustees liked them, too, especially because of the flexibility they give to the school boards.

6:40

Alberta Health and Wellness is another ministry we work closely with. This government's first priority is ensuring we have a health care system that all Albertans can rely on. We continue this priority by ensuring that we have the right facilities to provide these services today and into the future. Proudly, we can say that we are building world-class health facilities, facilities like the Edmonton clinic, which combines health care delivery, teaching, and researching under one roof.

We partner with the Solicitor General and Alberta Justice to ensure Alberta's communities are safe and secure by building necessary facilities like the new Edmonton Remand Centre and the Calgary courthouse.

Regardless of the ministry or program we support, we set the bar high for ourselves and for the contractors who work with us. We strive to exceed expectations. We are leaders in the field. We are one of the first governments to adopt the LEED silver standard as a minimum standard. In fact, we have achieved gold in several classes. By building to the LEED silver standard, we are building healthier environments for children, for patients, and for workers.

We go beyond building to LEED standards. We operate our buildings to environmental standards, too. We apply the Building Owners and Managers Association, BOMA, BEST standards in our

government-owned buildings, with the goal of having all our larger buildings certified. We use green power exclusively where government buildings are connected to the power grid. All efforts make a difference because, in all, we are managing more than 1,800 buildings, buildings that people use every day, buildings like the Jubilee auditoriums and the Royal Tyrrell Museum.

The global economy has faced significant challenges this past year, and Alberta has not been immune. Instead of cutting spending on infrastructure, this government is focused on investing in infrastructure, building the health care facilities and schools now and for the future, when growth returns, and we know it will. It only makes sense to build when prices are lower.

For this year's budget we are asking for nearly \$1.6 billion. Our budget falls into two parts, expense and equipment/inventory purchases and capital investment. Looking first at the expense and equipment category, the budget here is \$1.2 billion. This includes almost \$628 million for health facilities infrastructure. These funds will go to health priorities like the south Calgary health campus and the Edmonton clinic. Our expense and equipment budget also pays the rent on leased space, and it pays the utility bills and for property operations in our buildings.

Specifically, it includes \$168 million for leases, \$163 million for day-to-day operations of government-owned buildings, \$32 million to operate the Swan Hills treatment plant, \$24 million to develop government-owned and leased facilities. However, I would like to point out that this ministry is cutting our base operating budget by \$17 million. This reduction will decrease spending in such areas as ministry support services, property operations, and program services.

Our capital investment budget is \$396 million. This is in addition to the spending on health facilities that I had discussed. We will spend most of this on the Edmonton Remand Centre and the federal building. The remaining amount will be used to purchase land for government programs and to complete projects like the Calgary courthouse.

Through innovative thinking and through partnerships with other ministries, partnerships with building industries, and partnerships with Alberta's communities we will continue leading the way to building world-class infrastructure, fulfilling our Premier's vision of the most advanced infrastructure in North America.

Thank you very much, Mr. Chairman, for allowing me this opportunity to present. I am open to any questions that you may have.

The Chair: Thank you very much, Minister.

With that, I'm going to move over to Mr. Kang. You've got one hour, Mr. Kang. Would you like to go back and forth with the minister?

Mr. Kang: Yeah.

Mr. Danyluk: That'd be great.

The Chair: Okay. Go ahead, please.

Mr. Kang: Thank you, Mr. Chair. First of all, I'd like to thank the minister for the overview on the things to come. As you said, the prosperity of the nation or the province or the city all depends on the infrastructure: good hospitals, schools, and roads. That goes to show how prosperous we are.

As the economy is predicted to grow by 2 and a half per cent this year and projections are that by 2011 we'll be growing by 4.1 per cent, it's going to put more pressure on our infrastructure. As you know, the birth rate in Alberta has been going up every year. Albertans are having more babies, and that's going to put pressure

on our kindergartens and daycares and on the schools. You know, we are still trying to catch up to improve things from the 1993 cutbacks, yet we are not where we could have been. All that is going to put a lot of pressure on the infrastructure.

As you said, we have to be ready for the good days whenever they come, and that's very good, but we have concerns here. You know, there have been cutbacks in the city of Calgary. They're going to get \$153 million less this year in MSI, and the city is concerned. They signed these contracts, and they may have to pay a \$100 million penalty. Those are the kinds of concerns coming up. Every day we hear about them.

It's good that the health facilities are going to get \$627 million more to improve our health care system. As the capital expenses are a bit lower, you know, there are opportunities like minimizing environmental impact. It's going to cost a lot less now than in the boom times to build whatever we have to build: hospitals, schools. There are some challenges there, too, about the economic climate, aging infrastructure, and demographic shifts. So as the 2010-13 capital plan is 13 per cent, or \$3 billion, lower than the 2009-12 capital plan, those are the issues that I have.

I will start with infrastructure quality. To begin with, pages 175 to 177 in the business plan, goal 1. This relates to the quality of public infrastructure in Alberta: hospitals, schools, and postsecondary institutions. There has only been marginal improvement in the number of hospitals and schools that are in poor condition. They have not included the definition of good, fair, or poor in the 2010-13 business plan, but in the previous year's the information has been included.

Taken from last year's business plan is the following definition of poor condition of infrastructure: "'Poor' means upgrading is required to comply with minimum codes or standards and deterioration has reached the point where major repairs or replacement are necessary." That's in a footnote in the business plan of 2009-12. "'Good' is defined as adequate for intended use and expected to provide continued service . . . [and] 'fair' means aging components are nearing the end of their life cycle." This footnote has been taken out of the business plan. My concern is: why is this not explained better in this 2010-13 business plan?

6:50

Mr. Danyluk: Okay. Well, thank you very much, Member. I appreciate your comments, and I feel that it's important for me to clarify, you know, some of the comments that you made earlier.

Let me start off with your comments about MSI. MSI, of course, is \$11.3 billion in funding for municipalities that was designated to support municipalities over 10 years. When the program was developed – and I need to be very clear that the program was not developed necessarily by this government; the program was developed by municipalities. In fact, we went out throughout Alberta to have discussions with municipalities on how they felt MSI should be distributed and how it should be looked at. What did happen is that municipalities felt that there should be a balance between the assessment, 48 per cent; population, 48 per cent; 4 per cent, kilometres of road; that distribution be in place; also, that we ensure we protect smaller communities by having a base of \$120,000 so that small communities would also get, you know, the support that was necessary. This is what they felt was important.

What did happen is that in the guidelines and in the criteria of the program it very clearly stipulated and stated that if the economic revenue dropped, the payment or the support to municipalities would also drop. But our Premier has made it very clear and this government has made it very clear that the amount given would not change. The \$11.3 billion is still there. Will it be over 10 years? No. There is a possibility that it'll be over 11 years, but that amount of funding has been there.

Now, if you look at the budgets for this year and look at the budgets for last year which are not my ministry, I will just express to you that when we talk about having a lower budget, it is only \$10 million less than last year in MSI.

I also want to make one point that I think is very important to remember, and that is that when we had discussions with municipalities such as Calgary, they wanted to have some assurance that they could plan into the future. Member, I just want to say to you that what did happen is that we gave the opportunity for municipalities to book into the future 75 per cent not of today's MSI but the amount of MSI of \$11.3 billion, but booking into the future. So that gave municipalities that option. The city of Calgary – because you used the example of the city of Calgary – has very much utilized that option.

You talked a little bit about Calgary having less. Well, Calgary is receiving \$254 million, and if we looked at what our projections were, they were to receive \$407 million. As I said, they had the option, which they did take advantage of, the option of booking their projects into the future. But, more importantly, in this time we have had projects that have come in anywhere from 20 to 40 per cent less, in fact some projects 50 per cent less, and that is an advantage for municipalities. What does take place – and I'm giving an opinion. They are not further behind. Municipalities in our meetings have also said to us: don't decrease the \$11.3 billion, but give it to us over an extended period of time. That's why we look at one year. To this date if we looked at the money that was decreased, really, all it is is one year.

Also, if I can, hon. member, I want to talk briefly about the sustainability fund. The sustainability fund was put in place to ensure that we took off some of the tops of the hills and filled in some of the valleys. What did take place in previous times when we had a time of lucrative budgets, if I can call it that, is that we had infrastructure, whether it be horizontal or vertical, that was taking place. It was kind of a starve-or-feast type of situation. If you were building infrastructure in those times, the prices were higher. Why were the prices higher? There were people bidding because there was money, and the government had money. Then maybe the next year or two years later what happened is that there was a famine. In those years, you know, the hon. Member for Rocky Mountain House was the Minister of Infrastructure, I believe, and his budgets were cut because there were no funds. Our Premier felt that it was very imperative that we have a sustainability fund that was able to level the playing field. That is why it's important to have that fund. We take the advantage because business is able to plan into the future.

Also, you mentioned infrastructure quality and the infrastructure quality of the LEED. I will get into that. Let's talk about the LEED certificate just for a second. Our government is using the LEED silver standard as a minimum. The LEED silver standard looks at sustainable sites. It looks at water efficiency. It looks at energy and atmosphere. It looks at materials and resources, indoor environmental quality. It looks at innovation and design processes. And we have points for that. To get certified, you would have to have between 26 and 32 points. To be silver, it's 33 to 38, and to get to gold, it's 39 to 51. I want to say to you, hon. member, that we use silver as a minimum, and what we are doing is achieving gold in many instances.

Also, if I can, hon. member – and I can get into it, I'm sure, in other questions – I want to talk to you about the BOMA BEST requirements. What do the BOMA BEST requirements mean? It means the operation. We have requirements – energy use, water use, construction waste, recycling, hazardous material, material selection, ozone-depleting substances, indoor air quality, maintenance, tenant awareness – which give us the operation advantage that BOMA BEST requires, and we operate under those types of standards. This

year we have approximately 70 sites that are BOMA BEST. We're looking at 80 more, I believe, that are going to be in place by March 31.

Let's talk about the good and the fair and the poor. Hon. member, I want to say to you that you are absolutely right. The average age of our buildings is 28 years old. As our buildings increase in age, it is costing and will cost more money to maintain them, and I think it's very important that that maintenance does happen, does take place. And we do have to replace those buildings. We have to ensure that the buildings have good heating systems, have roofs. Some of our buildings that are 25 years old have not had a roof replacement, but I can tell you that we feel it's very necessary to ensure that that maintenance is continued.

7:00

If I can say to you what our ratings now are: good, we have 63 per cent; fair, we have 34 per cent; and poor, we have 3 per cent. That's in the ones we own. In health, which is what I would say is probably in better condition from that aspect, 72 per cent are in good, 26 per cent in fair, and only 2 per cent in poor. In the schools 67 per cent are good, 29 per cent are fair, and 4 per cent are poor.

I want to say to you that this is not just a condition that is set. It's the facility condition index values that are brought forward by, at least, a nationally acclaimed type of consultation.

The Chair: Minister, sorry to disturb you.

Mr. Danyluk: My 10 minutes are up.

The Chair: Yes.

Mr. Danyluk: I'm very sorry about that.

The Chair: I'm going to go back to Mr. Kang and then go back and forth.

Mr. Kang: Thank you. I should have brought my own little clock here.

Mr. Danyluk: I have mine.

The Chair: We've got a clock here. We're watching. Thank you.

Mr. Kang: Coming back to the infrastructure again that doesn't meet the minimum codes and that poses potential risks to people's health and safety, what specific risks has the minister identified for infrastructure that is in poor condition?

