



Legislative Assembly of Alberta

The 27th Legislature
Third Session

Standing Committee
on
Public Safety and Services

Treasury Board
Consideration of Main Estimates

Tuesday, March 9, 2010
6:30 p.m.

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Third Session**

Standing Committee on Public Safety and Services

Drysdale, Wayne, Grande Prairie-Wapiti (PC), Chair
Kang, Darshan S., Calgary-McCall (AL), Deputy Chair
Boutilier, Guy C., Fort McMurray-Wood Buffalo (Ind)
Brown, Dr. Neil, QC, Calgary-Nose Hill (PC)
Calahasen, Pearl, Lesser Slave Lake (PC)
Cao, Wayne C.N., Calgary-Fort (PC)
Forsyth, Heather, Calgary-Fish Creek (WA)
Griffiths, Doug, Battle River-Wainwright (PC)
MacDonald, Hugh, Edmonton-Gold Bar (AL)
Rogers, George, Leduc-Beaumont-Devon (PC)
Sandhu, Peter, Edmonton-Manning (PC)
Xiao, David H., Edmonton-McClung (PC)

Also in Attendance

Mason, Brian, Edmonton-Highlands-Norwood (ND)

Department of Treasury Board Participant

Hon. Lloyd Snelgrove Minister

Support Staff

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

6:30 p.m.

Tuesday, March 9, 2010

[Mr. Drysdale in the chair]

**Department of the Treasury Board
Consideration of Main Estimates**

The Chair: I guess it's 6:30, so if we can call the meeting to order. Welcome, everyone, to the meeting. The committee has under consideration the estimates of the Department of the Treasury Board for the fiscal year ending March 31, 2011. We'll start with introductions, and I'll ask the minister to introduce his staff at the table.

Mr. Snelgrove: This is Lori Cresey, and this is what's-his-name, and that's the other guy. Dale Silver is our public service commissioner, Grant Robertson is my new deputy, and Lori's in charge of everything.

The Chair: They're not allowed to talk. That's why you had to introduce them.

We'll start with Mr. Cao and go around the table and introduce ourselves.

Mr. Cao: Wayne Cao, Calgary-Fort.

Mr. Rogers: George Rogers, Leduc-Beaumont-Devon.

Mr. Sandhu: Peter Sandhu, MLA Edmonton-Manning.

Ms Calahasen: Pearl Calahasen, Lesser Slave Lake.

The Chair: Wayne Drysdale, Grande Prairie-Wapiti.

Mr. Kang: Good evening, everyone. Darshan Kang, Calgary-McCall.

Dr. Brown: Neil Brown, Calgary-Nose Hill.

Mr. Xiao: David Xiao, Edmonton-McClung.

Mr. MacDonald: Good evening. Hugh MacDonald, Edmonton-Gold Bar.

Mr. Griffiths: Doug Griffiths, Battle River-Wainwright.

The Chair: I guess the minister should introduce himself.

Mr. Snelgrove: Lloyd Snelgrove, Vermilion-Lloydminster or, as they want to change it to, Lloydminster-Vermilion.

The Chair: Okay. Process review. Standing Order 59.01(4) prescribes the sequence as follows:

- (a) The Minister . . . 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 [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. I will call for a five-minute

break following the Official Opposition's time, at approximately 7:45. 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. The minister and a 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 plan to combine their time with the minister's time.

Three hours have been scheduled to consider the estimates for the Department of the Treasury Board. 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.

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.

I won't go over amendments because we don't have any tonight. They had to be in by 6 o'clock if there were.

Written responses from the Treasury Board to 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, and a copy to the committee clerk would also be appreciated.

Now I'll invite the President of the Treasury Board to begin his remarks.

Mr. Snelgrove: Thank you, Mr. Chairman. Thank you, colleagues and Mr. MacDonald or – do we use names here, or do we have to say the hon. member stuff?

The Chair: We can use names.

Mr. Snelgrove: We can use names?