Mr. Danyluk: Well, let me just say to you if I can – and I'm not sure if I need the full 10 minutes for that particular question. Remember what we talked about: we have the good condition, we have the fair condition, and we have the poor condition. The facilities that we have in the poor condition still meet the building codes in place when they were built. These buildings require upgrading, and every time that we do any upgrading, we build them according to the codes of today. That is following the code practices.

Hon. member, if you want me to go into detail about the code practices, I can. No?

Mr. Kang: Well, we don't want to spend all the time on just code practice either.

Mr. Danyluk: It's not too bad for me, though.

Mr. Kang: I know you want to kill the clock.

Okay. Coming back again, I will appreciate it if you will just be brief, clear, and concise. By letting infrastructure deteriorate to a poor condition, how much more money does it cost to bring it back to good condition? In other words, isn't it more cost-effective to maintain buildings so that they don't become poor condition in the first place?

Mr. Danyluk: Well, I mean, let me just say this to you, that we do have a maintenance plan. We have very much an orchestrated plan and thoughts into the future. Now, I would say, if I can, hon. member, that it's no different than you and how you look at your house. Your shingles could be two years old. Do they have some wear? Yes, but they're good. In five years maybe you'd have a little weather damage. Are they fair? Yes, they're fair. Should you replace them at that time? Well, you know what? Maybe the shingles would be cheaper at the time when they're still in fair condition, but we need to look at a progressive direction. So we look at not only what we're doing in the buildings we have that are in good shape and in fair condition, but more importantly we look at the buildings that are in poor condition, and we have a plan for rolling that out.

If I can, hon. member, if you looked in the budget part, just last year there were buildings that needed our immediate attention. What happened is that the government added an extra \$22.5 million for extra maintenance, so we were able to catch up a little bit. So your suggestion to say that the longer we wait, the more it may cost: of course, if the damage was of a structural type of direction. But I want to say to you that our buildings are very much structurally sound. Where we do have the changes that are necessary is mostly, like, in heating systems or a roof. So when those come up, those are the ones that are in place.

The other thing that I really want to emphasize to you is that some of the buildings that we have that we have registered in poor place are buildings that we may not need. If don't need those buildings, we have some sold. If there are no uses and they are in poor condition, we have demolished them. We evaluate constantly and have a system in place that evaluates the buildings that we are using. If I can, hon. member, I want to stress to you that we have a system. I'm not exactly sure what the system is called, but we have a system for evaluating buildings on what occupancy they have, what the projection into the future is for occupancy, and ensuring that not only those buildings but all buildings are being maintained in the best conditions that we can.

In a short answer, you asked the question: does it cost more? You know, it does cost more if it is structural, but it doesn't necessarily cost more if it is the replacement of air conditioning or if it is the replacement of a heating system. But we have a challenge budget-wise on the government of Alberta buildings. I want to say to you that if you look at infrastructure as a whole, we have put money into universities, and we have put money into health facilities, and we have put money into schools. I would suggest to you that our government buildings are next.

I go back and talk about: is it going to cost more for maintenance? Most of the time no. This type of maintenance is not necessarily structural. If we don't fix a roof, and it leaks and rots inside, then yes. But I think what happens is that if we have a leaky roof, to us that's an emergent issue, and we get on it right away.

If I can, I want to say that really at the bottom line we are and we will see conditions improve. Are we making the government and Treasury aware of those challenges? Yes, we are. I think, as I said before, that with 1,600 owned buildings it is imperative that we have a plan, and I'm saying to you that we do.

Mr. Kang: Given the extraordinary amount of money spent on capital in recent years, isn't it concerning that we are only just staying flat on the measures? Shouldn't there be a dramatic improvement in these measures, and why hasn't that happened?

Mr. Danyluk: Well, I wouldn't exactly say to you that we have an extraordinary amount of money being spent because if we talk about maintenance, we had a \$20 million bulge last year. If we talk about infrastructure itself, yes, we have increased the amount of infrastructure funding that we're spending. But don't forget at the same time what is happening in Alberta. I'm just using approximations, if I can: a hundred thousand people a year.

7:10

We have students that are in our cities that are locating in the suburbs. Do we have to build new schools? Yes. Do we have to build health facilities? Yes, of course we do. And why do we have to build them? I want to say for two reasons: we need to accommodate the extra people and population, but we also need to accommodate the technology that's available.

When you and I were young, what happened is we had smaller [interjection] Yeah, those many, many years ago. I know; I understand. What we did have is hospitals that provided basic services. Those basic services were basic throughout this province. But we have also taken advantage of the technology, of the hip and the knee operations and the advancement in heart transplants and heart works, as you would know, and in cancer. What we have to do is adapt to what society needs and what society really demands of us.

If we look throughout what we're doing as a government, we're doing a couple of things. We have to address the needs of education. We have to address the needs of our health facilities. We have to look at advanced education. We have an increasing amount of participation in our advanced education facilities. We need to accommodate that. We need to be able to accommodate the innovation and technology opportunities that we do have in Alberta.

Alberta is a place of opportunity. It is a place where we not only educate individuals to become teachers but also, as the hon. member from Calgary-McCall knows, an opportunity for our children to stay in this province to become doctors, to become specialists.

When we look at the opportunities that we have, this cannot be done without infrastructure. This cannot be done without opportunity. Do we need a balance? Yes, we need a balance. What do we need a balance for? We need a balance to ensure that we have new buildings that are available and balancing that with trying to maintain the buildings that we have in place to accommodate the numbers, to accommodate the opportunities, to accommodate our population that is coming in from other countries because they are selecting this province as a province of opportunity, a province for the future. This would not be that province if we didn't give that opportunity.

I want to say that there has been a big improvement in health ratings. Twenty-four years ago 65 per cent were good and 9 per cent were poor. Hon. member, now 72 per cent are good and 2 per cent are poor. We are advancing. We are taking this step forward to ensure that our infrastructure is in as good a shape as possible.

You know, I need to say, hon. member, that money needs time to flow through the system, and design and construction take time. As I said, we are looking for improved conditions for the future.

Mr. Kang: So that is 2 per cent that's lost, actually, from 2008 and 2009, but it's going to go up to 7 per cent, the poor condition, if we talk about it, if we start to split hairs here. Then it's going to go to a targeted 6 per cent in '11-12 and then 5 per cent.

Mr. Danyluk: Okay. Let me just explain that to you.

Mr. Kang: And . . .

Mr. Danyluk: No, no. You asked a question, so I have to explain if you will allow me. Mr. Chairman, I need to say to you and I need to say to the hon. member that when we look at the ratings that we're doing, please understand that we are using the system that is internationally acclaimed. I also say to you that the judgment of those types of assessments has very much to do with the age of the roof, with the age of the furnace and those types of situations, which show that this may increase, that the poor may increase. But I want to also stress to you that structurally we ensure the safety of the people that are in those buildings, and that is the most important criteria for ourselves.

Mr. Kang: That's why I was going to add two more questions.

Why isn't your ministry being more ambitious on this? Seeing as it isn't projected to happen over the coming three years, when can Albertans expect to see these dollars pay off in shrinking proportions of poor infrastructure?

Mr. Danyluk: Well, I can say to you that we are continually looking at the needs. Is the plan there? As you know, in maintenance I think it's very self-explanatory that two years ago it was necessary to address some buildings, and that's why \$20 million was brought forward. But please remember that as I stated earlier, we have looked at hospitals, we have looked at schools, we have looked at postsecondary education buildings, and we have ramped up that support. We just haven't ramped up the support for our provincially owned buildings at this time.

Did we have the bulge? Yes. Would it be necessary to have more? I mean, without a doubt. But you have to know that when we look at maintenance spending – let's just talk about maintenance spending alone because that's where you're asking. Roads, we have for maintenance alone \$600 million; for health, \$284 million; for schools, Mr. Chairman, \$348 million that we are putting into maintenance spending; \$365 million into postsecondary. You know, one thing that the hon. member hasn't mentioned, I don't know exactly how to say it, maybe the jewel of our province: definitely the parks, which we put in \$56 million for maintenance. That's \$1.6 billion to be spent across government.

Mr. Kang: Okay. Coming back to capital plan 2010-13, page 93, \$1.896 billion is budgeted for health facilities, schools, and postsecondary education. However, only health facilities support, section 3, page 266, is listed in your ministry's estimates. Is this accounting change a result of strategy 1.10, business plan, page 176, that there will be a new delivery model for major health care facilities? What exactly is the change in delivery model? What led to this change? What benefits will there be with this change in how these facilities are designed, procured, constructed, and commissioned?

Mr. Danyluk: Okay. Well, first of all, if I can, hon. member, I do want to say that the health portion of capital is being moved over on April 1 to the Ministry of Infrastructure. That has been done for, if I can call it, the economic benefit so that we don't have duplication, so we can use efficiency, so that we can be more efficient. I say to you that Infrastructure contributes to a health care system Albertans can rely on now and into the future by ensuring that we have the right facilities.

7:20

Mr. Chairman, we have 49 projects, \$5.1 billion worth, currently under way. New beds created in '09-10 include over a thousand acute-care beds, 960 long-term care beds. The capital plan is under review and will identify future requirements. Hon. member, I do want to say that the new health capital funding process allows each ministry to focus on what it does best. You know, funding for the health facilities is spent across Alberta and benefits all Albertans.

Also, Mr. Chairman, if you want, I can go on to schools, building on the success of core school designs. We are looking at the suitability of using standard designs in other facilities. Our goal is to build and to continue to build the most advanced infrastructure in North America. Our core school designs and standard designs are tools that we will use to set standards across the continent. The potential use includes, as I said before, long-term care in health clinics, affordable housing, and seniors' housing. Albertans are benefiting through cost savings, and I want to say that this government is committed to cost savings and uses innovation approaches in most of what we do.

If I can just say, when we look at the health budget, of course, the two major emphases that we have are the south Alberta hospital and the Edmonton clinic. That's where most of the funding will go this next year.

Mr. Kang: So we are talking about this \$628 million? That's what the taxpayers are getting for that \$628 million, all those things you talked about?

Mr. Danyluk: There's one sheet here someplace that I'm looking for. That's the \$628 million. We will find it in just half a second.

Mr. Kang: I'll add something to that. Why is the funding for health facilities infrastructure bouncing up and down so much? Last year spending was only 4 per cent of the previous year, and this year it's 16 times what it was last year. How can there be any kind of planning with this kind of . . .

Mr. Danyluk: Well, I can tell you. You're talking about health?

Mr. Kang: Yeah.

Mr. Danyluk: Last year was \$118 million. This year is \$628 million. Now, part of the \$628 million is for, you know, regional hospitals to do maybe some smaller projects, if I can say that, not major projects. I want to say that that does happen because it's how the cash flow works and how the work is done, when the priority is made, and the cash flow matches the project schedule.

Mr. Kang: So this is just for one year only, or there's a long-term plan?

Mr. Danyluk: The \$628 million is one year.

Mr. Kang: Coming to infrastructure deficit, infrastructure deficit refers to the extent we need to update buildings which have a limited lifespan. Since most buildings are 30-plus years old, replacing them will cost a considerable amount of money.

Mr. Danyluk: Sir, just to correct you, an average of 28. I know 30 sounds better, but it is an average of 28. I mean, did we build a lot of the buildings that we did in this province 25 or so years ago? Yes. You are right. That's why that maintenance schedule is so important.

Mr. Kang: You said before that you've been really maintaining them, so I'm just giving you the benefit of the doubt.

Mr. Danyluk: Yes. We have been trying to maintain them, as you see.