The Chair: Yeah.

Mr. Snelgrove: Okay.

Anyway, Mr. Chairman, I know that everyone here has been through this procedure before, so I certainly hope that we can have a good formal interactive discussion with the opposition members as well as members of our side and that we can clear up any questions they may have about Treasury Board and corporate human resources.

There's no question that we had to make some changes to how we operate. In fact, governments across the world have had to. So what did we do? We implemented a hiring freeze. We suspended bonuses and froze salaries for non-union employees. We curtailed out-of-province travel, spent less on hosting, conferences, and consulting contracts. We eliminated overtime except where essential, and we closely scrutinized spending on materials and supplies.

Beyond that, we asked ministries to review their programs to find savings and to continue to deliver necessary programs and service to Albertans, and they did. We have reduced the operating spending in 16 out of 24 government ministries, including the elimination of the Alberta Health Services accumulated deficit, and we reinvested the savings in the health care system.

Our three-year capital plan on a cost basis is \$3.1 billion less than in 2009. Much of this is due to lower costs and reprofiling of some programs, and there are no new projects in the capital plan at this time. However, all previously funded projects continue to move

forward: ring roads, schools, projects that were committed funding to.

There is also an impact on staffing. With our Budget 2010, 1,511 FTEs are being eliminated. Seven hundred and sixteen of these FTEs are being transferred out of government to the Alberta Innovates corporation and Alberta Health Services. Of the remaining 795 FTEs about 445 of these positions are occupied by employees. We expect to redeploy about half of those to other positions within the Alberta public service, so at this point we anticipate that there may be approximately 250 individuals who experience job loss. This can't be confirmed until the redeployment opportunities are fully explored.

As we go forward, government needs to continue on the road of restraint. This means ongoing attention to discretionary spending, finding efficiencies while successfully delivering front-line services. It also means continuing to streamline, integrate, and consolidate programs across ministries: ongoing re-engineering processes. Treasury Board will work with other ministries to identify program and capital spending issues and determine their potential impact on government finances.

Just a quick comparison of our budget from last year to this year. Some of the items are one-time items and may distort slightly the picture. A couple of them are: the \$30 million that we put in for separation payments to employees who have lost their position either from a change in the service delivery model or as a result of our fiscal correction and in the 2010-11 estimates \$9.6 million in funding for planning and capital project development will be transferred to other ministries as projects are approved for capital planning preliminary design. After adjusting for those two separate items, it means Treasury Board has decreased their spending comparison by \$1.8 million, and that's in a relatively small department.

We have been very proactive in trying to prepare for the fiscal correction by not filling vacant positions as they have arisen. Certainly, we've been trying to reduce our discretionary spending as well as the discretionary spending in our deputy's offices, in fact, across all of our responsibilities.

The 2009-10 budget also included a one-time provision of \$175 million, which was put there to match federal stimulus funds for infrastructure. The bulk of that money was transferred to other ministries to achieve that goal.

With that, Mr. Chairman, I'd like to open it up to questions from Mr. MacDonald. I don't see any others here.

The Chair: Yes. Thank you, Minister.

The next hour will be the Official Opposition. I assume Mr. MacDonald, then. Do you plan to go back and forth, or do you want to use the full?

Mr. MacDonald: Back and forth, please. If you don't mind. Is that agreeable? Okay.

Well, I appreciate your opening remarks. Certainly, I would like to ask – first off, you mentioned about capital planning funds and the transfer of the capital projects development of \$9.6 million. You're going to transfer that to other departments, as I understood. Now, last year there was a considerable amount left over in the department. I'm looking at schedule 2 of the annual report. There was an unexpended amount of \$25 million in your department, in total, for various reasons. The majority of this money came from capital planning funds, which went unspent. You are making a significant commitment to reducing your expenditures, which is commendable in light of the fact that we have such a large deficit.