Mr. Kang: Replacing them will cost a considerable amount of money. At last year's estimates debate the minister said that Alberta is spending twice as much on infrastructure maintenance as anywhere else. The funding for the government-owned facilities this year is 70 per cent lower than 2008-09 levels, estimates 2010, page 266.

The Chair: Forty minutes are used up, hon. members. Please continue.

Mr. Kang: Should I continue?

Mr. Danyluk: Oh, yes. I'm ready.

Mr. Kang: Okay. Given this cut to funding, is this minister still spending twice as high as anywhere on the infrastructure deficit? Is that funding rate per capita or total spending?

Mr. Danyluk: Well, as you know and as I have said before, when we look at infrastructure funding, hon. member, I know you are very much aware that the funding that we are spending is just over \$20 billion over three years, \$7.2 billion this coming year. I had my notes, and I did read out to you how much the maintenance budgets were in every year, but I want to say to you that the spending twice as high refers to the overall capital investment, not just the maintenance. I did say that the one-time funding in 2008 was to meet some of the maintenance bulge that we felt was important at that time. I want to say, hon. member, that we're not going to let our buildings deteriorate.

An Hon. Member: Or our tunnels.

Mr. Kang: We'll get to the tunnels.

Mr. Danyluk: You're going to get to tunnels.

Mr. Kang: I'm going to leave it to the end. During last year's debate the minister did not answer the question: what is the current provincial infrastructure deficit? That is the total infrastructure deficit, not just the deferred maintenance amount.

Mr. Danyluk: Okay. Hon. member, let's just talk about infrastructure deficits. Maybe you can help me a little bit in calculating infrastructure deficits, okay? If you look at your house . . .

Mr. Kang: You've got lots of help in the back there.

Mr. Danyluk: No, no, no. We're not going to talk about infrastructure deficits in dollars until we establish what you mean as an infrastructure deficit first. Does it mean there is an infrastructure deficit if your facility has two years or five years or 10 years of wear? Do we start calculating that infrastructure deficit the day after we pave a new road or build a new building? There is maintenance on a continuing basis. There are things that we can do and that we do.

Hon. member, as we talked about, ensuring that we use the BOMA BEST requirements does help to ensure that we maintain the buildings that we do have. Let me just go through it a little bit. If

we talk about the BOMA BEST requirements – let's not go into the LEED, on how we build. Let's just talk about how we operate. The energy that we use, ensuring that the water audit is there, the construction waste, recycling, hazardous material, material selection, indoor air quality, the maintenance itself, the tenant awareness: all of those things add to the life of a building.

When we look at the LEED and we look at all of the possibilities in the LEED, if it's all right, Mr. Chairman, we talk about sustainable sites. We talk about the erosion and sediment control, site selection, development density, redevelopment of contaminated sites, alternative transportation, reduced site disturbance, stormwater management. We talk about the landscaping. We talk about the building systems. All of this contributes to the future and the longevity of our buildings. So when we do that and we're building buildings, we are trying to ensure that into the future what we're doing is reducing the potential of maintenance.

7:30

When you look at it and you can stand up on a pedestal and say, "Well, you know, LEED Canada, we're doing a silver standard," a silver standard isn't just to have a silver standard. The BOMA BEST requirement isn't just to have the BOMA BEST requirement. It does a lot of things. It saves power. It saves water. It ensures that the buildings that we have in place are buildings that are more easily maintained and last longer.

Mr. Chairman, I think it's critical that what we are doing is ensuring that our buildings are lasting longer, and that is part of our plan. Do we have buildings that we need to maintain, that we need to renovate? Yes, and we're doing that. We're ensuring that those buildings are renovated to the codes but also to the LEED Canada standards just to ensure that we do get extra life.

Also, Mr. Chairman, the government of Alberta has buildings. Right now our budget is not big. But do we need extra funding? You're absolutely right: we do. We have been reducing and we're trying to reduce, you know, our maintenance, but we do have buildings that are getting older. If I lived in a utopian world and you were offering me the budgets that were necessary, I'd sure like to put about \$50 million or \$60 million for maintenance.

I can say to you that I'm very confident that more dollars will support that deficit, if you're calling it that. I'm not really understanding what the deficit is because – remember what I'm saying – we are structurally sound. We are very much safety sound. But do we have to replace some heaters and some air exchange units, and do we have to replace some roofs? Yes, we do.

Mr. Kang: Okay. Coming back to deferred maintenance, how much is it approximately for the government buildings there? Last year in debate it was stated at, like, \$200 million. What is it this year?

Mr. Danyluk: Well, I would say to you that according to the charts that we do have, it would be slightly more. And maybe not slightly more because we have put \$20 million into the process, that was a bulge. So when I look at it and say, "How much does each year probably add?" we've put in \$20 million, but it was at \$200 million. If we look at the age of the buildings – I mean, this is my guess – let's just say \$400 million. I don't want to use the number double of what you have, but I'm trying to be realistic that our buildings are getting older. If we had a budget of \$400 million, we couldn't address it efficiently or effectively. I think it would be necessary to have, you know, funds that we could utilize throughout the year.

The government capital planning process, Mr. Chairman, addresses the infrastructure deficit, but it does it by making sure that the top infrastructure needs are funded in an appropriate time. Let me just say that again, if I can, because I think it's very important

that everybody understands that the top infrastructure needs are funded in an appropriate time. But our buildings are also getting older. So the comments that you're making, into the future, I would suggest are also a concern of ours because we do have to ensure that those buildings are maintained. But please remember – and I really want to reiterate again – what we have done and how we have decreased that maintenance in hospitals and in schools and in postsecondary institutions, which I think is extremely important.

Mr. Kang: The reason I'm coming back to this deferred maintenance again: the AG's report in 2006-07 on page 53 made it clear that the total deferred maintenance backlog in all provincially maintained infrastructure is many billions of dollars. Why would the AG have brought this up, you know, the deferred maintenance issue, if it was not that big?

Mr. Danyluk: I'm not sure exactly if you're talking about infrastructure including transportation.

Mr. Kang: The AG's report 2006-07, page 53, made it clear that the total deferred maintenance backlog of all provincially maintained infrastructure is many billions of dollars.

Mr. Danyluk: Okay. Let me answer this in this way. Please, I would never ever profess to have the eloquence of the Minister of Transportation, but let me just try for a second to say to you that with the additional growth in this province and the use of our roads and the addition of population in this province, there is additional maintenance that's necessary because of the utilization. You know, it doesn't take much to maintain a highway that has 50 cars a day. It takes a lot more if you get up to 10,000 cars a day.

I know you probably travel to Calgary on a regular basis and see the traffic. I would say to you that since you have been elected, I would bet that you have seen an increase in traffic. So does that add deficit? Are we projecting more activity in this province? Yes, we are because, you know, Alberta is still a province of choice.

When we look at our buildings and we look at our hospitals and we look at our schools, that's why we felt it was important to address the maintenance issue of schools. Schools have a very high traffic area. Hospitals have a high traffic area. Some of our offices and government offices and the offices that you're in don't have the same amount of traffic area.

It's important that we address the deficits. Is the deficit there? Mr. Chairman, without a doubt. I'm not denying that the deficits aren't there. I'm also not denying that as our economy grows exponentially, so also does the deficit maintenance. But I think the most important point to make here is that that is one of the reasons.

Can somebody find me that little page I had written on that talked about how much funding we do spend in maintenance in schools and in highways and, you know, those areas? Mr. Chairman, that, in essence, is the key.

Number one, \$7.2 billion in infrastructure, and it comes from and is supported by a sustainability . . .

Mr. Kang: Are you looking at the clock?

Mr. Danyluk: No, I'm not looking at the clock. It's not even working.

The Chair: I am.

Mr. Danyluk: You're looking at the clock?

The Chair: I'm looking at the clock, yes. You've got five minutes.

7:40

Mr. Danyluk: Anyway, I would say to you, as I said before, that with the added population and the economy there is more usage of our roads. I can, of course, talk to the hon. Member for St. Albert, and if he would look at the road that came from Edmonton to St. Albert previously, what was necessary? A small, two-lane road was sufficient. Now, we have a six-lane road, and we have basically a – what do you call that road that goes around the city? You're always looking for one.

Mr. Amery: A tunnel.

Mr. Danyluk: Not the tunnel. We don't need a tunnel in Edmonton.

Anyway, what happens is that we are having higher populations, and they need access as well, so it's critically important that we have a balance between new infrastructure and maintaining the infrastructure we have.

You know, I want to say, hon. member, just because I've been looking at this, that I have to stress to you again that the ministry is spending over the next three years in health and maintenance \$284 million; schools, \$348 million; maintenance, \$365 million; roads, \$609 million; and, as I said before, parks, \$56 million.

I don't know what I did with that sheet. Anyway, it gave me the opportunity to emphasize because I think the point you're making is very important, that we do have to maintain the infrastructure we have.

The Chair: You've got about three minutes and 50 seconds.

Mr. Kang: Three minutes? Okay.

Mr. Amery: Time for the tunnel.

Mr. Kang: I want to talk about the tunnel later on. I'm not going anywhere yet.

Mr. Danyluk: I can answer the tunnel question.

Mr. Kang: Well, with Calgary being the fourth-biggest city, being the third-busiest airport, and Barlow Trail to be gone in April 2011, we are only going to have one access to the airport, and that will be from Airport Trail and Country Hills Boulevard.

Mr. Danyluk: Hon member, the first thing that I want to say is what you don't want me to do. Just say that I was the Minister of Municipal Affairs. If I happened to be the Minister of Municipal Affairs, the last thing that you would want me to do is to get involved in the business of municipal politics and get involved in the choices and the priorities. That is not the responsibility of this government.

The responsibility of the government is to look at the major segues, the major arteries that are connecting our municipalities. Our Premier very much committed \$11.3 billion, \$3.3 billion that is committed to Calgary. Calgary, if I can say to you, has to make those choices on whether they should build a tunnel, whether they should build a road, whether they should build a bridge. Hon. member, it is their choice, and they have made their choices.

This is a municipal decision. This is not a government decision. When we look at the major thoroughfares and you look at Deerfoot Trail and you look at – I would call them bypasses, but that's a terrible word because it's not really a bypass. It is an access for individuals to get from one end of Calgary to another end, to make Calgary more accessible. So we should call it, instead of a bypass, an access.

Mr. Kang: But the airport tunnel is at the airport property, so everybody is going to benefit from this airport, all Albertans. It's not a northeast issue. It's not a Calgary issue. It's a provincial issue, and it's an access issue, so we should address that as such.

Mr. Danyluk: The airport, at the same time – this is very interesting. It's not my ministry, and I said that I can't do it as eloquently. If I say to you that the airport – right? – is something that brings much business to Calgary and also, you know, that there are fees that are being paid to the federal government, I would suggest to you, if I can, hon. member, that what you should do is concentrate some effort on the federal government and say, "You know what? This airport needs that support for a road as a municipality" and get that money to come from there.

Mr. Kang: We need the support from the provincial government, too.

Mr. Danyluk: Three point three million dollars just in MSI alone.

Mr. Kang: You are cutting \$153 million this year.

Mr. Danyluk: No, no. We're not cutting. Don't go there, because we're not cutting. Remember that the commitment is \$11.3 billion. It was initially scheduled for 10 years and is now scheduled for 11 years or whatever might be necessary.

Mr. Kang: Yeah. But this year the city is getting \$153 million less. Let's put it that way.

The Chair: Thank you very much, hon. members. The time allotted for this is used up. We'll take a 10-minute break, and when we come back, we'll begin with Mr. Hinman. Thank you.

[The committee adjourned from 7:46 p.m. to 7:55 p.m.]