Now, as Treasury Board president last year not only your department but many other departments had significant amounts that were unexpended, well in excess of a billion dollars. My question to you is: is the Treasury Board anticipating in this budget cycle an equal amount of money or greater that will go unexpended?

6:40

Mr. Snelgrove: I'm not exactly sure where you're getting the figure of a billion dollars unexpended. If we have capital projects that aren't completed . . .

Mr. MacDonald: These are not for capital projects. Not all of them. Some of the money would be set aside for capital projects but not all.

Mr. Snelgrove: Yeah. There may be a difference where you're dealing with numbers that are projected but aren't realized yet. It can go both ways. I mean, you've been here through the whole time where we actually had, you know, higher income projected than it was, and there's been where we've had lower. But till our fourth quarter shuts down, until it will end the end of March, we won't know exactly what we have left.

Mr. MacDonald: Okay. Now, my next question would be: given that you are reducing some activities in your department, is that the reason why you have failed to post the second quarter of public expenditures in the blue books so far this year? I was very pleased to see in the past that you were posting those quarterly amounts in grants and in supplies and services, but I'm surprised that you have not put the second quarter on there yet. The first quarter at the end of June 2009 is up on your website but nothing else. Is there a manpower restriction there that's preventing you from doing this?

Mr. Snelgrove: Not that I know of. I'll have to find out from staff why it's taking any longer than normal, but it's not – I mean, we have to wait until we have the information from the departments to put it together, and literally what we are is, you know, the collector of information and then reporter. I'll have to get back to you.

Mr. MacDonald: Okay. The fact that some of those amounts reported in the blue books are in error, who checks that to ensure that the blue books are accurate? I will use this as an example, and you can check this out. The David Thompson health region was not in the grants section last year. It's in the hundreds of millions of dollars, the allocation, yet it failed to be listed there. That's an example I would use.

Mr. Snelgrove: I would certainly bring that question up at the health check because we aren't the one to generate the numbers for health or for David Thompson. We don't have the opportunity or the capacity to go into the former David Thompson. We have internal audit that's relatively different than that. If there's a reporting issue internally to either Alberta Health and Wellness or Alberta Health Services, then quite honestly I'd have to get you to ask them.

Mr. MacDonald: Okay. I will do that, and I appreciate that.

Now, alternative financing, or the P3s, and the debt. If we could spend a few minutes on that, I would appreciate it. Alternative financing is the term used by the government to describe P3 financing, and if we look at the government of Alberta's annual report, that amount is growing quite quickly. Referencing page 428 of the ministry estimates, line 6.0.2, why did the alternative capital financing office budget decrease by \$2.2 million when you compare it to last year's budget?

Mr. Snelgrove: One of the biggest projects that we had initiated was the development up in Fort McMurray, the Parsons Creek and Saline Creek projects. When we identify projects, we move the money over to them. The other thing that I know you would support is that if we don't have projects for it, we don't spend it.

Mr. MacDonald: Okay. Now, on the same page, line 6.0.1 again, the strategic capital planning item. It reports a \$644,000, or 49 per cent, increase in funding. What is the reason for this increase, and what are the details of the work being done by the strategic capital planning group?

Mr. Snelgrove: I think you need to actually go back a little bit into '08-09, where it was \$1.6 million. Then our budgeted total was \$2.1 million. We were able to operate without some staff in '09-10, which showed a significant drop down to our forecast of \$1.3 million. Literally it was the timing where we were able to manage, but we have two positions that we just find that we have to fill. That will bring us back up to less than the original '09-10 budget by about \$200,000. But it is more than last year simply because in such a small budget two positions make a big difference.

Mr. MacDonald: Okay. Thank you. Now, what ongoing measures are used to evaluate cost-effectiveness and the feasibility of the P3 financing compared to public financing?

Mr. Snelgrove: We have a very elaborate process that involves an independent body that does a public-sector comparator. They're not connected, really, in any way with our prices or our process. They simply take it. They have the expertise to give us what we think is a very valuable reference to it. Unless our tenders come in on the right side of that public-sector comparator, we won't go forward.