The Chair: Well, thank you very much. Welcome back, ladies and gentlemen.

If we can ask the minister and the member to keep their questions right to the point and precise, it would be greatly appreciated. Just to let you know, you do have 10 minutes to answer, and he does have 10 minutes to ask a question. With that, go ahead, Mr. Hinman.

Mr. Hinman: Thank you very much, Mr. Chair. I guess that I've got so much more information after listening to the minister that I don't know if I'll get to my own notes, but I have to question two of his comments. He said that he lacked the elegance of the Transportation minister. That puts fear in me, from my past understanding of elegance. You made a comment that you didn't understand what the deficit is in Infrastructure, and that concerned me greatly. Then you went on to postulate a great deal but never did really answer the question. You will find in *Hansard* that you did say that.

I guess I'd like to go back and start with a simple question. I want a brief answer; it's a brief question. How do you decide where and when to build a school or other infrastructures? Do you have a matrix and a priority infrastructure program? How is that decided? Briefly, please.

Mr. Danyluk: Okay. First of all, if I can, please understand it's not that I did not know the definition of a deficit. I was questioning the member's definition of a deficit. So that's what happened.

Mr. Hinman: Good enough.

Mr. Danyluk: The second one is how the decisions are made to decide where schools are being built. Please know that this is the decision of the Department of Education. The Department of Education makes the decision on where schools should be built, whether there should be modernizations, whether there should be unused schools. The same thing does take place when we have those discussions about health and advanced education. If I can make this into a completely short answer . . .

Mr. Hinman: I doubt it, but please try.

Mr. Danyluk: . . . the completely short answer is that Education, health, and advanced education decide what and where the facilities should go, and we decide how.

Mr. Hinman: Do you not decide the priorities and the fact that you have a limit of \$11 billion over three years? You've got a huge surge. The hospitals, as you've said so many times tonight: \$628 million. Obviously, you must have some way of deciding whether or not a project is going ahead because the Calgary south project sat on the books for years before you finally said to go ahead. Schools were asking. If they just simply got to decide, they'd go ahead. They had to wait for the money from the ministry to do that. Somehow you must have a matrix or some method, or is it just strictly arbitrary at the will of the government and the minister?

Mr. Danyluk: First of all, the decisions that are being made are the decisions and the priorities that the Treasury Board feels they are able – how would I call it? – to build. As you know, hon. member, there is a criteria for building. There is a criteria of need. There is a criteria of what shape schools are in and the need.

Mr. Hinman: Do you have that priority list, then? Is it in the minister's office?

Mr. Danyluk: No, no. I said very clearly: it is not our criteria. Our criteria is to build it. Do we build it in the most efficient, effective way that is possible using the innovation and technology advancements that are known to our ministry? Yes. But it is not our responsibility to decide where those schools should be or what those schools should look like.

Mr. Hinman: Well, I was hoping that you'd have a priority list that you're continuing to fund for that \$11.3 billion, but it sounds like you don't have a plan, what's going to come in. But we'll leave that.

Mr. Danyluk: No. But I want to say, because you're going in a different direction, that the \$11.3 billion is the municipal sustainability initiative, and that funding, if I can say to you, is funding that is given autonomously to municipalities through a population assessment and miles of road delivery. What it does is give municipalities the autonomy to choose . . .

Mr. Hinman: Which they need.

Mr. Danyluk: Which they're getting.

. . . where their priorities lie. I think it's very important that we do give municipalities that autonomy and that ability.

Mr. Hinman: I would agree with you, Minister, that they need that autonomy.

Mr. Danyluk: And they do have it.

Mr. Hinman: Yes, and I appreciate that, and we need to expand on that, I believe.

It's interesting, your comments on your working relationship with the cross-ministries, that you went into a fair deal of length on. You went through them, but the one you didn't talk about – and I guess I have a concern because we're building all this infrastructure. You talked about the sustainability of this infrastructure, yet you never talked about being able to utilize this infrastructure. I'm talking specifically about the Calgary south hospital. Have you talked to the education side, not the infrastructure side? Are we going to have the doctors and nurses and the capability to utilize that facility when it's built, or are we putting the cart before the horse in the fact that we can't even fill it but we've built this infrastructure? You've talked about, like I say, all on the side of the infrastructure, but on the utilization side, no correlation or working there.

Mr. Danyluk: If I can maybe do an analogy for you. The analogy would be . . .

Mr. Hinman: Well, the question is: have you worked with labour and know that we're going to be able to fill those facilities? For all of the other ones I agree with what you did, but the key question: after we have the infrastructure, are we going to be able to utilize it? Do we have the workforce to fill it?

Mr. Danyluk: I tried to be clear before. Let me be extra clear this time if I can. Again, it is the responsibility of Health to decide what type of infrastructure is necessary and what type, if I can say, of needs are going to come, are envisioned in that health facility, and then it is our responsibility to build. We look at the different efficiencies that we can use.

Mr. Hinman: So you don't know whether or not we're going to have the ability to fill that with the front-line service workers that we need.

Mr. Danyluk: That is Health's responsibility.

Mr. Hinman: I would think that if you're partners with them to decide to build something, you'd want to see that they have the ability to use it and not just give them the money because they say that they want it or supposedly need it.

Anyway, I think you've answered the question. You didn't correlate with them. That's fine. I was just trying to . . .

Mr. Danyluk: No, no, no. You know, don't put words in my mouth. You're saying to me that we don't correlate with them. Health says what the needs are, and we, using your words, correlate with them to make sure that what we're building addresses their needs. We look at the most efficient, effective way of building those facilities and accommodating the needs that are necessary. I want to say to you: please understand that we will build the most efficient, effective facility to accommodate what they are after. It's not going to be this ministry's choice to say that we need 10 maternity units or 20. That's not our responsibility.

Mr. Hinman: That's fine. You've made that clear to me. Thank you.

Mr. Danyluk: Our responsibility is very clearly to build the building and ensure that the building is built efficiently using the LEED Canada project checklist.

8:05

Mr. Hinman: Thank you, Mr. Minister. You've made that clear. Thank you. Let's utilize our time to ask good questions. You've made that clear. I've got it. I'll move on.

Leases. We've gone up from \$156 million forecast to \$167 million. In a downturn I'm just somewhat surprised why. Are you charging more for leases? Why are you forecasting an increase in this coming year on page 266? A lot of things are going down, yet your leases are going up. I'm just wondering if there is a reason why.

Mr. Danyluk: Well, the leases don't directly correlate with the number of spaces or it doesn't directly correlate with the amount that we're paying for a lease. In fact, some of the leases that we are signing are for less. We are renewing leases each year. You know, we had some leases for 10 years. From 10 years ago some of those prices are higher than they are now. Also, there is a need in some areas for different leases or different property.

Mr. Hinman: Good enough.

I want to switch over to revenue here for a minute. You have for premiums, fees, and licences a revenue increase from \$2.7 million to \$16.7 million. I'm wondering why the dramatic increase, and at whose cost is that?

Mr. Danyluk: Well, I can say to you that for fees and licences, when we look at the increase in that revenue, number one, we are presently completing the courthouse in Calgary with the parking that is there. We look at the different fees that are charged.

Mr. Hinman: Do you have a spreadsheet that you could provide for me so I could see where all those leases are coming in, those projected leases? I'd appreciate if you could get that to me.

Mr. Danyluk: And what do you mean by a spreadsheet?

Mr. Hinman: Well, just showing, you know, that it's the courthouse and where the areas are. I mean, it's very frustrating to want to try to go through and look for improvements and to be able to make recommendations with one-line items. Just interesting to me that the premiums, fees . . .

Mr. Danyluk: Well, let me use one example.

Mr. Hinman: Well, no. I just wonder if you'll provide the spreadsheet to show that, if you'll undertake that.

Mr. Danyluk: If I can just tell you what we do look at, that we're looking at a proposed budget, and when we have that information that is very much documented in detail, I will make sure that you get that.

Mr. Hinman: So you're saying that this is a strictly arbitrary increase of \$14 million.

Mr. Danyluk: No. Not at all.

Mr. Hinman: And you don't have a spreadsheet to show those details. I mean, I would think that you have to have those in order to come up with the numbers.

Mr. Danyluk: Hon. member, let me say to you, if you have some knowledge of business – let's just use this as an example – that if

you are operating or leasing 200 buildings, you do not know exactly what each lease is going to come in at.

Mr. Hinman: Actually, in business you would.

Mr. Danyluk: No, you wouldn't.

Mr. Hinman: You'd have lease agreements, and you'd know what they are.

Mr. Danyluk: Of course, but you have to . . .

Mr. Hinman: I lease land, and I lease other things, and I do know what my leases are. I do have a spreadsheet. Will the minister not undertake to provide the spreadsheet for those?

Mr. Danyluk: Hon. member, I did say to you that when we have the documented exact list, we will provide it to you.

Mr. Hinman: Is there a timeline that you might be able to provide that, or is that going to be two years down the road, one year?

Mr. Danyluk: Well, no. We are dealing with this year's budget, so we will ensure that you get that list as soon as we possibly can.

Mr. Hinman: Okay. I would also like on that list where you have other revenues coming in from \$17.4 million to \$22.8 million. Again, another substantial increase. What would the other revenue be where we're having that income?

Mr. Danyluk: Just wait. What page are we referring to?

Mr. Hinman: Page 271, the government estimates.

Mr. Danyluk: Let me just get it, first of all, and I will tell you what they are. The other revenue is the Swan Hills Treatment Centre.

Mr. Hinman: Is that \$6 million?

Mr. Danyluk: That's \$9 million.

Mr. Hinman: Nine million. Thank you.

Mr. Danyluk: The property rental is at \$12.3 million.

Mr. Hinman: Would you provide me with a written answer on those?

Mr. Danyluk: I can, but I will answer the question first, if I can, so that I ensure that I answer your questions. Revenues from projects to be made in 2010 over accruals from prior years is \$1.4 million.

Mr. Hinman: Thank you. To switch, because you mentioned the Swan Hills Treatment Centre, something that many Albertans continue to ask about, whether it's a black hole for tax dollars or PCBs. What disappears there is questionable, but have you done a cost-benefit analysis? What's the deficit on running Swan Hills each year for Alberta taxpayers?

Mr. Danyluk: I first need to emphasize that the Swan Hills treatment plant was built to eliminate the PCBs in this province.

Mr. Hinman: Yes, but not tax dollars.

Mr. Danyluk: It was built to be competitive. It has been competitive, and I do want to say that it has done an excellent job at helping rid the province of hazardous . . .

Mr. Hinman: But has there been a cost-benefit analysis?

Mr. Danyluk: Mr. Chairman, can I answer the question, please?

The Chair: Go ahead, please, Minister.

Mr. Danyluk: Thank you. The Swan Hills treatment plant has done an excellent job at helping rid the province of hazardous wastes such as PCBs and dioxins.

Mr. Hinman: Mr. Chairman, he doesn't seem to understand the question. I'm asking if he's done a cost-benefit analysis of it, not what it does. We all understand what it does. It's the cost-benefit analysis and whether it's worth the Alberta taxpayers' money that I'd like him to answer.

Mr. Danyluk: Mr. Chairman, I think it's very critical that I give a preamble to the question. He should know that because he is an expert at it in question period, so I think that I can do the same.

Mr. Hinman: Thirty-five seconds.

Mr. Danyluk: I can do the same in this position, and if I can, Mr. Chairman, I'm not going to take 10 minutes, but I would very much like to take a minute or so to be able to fully answer that question.

The Chair: Go ahead, Minister.

Mr. Danyluk: Okay. If I can get closer to your answer, that a comprehensive strategic assessment of the facility has been done and is done every five years. Mr. Chairman, one such review has recently been completed, and the government is in the process of reviewing the recommendations. I want to say also that we continue to assess the long-term future of the plant, and in the meantime the plant will continue to process waste for our customers. So to make that answer as short as I possibly can, we do one every five years. We have done one, and that report is complete. That report is in our hands, and we are basically assessing or reviewing the recommendations.

Mr. Hinman: Is "our hands" the government's or the people of Alberta's? Do we have access to the latest report, and when did that come out?

Mr. Danyluk: I think you know very clearly, hon. member, that being a representative of this great province is being a representative of Albertans.

Mr. Hinman: When did that last report come out?

Mr. Danyluk: Exact date? Just one second.

Mr. Hinman: Well, the month and the year.

Mr. Danyluk: You're asking, so we will answer.

Mr. Hinman: While you're looking for that, I . . .

The Chair: Mr. Hinman, you have two minutes remaining.

Mr. Danyluk: It has come out approximately a year ago.

Mr. Hinman: Okay. Thank you. I'll ask a few other quick questions, and if you don't have time to answer, perhaps you can give a written answer or something along that line.

Mr. Danyluk: I think I have the adequate time necessary.

Mr. Hinman: Good. The revenue is significantly down in investments. Again, it would be very interesting to see . . .

8:15

Mr. Danyluk: Page, please.

Mr. Hinman: Just a second here. Investment income from \$11 million forecast down to \$5.5 million, on page 271. It's very helpful to know what those investments are in and why they're down so significantly.

I also want to ask the minister. He talked a great deal about the deficit and infrastructure and saying he doesn't know, you know, what exactly the deficit is for the province on the infrastructure. I guess I'd like to refer to a business model and the fact that there is actually a life cycle of buildings and equipment, and what good to great businesses actually do is have a replacement fund.

You've talked a lot about the sustainability fund. You also made reference to fiscally sustainable infrastructure. I think every Albertan would say that they agree with that. You talked about the sustainability fund and how it's supposed to level out the mountains and fill in the valleys, but Albertans are very concerned that in three years this so-called sustainability fund is going to be gone. That isn't sustainable. We might be sustainable for three years, but what Albertans want is sustainable for the next generation. It seems like we're failing on that.

The Chair: Mr. Hinman, your time allotted for this is all used up. Thank you very much, Minister, Mr. Hinman.

Before we begin, Mr. Mason, you have 10 minutes, and the minister has 10 minutes. If you'd like to use up and have all your questions in the first 10 minutes, then the minister will have 10 minutes to answer them. If you want to go back and forth, it's okay.

Mr. Danyluk: I'll try to be short. I'll give you short. Okay?

The Chair: Please do ask questions and direct them through the chair, please. Thank you.

Mr. Mason: Okay, Mr. Chairman. For the record the minister has committed to keeping his answers short.

Mr. Danyluk: Just as short as the questions and the preamble, Mr. Chairman.

Mr. Mason: I never made a similar commitment.

The Chair: Go ahead, please.

Mr. Mason: Okay. Mr. Chairman, I want to start with one of my favourite subjects, which is P3s. We have built a number of projects – I'd like to start with the ring roads – through P3s. I would like the minister to explain to me why P3s are cheaper and produce results in a more timely fashion than the traditional means of public management and financing of the projects and what the evidence is and what the mechanism is to check up on this on a constant basis to constantly make sure that this is, by some amazing feat, actually cheaper than doing it through public financing.

Mr. Danyluk: Well, the hon. leader, for sure, has orchestrated this question so that it's impossible to do a short answer. But let me try the best I can, Mr. Chairman. First of all, I need to stress that for each program, each facility that is being built or each project that we have, we look at the best way to deliver the best product to meet Albertans' needs. It's important that we have the same high quality and better value.

If I can, to the hon. leader, the additional benefits of P3s are beyond saving taxpayers' dollars. The cost currently in construction has shown that. We have a fixed delivery date, and I think that is important. A fixed delivery date – and it's answering one of your questions – is when, if the company is unable to meet that fixed delivery date, he does not get paid for that time as they do in a traditional system. The risk transfer is to the private sector.

I would say that when I look at it, one of the major benefits I see is the 30-year warranty on maintenance and renewal, also the equity of school facilities and the high-quality LEED silver designs. If I can, kind of answering one of your questions, P3 schools are still owned and operated by the school boards.

Mr. Mason: I'm going to ask you about schools, but I'm asking you about ring roads right now.

Mr. Danyluk: Ring roads are Transportation. You were here yesterday?

Mr. Mason: Yeah.

Mr. Danyluk: Okay. That's Transportation.

Mr. Mason: And you don't build them?

Mr. Danyluk: No. We don't build roads.

Mr. Mason: Okay. Let's do schools, then.

Mr. Danyluk: The only part that we have in the 3P in regard to the ring roads or the roads is that we do the negotiations and the purchases of land.

Let me go back to the schools if I can, Mr. Chairman. The P3 schools are owned and operated by the schools boards just as schools are now. There's no difference. There's a myth out there that, you know, nobody is going to have access. Well, in essence, communities do have access.

We have rigorous evaluation of private partners' qualifications in their bids to ensure value for the money. When school boards deliver their own facilities, they may take their time in making the design decisions, like, if I can say a comparison, building your first house. In this particular situation there are criteria ensuring that the time of delivery is soon. When the government of Alberta does a P3, we do them fast. I want to use the word "rigorous" again and discipline in decision-making because we have to get the contracts in place.

Lastly, if I can, Mr. Chairman, we transfer that risk. P3s are a great way, if I can say, to protect us from an infrastructure maintenance deficit in the future.

Mr. Mason: Okay. Mr. Chairman, I appreciate the answer.

In terms of the transfer of risk, you know, you talk about risk, and I assume that what you mean is that there's going to be a risk that there's going to be some major construction problem down the road, say, 10 years out, where things weren't done in the proper way, and you're going to hold the company accountable. Is that fair?

Mr. Danyluk: Well, you know, I'm not sure where you're leading into.

Mr. Mason: Don't worry about that. Let me worry about that.

Mr. Danyluk: Well, you know, I have to be a strategist as well and know where you're going.

Mr. Mason: It's just a really simple question. It's a yes or no.

Mr. Danyluk: Yeah, but, Brian, I've known you for many years. Oops, sorry. Hon. leader.

I will say to you: does it eliminate risk?

Mr. Mason: No, but it's about the kind of risk. You're saying that you're transferring the risk. Presumably, the risk with a school would be that it would fall down, something like that.

Mr. Danyluk: Okay. There are probably three kinds of risks that I need to talk about. One of them, of course, is the schedule risk, the cost risk, and the maintenance risk. If a classroom goes down for some reason that is because of the fault of the construction, then we have something that we can fall back on.

Mr. Mason: So I'm a company, and I'm bidding on a P3 for a bunch of your schools. I'm going to have to bear the risk for this for 20, 30 years, whatever it is, for the next little while, so I build the cost of that risk into my bid. How are we avoiding the cost of the risk?

Mr. Danyluk: Because what does happen is that that cost is going to be there regardless. That's number one. But the most important part of it is that when you have a contractor that knows that he has to provide a 30-year guarantee as opposed to an individual that has to just build the facility, then to incorporate that cost, he makes sure that the workmanship is right and the workmanship is good because down the line it's going to cost him more.

Mr. Mason: Why can't you make sure that your officials do that? I mean, if the school falls down . . .

Mr. Danyluk: We do that. What has to happen is that we build according to code. We build according to what we need to accomplish, if you want to call it that. But if you're building a P3 school, what does happen is that if you look at the longevity, you have the contractor who says: "Well, you know what? I think we're going to build and put this in beyond the point of code, beyond the point of what's necessary because we do not want to have that maintenance."

8:25

Mr. Mason: The question is: why can't you direct your officials to do that?

Mr. Danyluk: Because you know what? One thing it does do. . .

Mr. Mason: I'm not quite done with the question. You've got this idea that the private sector can do these things, but these are not superhuman tasks. These are something you would expect from anybody who takes a responsible approach. So why can't you make sure that your officials make sure? I mean, these are contracted anyway. I'm not expecting that you're going to have some kind of government construction company that's going to build these things. You are going to contract to a construction company to build the schools, but you need to make sure that those schools won't fall down. Why can't you and your officials do that, and these P3 guys can? They're just middlemen.

Mr. Danyluk: Okay. Can I just tell you the first thing that I've seen? The first thing that I've seen, that I find very interesting and incredible, is that there are innovative ways that contractors are doing the work. Like, they have brought in innovation that is, if I can say, being brought forward because they look at longevity. It's different if you build a structure, a house, a school, a hospital for what the codes are of the day as opposed to what may have to be maintained for 30 years down the line. The hon. leader knows, you know, that we can't put enough criteria in place to make sure the workmanship is there, right? But when we're going to P3s we sure can be sure the job is done right.

Mr. Mason: If I'm building my own house, I can make sure and I can find the people who can help me make sure that the house is built to a quality standard. What I don't understand is why, you know, you can't really do that within the department. I mean, maybe you're hiring the wrong guys.

Mr. Danyluk: No. You know what? We can build well. Remember what I said: we look at the approach that provides the best value over the life of the project, and in this case P3s have provided the best value. But please remember, hon. leader, the first comment that I made is that for each project we look at the best way to deliver the best product to meet Albertans' needs. We do have schools that are built that aren't P3s, but we have to assess what is the best focus and direction.

Mr. Mason: Well, you know, it's important that you also measure apples against apples. Now, one of the advantages that I take out of the P3 is that you – and I've heard this in question period – can build a number of schools according to some fairly common designs, so you save costs. You save architecture costs, and you save engineering costs and so on because you're building them, you know, it overstates it to say cookie cutter, but that expresses the view. Is that one of the advantages of these P3 schools?

Mr. Danyluk: You know what? I just can't thank you enough, hon. leader, for bringing and giving me the opportunity to talk about the high-performance classrooms because high performance . . .

Mr. Mason: I didn't ask anything about a high-performance classroom.

Mr. Danyluk: No, but you did.

Mr. Mason: Some standardization: is that one of the ways that you save money?

Mr. Danyluk: Let me just express to you that high-performance classrooms let school boards respond quickly and easily to the changing enrolment of community needs. The high-performance classrooms offer a top quality facility. They look at a permanent classroom and a design to improve health and comfort . . .

Mr. Mason: Mr. Chairman, I didn't ask anything about high-performance classrooms. You know, it's very interesting, but I'm on the clock here.

The Chair: And you have seven minutes and 46 seconds.

Mr. Mason: Yeah, and it's going by really fast.

I want to just repeat the question: whether or not some of the economies that were realized in terms of these P3 schools were in standardization. Please.

Mr. Danyluk: Well, Mr. Chairman, by using the standard core school designs, we are building top quality schools that meet growing and changing community needs. These are very adaptable to meet the unique education needs and the differing site features, and we work closely with the school boards.

Mr. Mason: So I'll take that as a yes?

Mr. Danyluk: Yeah, that would . . .

Mr. Mason: Okay. Good. My next question is: why can't Infrastructure, the department, also build schools on the same basis that they are built in a significant number and that they have savings in terms of architecture and engineering because they're all similar in design? If, in fact, that's one of the advantages of P3s, I see no reason why that can't be done through traditional means of financing.