I mean, we have the internal estimators in our departments, whether it's Treasury or Infrastructure. Just for example, let's use a school. They know about what a school should cost to be built, but in a lot of schools we have good historical data that would suggest: this is what a school for a thousand kids costs.

We can then take out the proposal and say that these schools may be significantly different in some way or another, but we can send that over to the private-sector comparator. Then we go through, I'd say, the quite thorough process of vetting two appropriate contractors. We get the proposals back in from the P3 proponents with their pricing. We can compare that internally to what we have spent. We can compare it to the external comparators. Then you make the decision going forward.

I would say it's been a very complete step that I'm not sure that all P3 areas go through. But to maintain the independence, that independent comparator is sealed and delivered to the Department of Justice. It's not given to Infrastructure or Transportation. They don't know what it is. Before you award the contract, you open that up from Justice and see whether they fit within that number that was developed by them.

Mr. MacDonald: Okay. That's very interesting. Now, what specific projects are the Treasury Board planners working on or considering funding under alternative financing? Is it the next round of schools?

Mr. Snelgrove: We have one process that's nearly complete with the second tranche of schools now. Our next big project would likely be – but this would have to be co-ordinated through Transportation – the northeast leg of the Anthony Henday. You know, as we have laid out our plan to complete the ring roads, that's the next logical step.

6:50

Other than that, I don't believe we have any more in – now, we're looking. It does make it difficult because, quite candidly, it's still a little bit new in being able to apply the P3 and get the best benefit. I think you would know, as other hon. members here would know, that a lot of work we do also involves renovations. That's historically very difficult to work through a P3 process. You've seen the rebuild of some of our university buildings, some of our hospitals, and even the modernization of some of the schools. We don't have the opportunities that a lot of places may have that are just in the case of building new. But we are looking.

Mr. MacDonald: Okay. As the recession has effectively lowered construction costs and the labour demand has subsided, what implications do these changes have on current P3 contracts that have been signed or the contracts that are being currently negotiated for schools?

Mr. Snelgrove: There is a risk and a potential benefit any time you get into a business agreement in a fluctuating market. Probably the best example would be whether you sign up your house on a fixed mortgage rate or whether you float. You know, if you take the risk, it can go up. If you're comfortable at what you're paying, you're okay. Most of the time overall, if you can afford it, those that allow it to stay at the bottom can.

That's my point around the P3s. When you get into a project that may be two years to complete, they have to bid on it with the market conditions that are relevant then and now to them. If the market drops, you could say: well, we may have saved money. If the market goes the other way and you've got your price fixed in, then you can have a double benefit. It's just the same with any tendered building, whether it's a conventional build that is bid at a time before the costs escalate or whether it's one that's bid, and it happens in the more conventional use of our paving. There were a lot of contracts as things were moving along where paving oil was extremely expensive, yet we try and manage ahead so you can lay out your year's work.

When you're putting contracts out and paving oil is, say, \$80, that's what they have to bid on. If oil goes into a very sharp decline like last year, if you had the wisdom of Solomon, you may have said: I'm not going to tender this until, maybe, when it's at \$30. But you also play the game the other way. It could go to \$140, and then the contractor is stuck with that bid. There are cases where we have built in tenders – now, this is not Treasury Board; this is Transportation – that say that there is an opportunity to address significant changes in costs that you can't control. You can build that into a tender.

The P3s are much the same. You're bidding on a picture that's this day in time given these costs. It's really the same risk as in a conventional build. It might be a little bit different – bigger projects, longer periods to complete – although what we are seeing is that the P3s that have been awarded from a road-building point of view have been completed much quicker. It takes the risk out of the contractor and out of the process, and that's good for everybody.

Mr. MacDonald: Well, it's a liability in the case when you add them together and you add the capital payments and the long-term operations and maintenance payments. It's quite a liability that doesn't show up in the province's books.

Mr. Snelgrove: No. That's not correct.