Mr. Danyluk: Well, hon. leader, I want to say to you again, if I can, Mr. Chairman, and to the rest of the members here that we can build them. We can build them, but remember that I said we look at the approach that provides the best value.

Mr. Mason: But you still haven't explained or given us – and maybe this would be better answered in terms of a written response – what the methodology is that you use to determine which is the better value. Now, that's a complicated question.

Mr. Danyluk: No. It's not complicated at all, hon. leader.

Mr. Mason: Well, it's lengthy. Okay? At least it's lengthy.

Mr. Danyluk: I only have to reiterate, you know, some of the comments that I made previously to say that when we do use the P3 formula, when an individual contractor knows that he has to maintain and look after that building for 30 years, he is going to bring in innovative practices that may be beyond the call and maybe some areas where we're not as familiar as we could be. It brings in innovation.

Mr. Mason: Do you have a list of those innovative things? I mean, can you provide us with an actual list of the real innovation that this system has produced?

Mr. Danyluk: You know what? I can say this.

Mr. Mason: In 30 seconds or less.

Mr. Danyluk: In 30 seconds or less, yes. Very much. Maybe different roofing types, different designs, different classroom designs, different energy areas, different water and sewer, different heating systems. I cannot believe that you do not want to hear about the high-performance classrooms because the high-performance classrooms are an innovation that is beyond compare.

Mr. Mason: I totally would love to hear about them but not in the next seven minutes. Perhaps the minister can give me the specifics on that list of innovative things. I'd very much like to hear about that.

I'd like to switch to Swan Hills if I may. The annual report, Mr. Minister, shows that for the '08-09 fiscal year Swan Hills generated \$11 million in revenue but cost \$33 million to operate, resulting in a loss of, I guess, \$22 million. Swan Hills is operated by Earth Tech/AECOM under a 10-year contract that began April 2003. Does

that mean that if the company continues to lose a great deal of money, that's just made up by the government, that the department provides the difference? If so, how does the government make sure that the company under the contract is operating the facility in the most effective way possible and is doing everything possible to minimize losses under the operation of the facility?

Mr. Danyluk: Well, first of all, the facility is operated on a competitive basis.

Mr. Mason: Who does it compete with, by the way?

Mr. Danyluk: Well, it competes with other treatment centres that are not only in the province but in western Canada.

Mr. Mason: Could you give us a couple of examples?

Mr. Danyluk: They are coming very quickly. Just to wait for that answer, I could express to you on the other question.

Mr. Mason: The classrooms? No. No.

Mr. Danyluk: The Conference Board of Canada has released a report, and I think it would be very good reading, if you ever have that opportunity, because it does talk about the P3s.

8:35

Mr. Mason: Sure. I'll read it.

While we're waiting, you know, the real question is whether or not there are any management fees that are collected by the operators of the facilities. They pay themselves management fees out of the contract. Are there steps taken to make sure that they're not padding their expenses so that the deficit, which is then made up by the government, is providing them additional profit?

The Chair: Mr. Mason, you've got 90 seconds left.

Mr. Mason: No, the minister does.

Mr. Danyluk: Okay. First of all, if I was better at reading. We do provide the management oversight of the business operations, and as I said earlier, we also have a five-year review. The PCB treatment is at full cost recovery, and the stipulated management fee is a public bid. We'll get you the names of the others. Okay. Is that fair?

Mr. Mason: Yes. And if you could provide me with the specific innovations relative to the schools that have developed as a result of the contracts of the P3s, not sort of general categories but very specific things.

Mr. Danyluk: Okay. That would be great. Just for an example, you want the high-performance classrooms, exactly what are in those to make sure that . . .

Mr. Mason: If you want to toss that in, I will actually read it, Mr. Minister. But I would like to know just exactly how you evaluate whether or not a P3 school is cheaper or more cost-effective than building it through the traditional government financing ways.

Mr. Danyluk: We will do that. We'll answer that for you.

Mr. Mason: I'd like to know how you do that and how the risk is not accommodated in their costs for that.

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

Thank you very much, Minister.

We've got Mr. Moe Amery. Mr. Amery, you've got 20 minutes or 10 minutes or 20 combined with the minister's time.

Mr. Amery: Thank you.

The Chair: Would you like to go back and forth?

Mr. Amery: Sure. We'll go back and forth.

The Chair: Thank you.

Mr. Amery: Thank you very much, and thank you, Minister. Minister, I was listening to you so closely, especially when you had the exchange between yourself and the hon. Member for Calgary-McCall. What really attracted my attention was your identification of the buildings – did you say 1,600 or 1,800? – that you own or you look after?

Mr. Danyluk: Well, we have approximately 1,600 buildings that we own and approximately 200 that we lease.

Mr. Amery: Right. You identified them or classified them in different categories as good, fair, and poor.

Mr. Danyluk: Yes.

Mr. Amery: Okay. My first question to you. When you have a building that's less than two years old, was started in 2007, completely done on the outside, with lights and landscaping and siding and windows and doors, and nothing on the inside, is that classified as good on the outside and poor on the inside?

Mr. Danyluk: Do you mean a new building that isn't being used?

Mr. Amery: That's right. That's the east Calgary health centre.

Mr. Danyluk: Well, I have to also if I can, hon. member, refer you to that – and please understand that I understand that part of that building is being utilized at this time. But I want to say to you that the decision for what is necessary is the decision of, you know, the Health and Wellness department. We build the building according to what specifications are required. You ask me: is it poor? As I said, it's interesting, because one of the comments that was made by the hon. member and going back to your comments is: when do we start in a deficit situation? Well, you know, I didn't understand exactly what he meant, but we have to look at longevity of buildings. When we're building that building, we very much build it to the LEED silver standard or better to ensure that we can take the advantage, if I can, of . . .

Mr. Amery: I think I heard you say that a part of this building is being utilized. Did you just say that? That's the east Calgary health centre. No part of that building is being utilized at all. It's just sitting as an empty shell, as I said, completely done on the outside. There's nothing on the inside.

Mr. Danyluk: Sorry.

Mr. Amery: My next question, though, is on the \$1.6 billion that you were talking about in your opening statement on your budget. Is any of that money going towards that building or the completion of the Peter Lougheed hospital? As you know, we built seven floors. We've completed three, and four are still unfinished.

Mr. Danyluk: Well, of course, I think we have \$184 million – and I'm just going to use the big projects – that are being put into, you know, the continuation of the remand centre, \$140 million for the federal building. The exact amounts of the health centres are coming to me in seconds if you don't mind.

Mr. Amery: Sure. Go ahead.

Mr. Danyluk: The east Calgary health centre, I believe, is complete, and we won't be spending any money on that, the way I understand it.

Mr. Amery: Well, I am sorry, Mr. Minister. The east Calgary health centre is not complete. It's complete, as I said, on the outside, and there's nothing on the inside. I mean, if we're not spending any money on it, that's fine, but we can't consider that it is complete because it's not.

Mr. Danyluk: I understand where we talk about that we're asked to build the centres themselves, but the budgets themselves are being finalized by Health. We don't have anything that's written down for the amount. I'm sorry.

Mr. Amery: Okay. You also mentioned the well-designed schools and high-performance classrooms. You talked in particular about the portables that are added or built to the schools, and I think you mentioned in your opening statement that they are removable, that they can be moved if they're not needed.

Mr. Danyluk: Well, I want to say to you that the high-performance classrooms are exactly that. It gives flexibility to school boards. It gives flexibility to the ministry to be able to move classrooms. I really want to make it clear, as I did in my opening statements, to say that these are not what we remember as traditional portables. I made a comment to you that when I was in Grande Prairie and toured three schools that had the high-performance classrooms, teachers liked them better than the regular classrooms. They had the accessibility for technology. They were quiet. The acoustics in the high-performance classrooms were, if I can call it, superior to what teachers were used to teaching in previously by a long distance. The most important part is that if you have a situation like you have in the large metropolitan areas, where the population goes from the inner cities to the outside, these classrooms can accommodate what I would say is something that's adaptable, that's highly technological.

8:45

The hon. Member for Rocky Mountain House when he was a minister felt that this was very important to do, that we should be able to reduce the costs of our schools. We were building schools that were basically fixed structures. When students moved, we were not able to move the facilities or part of the facilities that were important, and that was the classrooms. So I really want to thank the hon. member for the fortitude that he had to come forward and bring some of those directions. What was done then is what advantages we have today.

I very much invite, when we do have an opening of the schools here in Edmonton, all members to come and take a look at these classrooms because that's exactly what we've done. We have a nucleus that's a school, and it will remain a school. But the sizes of the schools and the population that attends those schools can be very flexible and can be moved.

I say to you that it's an interesting concept because we don't know

what technology will be in the future. I can very much tell you that with the innovation that has gone into them and the technology, our staff says that they could last at least 50 years. Not that we'd want to move them 40 times, but what happens is that they're able to be moved. They're able to be moved, and they are built not to the standard of technology today but to the standard of which technology may be in the future.

You know technology. Technology doesn't really mean that we understand what's going to happen in the future, but it's the accessibility to the pipeline that's necessary to ensure that we have the air control and the air exchange, to ensure that we have the acoustics, to ensure that teachers are able to use a microphone system which they use in a classroom that allows the opportunity for students to hear teachers very clearly. It's the Smart boards. It's all piped in in that direction.

Mr. Amery: I do agree with you, Minister. I do represent almost an inner-city community, and I see the student population is decreasing instead of increasing, and these portables are necessary.

What was brought to my attention not too long ago, I would say about four to five weeks ago, by one of the trustees in the city of Calgary from the separate system is that some of these portables might seem to you or to me if we're looking from the outside to be movables, but in fact they are not movables. Are you aware of this situation?

Mr. Danyluk: I would suggest to you that's not the high-performance classrooms that we're looking at. I would ask you to go, if you would, down 127th. The parts that probably are not movable are the structures that are being put down. That's just basically pylons with a base, and those high-performance classrooms are brought in, set down, put together with a hallway. They all have independent heating and air exchange units. They are all self-sustainable into a piped system. In fact, they are very, very much portable. If at all possible, if the hon. member would want to give – I can say that we have moved them already in Calgary not very long ago. In fact, just to make sure that my comments are very fresh, Calgary separate has already moved them.

Mr. Amery: I was told by a Calgary separate trustee that some schools are not movables. You know, if you wish, I could get the information and transmit it to you.

Mr. Danyluk: I would very much like that, but if you would also give me the courtesy in response. I can take you and any other member that would care to come up to the schools that are being put into place to show you the high-performance classrooms as I know.

Mr. Mason: I would love to see a high-performance classroom.

Mr. Hinman: We need a field trip.

Mr. Danyluk: We could extend this meeting if you so desire, and we could go off here in two or three minutes if you so wish.

Mr. Amery: My next question is on the south Calgary hospital. Can you give us an update? I mean, it was supposed to be open in 2011. I don't think that will happen. What are we expected to see in 2011?

Mr. Danyluk: Well, the project, from the information that I have, is definitely fast-tracked, and phase 1 should be completed in December 2011. The facility will now have 11 operating rooms, 30 emergency exam rooms, 65 short-stay beds, 12 intensive care beds,

216 additional in-patient care beds, space for 200,000 outpatient visits a year, and developed for future expansion, 100,000 additional outpatients. The changed scope increased the budget to \$1.4 billion, and the recent market conditions, which I would say have been very complementary, have reduced the cost by \$100 million. Finally, I really want to say that the south Calgary health campus will deliver the services that Calgary needs and desires.

The Chair: Hon. member, you've got four minutes and about 20 seconds.

Mr. Amery: Okay. Well, my last question. The government has addressed long-term projected growth with a 20-year strategic capital plan. What are some of the projects that your ministry is working on in the near future in regard to this 20-year plan, and where are they located?

Mr. Danyluk: Well, first of all, the projects that are included are the construction of the new Edmonton Remand Centre. You know that that structure should be completed in the spring of 2012. The restoration and renovation of the Edmonton federal building on the north end of the Legislature Grounds and the creation of the Centennial Plaza: the federal building itself should be completed by the spring of 2012, and the Centennial Plaza should be done, I want to say, approximately the summer of 2012.

I want to make it very clear that funding the health facilities' construction and maintenance and renewal of existing facilities is budgeted under the Ministry of Infrastructure come April 1. The major health projects, of course, include the south Calgary health campus and the construction of the Edmonton clinic.

8:55

Infrastructure is also working as part of the cross-ministry group on the Alberta schools alternative procurement projects. Phase 1 will provide 18 schools, nine each in Edmonton and Calgary. It will be open for more than 12,000 kindergarten to 9 students in September of 2010. So that's, like, 12,000 students. Phase 2 will provide 14 new schools, 10 core schools K to 4, K to 9, and 5 to 9 – three are in Edmonton, five are in Calgary, and one each in Okotoks and Langdon – and four schools that are 9 to 12 and 10 to 12 in Edmonton and Calgary and Spruce Grove and Sherwood Park.

You know, the 20-year plan very much talked about what was necessary, and these are some of the projects that we're going forward with.

Mr. Amery: Thank you, Mr. Minister. Thank you, Mr. Chair.

The Chair: Thank you very much, hon. members. With that, we're going to move on to Mr. Hinman.

Mr. Hinman, you've got 20 minutes. Do you want to use your 10 first, and then the minister has 10, or do you want to go back and forth?

Mr. Hinman: We'll continue to attempt the back and forth.

An Hon. Member: Does he get 20, or do we split it?

The Chair: Everybody gets 20. They get 20.

Mr. Hinman: I'll maybe plead for help a little later on here if I lose it.

Some more interesting questions were brought up. Again, I guess, I want to go back to the dilemma of P3s. I have to ask the question, being a businessman. When you want to buy something you look at the quality, you look at the warranty there. Does this government

not deal with bonded companies and look for a 30-year warranty when these things are being built? I look forward to the information on how you discern the two. Ownership usually, if one takes care of it and has interest in it, is better than leasing. There's premium always charged for leases over selling something outright. We just need to look after it.

I'm just amazed with your comments. I'm saying that, you know, these P3s are great. Can the government not look at these facilities? If you have the blueprints on what you want and you put those out for bids, do you put those out to bid over the cost of actually having them constructed, challenged, or with competition of a P3? Is that the way?

Mr. Danyluk: Okay. If I can, Mr. Chairman, we don't wake up one morning and say: "You know what? Let's do this school as a P3." We go through what I would consider a rigorous and a very much in-depth analysis of what is necessary, and we look at the best ways to deliver the best product. Now, let's be very clear that if we do our analysis . . .

Mr. Hinman: Well, let me just ask the minister, because maybe my question wasn't clear. If in fact you have the blueprints and you know the school that you want – you have the nucleus, you understand all those things because you save money by repeating those things – do you put them up and ask for a bid to actually build them in competition with another company who bids to build and maintain it for 30 years? That's a pretty clear indicator, where you put the competition out to see what the premium is, that they're just going to build it – here are the standards; here's what we want – versus a P3 to say that you build it, you maintain it, it's yours for 30 years. Do you put them, oranges to oranges, out to bid?

Mr. Danyluk: I guess, first of all, I want to say to you that if we feel that it is better to build a school and not utilize a P3 for whatever reason, then we won't do it. We will build in the traditional fashion. When we look at a very in-depth study of the costs of what we feel is necessary to provide the services in that particular school, using that example in that particular school, and when we feel that there is opportunity for two things, to make sure that the innovation is used and that the value is better, we will put it up for a P3. If my memory serves me right, I believe that in the last P3 analysis we saved approximately a hundred million dollars, I think.

You know, when we talk about transportation, the ring road in Calgary, I believe that the contractor – and I could be a little bit wrong – left at least \$300 million on the table and has addressed the needs that were necessary. Please understand that it is very critical. The advantage, of course, is the warranty. I think that is a very positive direction for us as a government but also for Albertans.

Mr. Hinman: You do realize, though, that you could purchase something with a 30-year warranty as opposed to leasing something with a 30-year warranty.

Mr. Danyluk: Of course you can, but we analyze and really look at the best value, and the best value is coming from that. Typically what type of warranty can we get? Is it two to four? Let's say four. Somebody help me out. A two- to five-year warranty? That's, you know, on a bonded company. A two- to five-year warranty: that's what we can get. This is 30 years. The beauty of it is that you have a contractor that does not want to do warranty work because if they're doing warranty work, then they're not making money.

Mr. Hinman: I would agree with you on that, Mr. Minister.

Switching back to Swan Hills, we'll go from P3s – perhaps we

should call it a G3 because from \$11 million to \$33 million is three times the cost of revenue. Again, I'll look forward to the minister's response to that.

To go back to the hospital facilities, I asked a question, and I guess I want to get on the record again that I think one thing we should learn here from Infrastructure this evening is the importance, perhaps, in that correspondence, because of the lack of infrastructure money and the demand for it, that we should ensure that we're building infrastructure that we can complete and then utilize when it's completed. It's been quite clear that we've got facilities in Edmonton and Calgary, that the minister has agreed to build these things, yet the completion is not there. Perhaps the minister would take the position to ensure that Alberta Health or Education is going to utilize those facilities going forward.

Mr. Danyluk: Okay. Well, let me clear that up. You're asking for me to clear that question up, and I very much want to clear up that Health and Wellness are the decision-makers on where and what facilities need to be built. Health and Wellness are finalizing that capital plan, and we will respond in detail when this is ready. I do understand that that likely will be ready by the end of March, and the plan will provide the project details. When you ask the question, we will do that, but remember that it is a Health and Wellness decision.

Mr. Hinman: But I think that you should raise the level of requirements, saying: look, do you have to do it?

Mr. Danyluk: We'll take that forward. That's good advice.

Mr. Hinman: Thank you.

A question on the 20-year plan. You read off a document there, and you listed many. Would you please pass that 20-year plan on, a written answer, what your long-term plans and priorities are, that you read earlier? I don't think you had an opportunity to read it all. The written answers are very valuable.

9:05

Mr. Danyluk: A good point. Is somebody going to write that down? Okay. Mind you, we have the *Hansard*.

Mr. Hinman: Super. I appreciate that.

Now, turning to page 274, again, I'm just as concerned as you are about how we spend our tax dollars and making sure that we get money, but it's just interesting on the expenses, the lottery-funded initiatives. We had \$50 million in 2008-09, nothing going forward. I guess I'm just worried where the lottery money is going, that we're not utilizing it. It's priority infrastructure. Perhaps you could clarify for me on no more lottery funding because I think that this would be some core taxpayers' money to be used for critical infrastructure.

Mr. Danyluk: Well, I guess what I can say to you as far as the health facilities, the infrastructure, is that in 2008-09 the actual of \$50 million reflects the final year that lottery funding was received for health facilities in the infrastructure program. The decision was made not to use lottery funding for health. Sol Gen can speak on how the funding is allocated.

Mr. Hinman: I just hope you keep lobbying to get it so that you can put it into the critical infrastructure instead of what I often see as political slush funds to top up MLAs' golf courses and other areas throughout the province. It's a concern. I could put in some papers and present them to the minister and the MLAs if they're not aware of it.

Mr. Danyluk: I am sure that you will regardless of whether I ask for it or not.

Mr. Hinman: No, no.

I want to go on to another long-term strategy. Again, we know the life cycle of buildings. Quite often we're lucky to extend them. I'm really concerned with the decline of the sustainability fund. You talked about it and how it's allowed us to continue on, but the sustainability of infrastructure, which, again, you started with in your speech, is critical. Part of that, though, and I believe part of the problems that we went through here in this province with the superinflation on the cost of construction were due to the inflated dollars that were put in on a constrained construction capacity. All of a sudden we had \$20 billion that was announced. I believe it was \$18 billion back in 2006 or '07. Because we had this huge amount of money to spend and the capacity wasn't there, immediately the costs went up.

I would encourage the minister – and again one of the other problems back then was that not only was the money to be handed out, but you put an extreme time constraint on it to have it spent in 18 months. This was when the ministries were together, so a little bit different. You've split them since then, again not an efficient thing, I believe. Nevertheless, that's where we're at. Do you not think that it would be prudent to go forward and look at those infrastructures and the life cycle and start to actually build up a replacement fund so that when we get to the end of those schools, those hospitals, or other areas, we don't need to say: where are we going to get the money to do that?

Good businessmen realize when their equipment, their building is running out, and they don't operate on a cash-to-cash basis each year and all of a sudden have another huge expense. When people are looking after their homes, it's the same way. They have a 25- or 30-year mortgage, but it's paid off, and then they have another 30- or 40-year life in the facility. It just seems that we're not looking forward enough. Everyone talks about an infrastructure deficit when after 38 years you'd think you'd have an infrastructure fund that would be phenomenal and, I guess, the light post around the world.

I guess I'd like the minister to comment on what they're looking at going forward. I believe that after this year and the sustainability fund is basically drained, all of a sudden we're going to have to say, "Oh, we really were hoping the economy was going to turn around." Then we're going to have a much greater economic disaster because now we've dug ourselves into a hole. We were hoping for the best, but we didn't plan for the worst. We have no money, and we've spent billions of dollars. We can't continue to spend billions of dollars. We're going to have a major crash in the economy. I feel that you're still spending too fast. We should be extending it over.

We should have a 10-, 20-year plan that actually shows the infrastructure, what the plans are, so that the public can know and see those priorities as well as industry so that they can gauge their size and look forward to the equipment and be competitive going out and ensure that we're getting the best infrastructure and that the priorities are properly placed so that the taxpayers can enjoy the quality of life that we had in the past here in the province.

Perhaps you'd like to comment on a few of those things.

Mr. Danyluk: Very much.

Mr. Hinman: I knew you would.

Mr. Danyluk: What I want to say to you is, you know, that you're addressing myself, a member of the government that has a 20-year plan. In fact, you just asked a question about the 20-year plan.

Mr. Hinman: But no details.

Mr. Danyluk: We gave you some of the answers. The 20-year plan is a public document, that you can look at.

Mr. Hinman: Details.

Mr. Danyluk: But wait. Let me just continue on. Let me just talk about the heritage trust fund, that should have and could have in the neighbourhood of \$16 billion to \$17 billion worth of value at the end of this year. This is clearly not a fund that is to be accessed at this time, but it is for your children and my children, and that fund has the opportunity for the future.

Now, let me just go to the sustainability fund. You talk about not planning. Well, if I can say, advisers were lined up criticizing this government for the sustainability fund that we had in place. In fact, what happened is that analyzers and advisers were saying that we should not have more than 10 per cent of one year's budget being put into the sustainability fund. That would have been \$3.7 billion.

Mr. Chairman, our Premier and this government said: you know, we are used to cyclic commodities, and we think it's very important that we plan for the future, that we take out – and I have to clarify that I never said mountains but the hills and the valleys – the tops of the hills. Mountains are a little harder, right?

Mr. Hinman: They're mountains right now, and this is a deep valley.

Mr. Danyluk: No, they're not mountains. We've taken off the tops of the hills.