Mr. MacDonald: That's not correct?

Mr. Snelgrove: No. All of the costs are in our books. Regardless of what some that sit a few seats down might tell you, every single dollar is.

The other part that should be noted from a P3 point of view is that the contract for maintenance is built into that cost. If we build a conventional build hospital or school, you know as sure as we're sitting here that there are going to be maintenance costs to look after that building, yet those aren't included in any budget that we have now. If we want to go to page 78 of our fiscal plan, at the bottom of the table you can see where we were in '08-09, where we intend to be with our borrowing and our expenditures, and where we get to. I mean, we're starting this year with a total liability of \$2.626 billion, and at the end of 2012-13 we'll be at \$5.9 billion. If you turn over to where that money is, that's \$3.1 billion if I'm correct. So to suggest that our liabilities on P3s are not booked is simply not true.

Mr. MacDonald: Could you show me where they are on the balance sheet? Where are they listed?

Mr. Snelgrove: Go to page 80 if you've got this book, and go down. When you get into liabilities, if you go to liabilities for capital projects, \$5.93 billion. If you want to go to this year, \$4.425 billion.

Mr. MacDonald: Okay.

Mr. Snelgrove: If you take that number back to page 78, on the bottom of page 78 liability for capital projects is exactly \$4.425 billion.

Mr. MacDonald: Okay. Now, that's fine, but your \$4.3 billion deficit would not include any of the payments other than this year's payment that we're looking at in this budget year, any of the payments we may be looking at, whether they're 25, 27, or 29 years out into the future for operations and maintenance or capital, right?

Mr. Snelgrove: We book the total cost. Our liability – it's like your house mortgage. Your total due this year is your payment. You still owe that much money. Due this year are the dollars that you make in a monthly payment, but you have an asset that's your house. You know, we also have an asset when we built it. So in our total financial statement you show what you've spent, what you've got for it, and what you owe on it, and at the end of the day it's not necessarily a wash. It's stated on page 80.

Mr. MacDonald: Okay. If we refer, then, to page 80 and we refer back to the obligations that are being met in this fiscal year for 3P projects, whether they're ring roads or schools, and we take a look at the indexing that's part of the operations and maintenance contracts in those design, build, finance, and operate, or whatever they are in the lingo of the department, are you confident that these future liabilities – and in this case for the year 2013 the target is \$5.9 billion – are anywhere near accurate?

Mr. Snelgrove: Right now it is. Would I like to see that at about \$7 billion? If we can get value for our money rather than just us spending \$7 billion in our capital plan, if we can get a better deal, like I said, I'm not afraid of the P3 debt if it's appropriate pricing. I'm not afraid at all. I would rather have upfront knowledge of what it's going to cost to maintain and turn that facility back to us in 30 years. I'd like to know that right up front, and I think most people would.

7:00

Even if we build a highway that's not on a P3, if we twin the highway to Fort McMurray, you know it's going to have to be maintained. You know it's going to have to be plowed in the winter and the grass cut in the summer, but we don't put that cost from every year into the budget this year. Why would you? I mean, it's next year's cost. So, you know, at least in a P3 we tender it. We would have to go out – what's the snowplowing going to be? In a P3 that's all included. Your costs are fixed for the term of that contract. That's the benefit. We can argue about whether they're good or bad or otherwise, but to be fair, you know the total cost, and that's something.

If you build a hospital, we can model about what it's going to cost. When we build schools, we know there's a cost to run it. We know that. But from a capital asset point of view, to know that you've got everything built in, I think it's a huge advantage to the taxpayer to see it. These things aren't free. Not only the people costs, the staffing costs, but you know the furnaces are going to break down, you know the lights are going to wear out, you know the parking lot has to be crack filled, so taking as much of that risk out makes darn good sense.