Mr. Hinman: Four point seven billion dollars? That's a deep valley.

Mr. Danyluk: Well, the people of Alberta have told us that we need to have some sort of savings account that we can look at. And what do we have? We have in the neighbourhood of \$17 billion. They said to us very clearly that what they want to see is for us to utilize that so that we can, as you said today, continue our infrastructure, make sure that our buildings are maintained, make sure that our roads are maintained, make sure that we have the best health care system in Canada, ensure that education and postsecondary education provide access.

Mr. Hinman: Mr. Minister, are you confident that after three years we're going to be able to sustain this level of spending?

Mr. Danyluk: If I can suggest to the hon. member that what we do have is a sustainability fund that provides that opportunity. If you look at the three-year plan, the three-plan is not to take out \$4 billion a year. We are projecting that that deficit will decrease, in fact, to the point where we will have a balanced budget in 2012. And you know what? At that time, when the revenue increases, guess what? We're going to put it back in the sustainability fund so that we're ready for the next time.

Mr. Hinman: Well, that's good, and I've never complained about the amount of . . .

Mr. Danyluk: I wasn't quite finished.

The Chair: Hon. members, you've got approximately two minutes remaining.

Mr. Hinman: Well, thank you, Mr. Chair. Albertans are grateful for the boom that we had, but the question is whether or not we put away enough. I guess we could always debate the philosophy of that because there are definitely those who say we shouldn't have put any away. I feel that the heritage trust fund should be grown to \$200 billion. At 6 per cent interest that would be \$12 billion a year revenue to replace the oil and gas revenue down the road. That, to me, would be a wonderful goal for Albertans and the Alberta taxpayers, to see money being grown. You'll never hear me criticizing that we save too much. We want to have a sustainability fund, and that would be coming from the interest, not from spending the savings that we had.

9:15

My worry, Mr. Minister, with this government is that we're hoping too much for a turnaround that might not come and then that next waterfall. If we fall off because of the money that we've been spending on infrastructure rather than looking at extending it a little bit – that's what I want to be on the record for. Let's extend it. Take the MSI from 10 to 11 years. Maybe it should be 12 or 13 or 14 years so it is sustainable. The government has a tendency to actually exacerbate the problem. As I said, they spent too much money in the early years of surplus. Had they had a policy to tell municipalities, "Here's your funding, and if you can't use it right now because there's not enough capacity in the industry, put it away and save it," they could, in fact, use their best judgment. Your heavy hand in direction has not been in the best interests of how that capital was spent, in my opinion.

Mr. Danyluk: But that is not what Albertans are saying. What Albertans are saying is that they want to maintain the health care system that they have.

Mr. Hinman: I agree with them.

Mr. Danyluk: Albertans are saying that, and you know what? There weren't many people around that were saying that we should have . . .

Mr. Hinman: No. I think I was the only one.

Mr. Danyluk: You could have been the only one. Anyway, they were saying that we needed to have . . .

The Chair: Thank you very much, Minister. Thank you, gentlemen. Your time allotted for this is used up.

We're going to move on to Mr. Allred. You've got exactly 13 minutes and 46 seconds. Go ahead, please.

Mr. Allred: Okay. Thank you, Mr. Chair. If we can go back and forth, I've got a number of questions – I know we sort of beat it to death – on P3s and so on, so I'll try and group them. Also, I've got some miscellaneous ones, which hopefully we'll get to.

Just with regard to P3s for buildings I understand that the P3 contract does not require the contractor to pay for the utilities. That's an operational cost. Is that correct?

Mr. Danyluk: Yes.

Mr. Allred: Okay. Then, what have you got in your specifications to ensure that the contractor doesn't skimp on, for instance, insulation because he doesn't care?

Mr. Danyluk: First of all, we use the LEED silver as a minimum, and also the BOMA BEST is operational. We need to ensure that those are part of what we have as criteria. So that doesn't allow him to do that skimping.

Mr. Allred: Those standards are part of the specifications. Then, is there any inspection to ensure that they comply with those?

Mr. Danyluk: Oh, for sure.

Mr. Allred: By your department?

Mr. Danyluk: Oh, very much so, not only by our department, to ensure that they meet all codes and meet the criteria that we have. I want to say kind of partially in answer to the hon. member as well that whenever we see that there are better ways of doing business – and it is an evolution – that becomes the criteria for the next building. We're continuing to learn what is the best delivery of a facility.

Mr. Allred: Okay. Thank you for that. I understand you have a group of schools in Edmonton and a group of schools in Calgary that are on a P3 contract. As I'm sure you're aware, there is a unique proposal for a P3 in St. Albert that is proposed by a developer. He proposes to build a school as part of the subdivision. This would be a reasonably – well, I guess I shouldn't say standard P3 contract. It would be a P3 but fairly unique because I don't think you've entered into one for a single school with a private developer before.

Mr. Danyluk: Well, what I can say is that there are some unique types of proposals, whether they involve developers, whether they involve such as in Lac La Biche a municipal council, such as one in Calgary that I believe is a proposal, anyway, of doing a unique type of maybe more of a P4.

At the end of the day please understand that the decision is made by Education, and then we assess to see what that school may be like – right? – and how we could deliver that school in the best manner.

Mr. Allred: Well, I guess that's where I'm coming from, and you've attempted to answer the question before I've really given you the question. I understand that Education has approved the concept in St. Albert, but it doesn't seem to be going anywhere. It seems to be stalled. What is the problem?

Mr. Danyluk: You know what? When Education gives us the direction – I don't think we've got that. Does anybody know if we've had anything? From what I know, the funding hasn't been approved. Can we get back to you on that?

Mr. Allred: Okay. Who approves the funding?

Mr. Danyluk: Education or Treasury Board, but Education approves the priority.

Mr. Allred: Okay. I'll accept your undertaking to get back to me on that. I appreciate that.

Mr. Danyluk: Yeah. We will.

Mr. Allred: Okay. Next question. If I can move on to the Swan Hills treatment plant. The Swan Hills treatment plant was built, I think, back in the '70s and, I agree, has certainly served the purpose it was intended for. Since that time we've gotten rid of an awful lot

of PCBs in the province, but the volume of PCBs on a regular basis has declined, and as a result thereof, we're losing money on it. So what is the long-term plan for the Swan Hills treatment plant going forward?

Mr. Danyluk: I think, hon. member, that you have very good information, but I'm going to just take it one step further. I don't want to say that we have eliminated all the PCBs in Alberta.

Mr. Allred: No. I didn't say that.

Mr. Danyluk: But you know what? We've come very close. We do a review every five years. We have done that review, and we are looking very closely at the future because from our perspective we very much believe that, you know, the treatment plant itself has to be competitive with the other facilities. We're going to get the names of those other facilities to – and I'm not sure if it was to the hon. leader of . . .

Mr. Allred: The fourth party.

Mr. Danyluk: The fourth party? It's not the fourth party. Thank you for that help.

Mr. Allred: Are you then suggesting that you're going to downsize the Swan Hills plant or totally eliminate it?

Mr. Danyluk: I can't tell you that.

Mr. Allred: But you're studying that.

Mr. Danyluk: There's been an assessment; there have been recommendations. Those recommendations are before us, before this government, and we will have to make a decision on the focus and direction of the plant because the plant is still very much being utilized. We are an industrial province. You know, what is the need, and what is the cost of operating that facility? We have to balance everything.

Mr. Allred: But you are looking at the future of the plant.

Mr. Danyluk: Oh, very much so.

Mr. Allred: Okay. Thank you. On page 275 you have \$480,000 in revenue and a corresponding \$480,000 expense. That's an in-and-out figure. What is the situation with regard to that?

Mr. Danyluk: Just hold it. I have to find it.

Mr. Allred: Page 275, interministry consolidation adjustments.

Mr. Danyluk: Okay. It is the interministry consolidation adjustments. The consolidation adjustments include transactions between Infrastructure and other government of Alberta ministries, boards, and agencies that are netted out to avoid the double-counting of expenditures in government books.

9:25

Mr. Allred: Could you be a little more specific, maybe give me an example of what departments or what we're talking about here?

Mr. Danyluk: Well, okay. It's a \$3.2 million budget in 2010-11. As I see, it includes \$2.7 million that's related to building rental

services. So if I look directly at the building rental services provided to other ministries, it's the Swan Hills centre services provided to other ministries, it's the transfer, which isn't there, from the lottery fund.

If it's all right, hon. member, can I just add a little clarity to a question that you asked in regard to the lottery? The government had provided for a very huge, province-wide consultation on how Albertans wanted lottery funding spent. This government has taken that direction, so that's what our guide is.

Mr. Allred: Well, I thank you for answering the hon. Member for Calgary-Glenmore's question. Would you please answer my question: what is the \$480,000 back-and-forth figure? What, specifically, is it all about?

Mr. Danyluk: The \$480,000 is for services of the Swan Hills treatment plant that our government one way or another utilizes.

Mr. Allred: But who utilizes them and for what?

The Chair: Hon. members, we've got about four minutes remaining.

Mr. Danyluk: I have the answer: more explicitly, the household hazardous waste program run by Environment.

Mr. Allred: Thank you. Okay. You mentioned high-mobility classrooms, which is a very nice name.

Mr. Danyluk: High performance.

Mr. Allred: High-performance classrooms.

Mr. Danyluk: Highly mobile: I like that. I think we're going to have to add a little descriptor to this.

Mr. Allred: My school boards still talk about portables that are 30 years old. My question is: when will those 30-year-old portables and any other portables be converted to these high-performance classrooms?

Mr. Danyluk: That is a good question, and I will say to the hon. member, again, that this is an Education decision, but we are continually eliminating what is traditionally known as the old portables. We are replacing them with the high-performance classrooms.

Mr. Allred: And what is the cost of one of these units?

Mr. Danyluk: Who can tell me the cost for one unit? [interjection] It's \$278,000. You know, I didn't even know that. Thank you very much, hon. member, for that question.

Mr. Allred: Thank you. On page 181 of your budget – I was referring to your business plan before, I guess – you have some investment income of \$35,891,000. What is that investment income? What are you investing in?

Mr. Danyluk: What page again?

Mr. Allred: Page 181 of the budget.

Mr. Danyluk: It's cash that's held in the account for Health Services.

Mr. Allred: Does every department have that sort of slush fund to invest on their own? Is that not handled centrally?

Mr. Danyluk: It's not a slush fund. All projects have to be prioritized and utilized for sure. So when grants go out to ministries, they are temporarily parked in these accounts.

Mr. Allred: That's why the cheques are so long in coming?

Mr. Danyluk: I think that what does happen is that they come very quickly.

Mr. Allred: Oh. Okay. My last question, if I'm able to get it in: how much money do you spend on security, like on the courthouses, et cetera? Or is that all from the Solicitor General's department? I presume that the capital cost must be part of your cost.

Mr. Danyluk: Mostly the Solicitor General does the security. We install the perimeter security equipment, but we do not provide the manpower security. We do equipment installations.

Mr. Allred: Okay. Thank you.

Mr. Danyluk: If I can say, that's throughout government.

The Chair: Thank you very much, hon. members. I just want to thank everyone, all the staff and everybody here today and all of the members. I must advise the committee that time allotted for this portion is concluded. Thank you, everyone, once again.

I'd like to remind the committee members that we have a scheduled meeting tomorrow, Wednesday, February 24, to consider the estimates of Finance and Enterprise.

Pursuant to Standing Order 59.01(2)(a) the meeting is now adjourned.

Thank you very much. Have a safe drive home.

[The committee adjourned at 9:30 p.m.]