Mr. MacDonald: Okay. I just would like to remind you and encourage you to have a close examination of some of those designed, built, financed, and maintained contracts because I was surprised just how lucrative and generous, in my opinion, some of the add-on costs could be. I hope there is scrutiny of those costs as the projects are completed. Certainly, in my opinion, contractors left themselves what could be a rather large cheque if there were to be design changes or further bills or changes, whatever. I was surprised at how generous those changes could be.

Mr. Snelgrove: Wouldn't those be the same circumstances with any contract?

Mr. MacDonald: It wasn't a hard-dollar contract. No.

Mr. Snelgrove: No. I'll make a comment. Quite a few of the buildings that we built in the traditional manner had cost overruns. Now, how do you suppose that happened in a traditional build model? Designs can change, products can become unavailable, products can become too expensive.

The issues you're talking about are real. I'm not saying they're not. You need to be very diligent around the administration and the application of your contract, but you need the same diligence on a traditional build as you do on a P3 build.

Mr. MacDonald: Yes. It's odd that you would bring this up now. You can go through past *Gazettes*, prior to your becoming minister. I don't know, Mr. Chairman, if these things are related, but I suspect they are. You could go to the library and look in the *Gazette* and see a number of cost overruns for any number of reasons, which I found to be quite astonishing. Engineers certainly provide detailed blueprints, whether it's a road, a bridge, or a building. I was quite surprised, as a percentage, how people would come back to the Treasury Board and ask for more money because, of course, since the project started, there were unforeseen circumstances. But under your leadership I really don't see those. I don't even think I see them at all in the *Gazette*.

Mr. Snelgrove: No. I'm not saying they're not there. You're probably just too busy looking at the bigger stuff.

You know, I was in the contracting business for 25 years. I can tell you that to get an extra – and some contractors try and do this, no doubt – you had to really be in line. Maybe we were in the wrong contracting business.

There are cases, and you can spend millions building a road, for example. If you're going to take all the risk from a contractor and say: "You're not going to hit muskeg from here to Fort McMurray or here to Grande Prairie. We've done 800 test holes, and we fit this, so there is no chance you're going to hit an old well site. You're not going to hit anything." Fine. But you're probably better off to have addenda that say: if you do, if you are in a boreal area where you've got to go find suitable dirt, replace and import compacted fill, here's what it costs you, price per metre; here it is. It happens. You can hit muskeg; you can hit any number of things. You can anticipate, but you don't know, and there is no point in spending just about as much money drilling test holes every two feet.

So you've prearranged that, and you can say: this is an overrun. But if you've estimated a thousand cubic metres and it turns into 10,000 and the contractor actually has to do 10,000, then isn't it fair that you would pay him for that 10,000? Or to get into a building renovation, if you've ever renovated your house or have friends that have, you will know that they all have two stories, the story before and the story after.

In construction if it's in a perfectly clean site area, then you probably don't get that. Even building through communities, you can hit an old fuel station site or a precious – help us all – burial site. How can you anticipate the cost of shutting things down for years until you figure out what the heck it was? So there are things. You can spend forever to make sure that you've covered every possible scenario, and at the end of the day in the best efforts you still can hit circumstances that no one could have anticipated. So you make sure your contract says: if you have a glitch, here is what the gravel in place costs are, here is for the dirt in place, here is for the extra sub-base you have to do, here is for the water hauling. These contracts that come out for little water and sewer jobs are two or three times that thick. So, I mean, they do try.

I will also tell you that the engineers and the architects aren't ever wrong; the contractor is always wrong. I'm just telling you. At least that's what they told us. Rule 2 was that if for some reason the contractor was right, refer to rule 1.

Mr. MacDonald: Okay. You note on page 78 the liabilities for capital projects. I'd like to bring your attention now to page 83, the net financial requirements, at the top of the page. The direct borrowing for capital purposes for this fiscal year is \$1.1 billion, and you would add that or I would, I think, and the taxpayers would add that to what's on page 78. What is the projected cost of borrowing this money, and how does it compare to the P3 alternative financing model?

Mr. Snelgrove: Two different comparatives there. One is a direct financial risk that we're able to go around the markets on, and finance are the people who do the borrowing for us. Because of the triple-A plus credit rating that we've got, I think it was actually not significantly higher than we could get putting it in some banks. That's how good Alberta's credit rating was and is.

Mr. MacDonald: Okay. On page 24 of the fiscal plan it is stated that the government announced plans to directly borrow \$3.3 billion over three years for capital projects. How will this \$3.3 billion in borrowed money be spent? What are the priorities for the capital projects? We heard a long list of priorities in question period today. How are these priorities determined?

7:10

Mr. Snelgrove: From our capital plan. The capital plan itself wasn't ever structured around whether it was going to be borrowed money or whether it was going to be a P3. We did a ton of work, and it was about identifying the co-ordinated approach that most would agree – and I think you've got a list of the major things we spend on: obviously, 2 and a half billion dollars over the next year just for health care; education is a big chunk; our contribution to the sustainability fund. The money that we're borrowing will be used when we've identified the appropriate projects out of our capital plan if and when we need the money.

We are still looking at having probably the \$3.3 billion in the bank at the end of three years. If interest rates stay very low, you can then come back and say: "You shouldn't have borrowed it. You were silly to hedge your risk like that." But if interest rates go up two or three points, then – and I don't expect you to come back and say: "That was a good move. You protected us from what could have been higher interest." It's important. I think we all agree it's important to continue to build necessary infrastructure when you're getting good value for it. So from Treasury's point of view I am in complete agreement with our finance people that you are far better off to borrow when you have the lowest interest rates in history. If there's any potential that you're going to need it, take it when it's that low.

We've done exactly the same thing in business where we have arranged for credit against cash, which obviously other partners must have had, to say: okay; if we need it, we've got it. You do it. You know, you don't necessarily wait until there's a fire to build a fire hall. Don't wait until you're in any kind of a financial pressure to look for money. Let's get ahead of the markets. There was a huge, huge global uptake on Alberta's request for financing simply because they could guarantee that the money they were loaning us was going to get paid back. This is, in my opinion, a very strategic way to hedge against interest rates going up.

Mr. MacDonald: Now, I may be confused. The 20-year strategic capital plan: I am certain I downloaded this off your website.

Mr. Snelgrove: You probably did.

Mr. MacDonald: And you're the individual in charge of this 20-year strategic capital plan, even though it's an infrastructure plan, correct?

Mr. Snelgrove: No, it's our government capital plan.

Mr. MacDonald: But your ministry is . . .

Mr. Snelgrove: Mr. Zwozdesky and I with help from others put it together, and it covers our government capital plan.

Mr. MacDonald: Okay. Currently there are discussions going on in the city of Edmonton by the Edmonton public school board to close five public schools and reduce the operations in another. I saw your actual and projected student population growth in Alberta on page 46 of this plan some time ago where you were anticipating we were going to have an additional 80,000 students in the school system. We're going to have in the very near future more students than we've ever had in the system, and a generation out we will have up to 80,000 additional students in the school system. The source of your projection is Alberta Education. The date of this projection is 2007.

I used this information in a town hall meeting, and I was startled that the school trustee in attendance questioned me about this projection and asked me to provide him with this information, which I did. I'm surprised that the Edmonton public school board and other school boards are not using this information whenever they make decisions to proceed with the discussions on school closures. My question after that is: are you confident that this actual and projected student population growth in your strategic plan is accurate?

Mr. Snelgrove: I cannot speak for the Minister of Education, but I would anticipate that those numbers were compiled by dealing with school boards across Alberta. Logically one would have to expect that there is a reporting structure that tells us not only how many students are in our schools, but by simply putting in our birth numbers and immigration numbers, you could project that. But I would presume that the numbers that Education provided to us would have been done in a consolidative way with the many school boards.

Now, one of the problems is that that doesn't tell you where the students are going to be, even in Edmonton. I can sympathize very, very much with folks who see the movement out to the burbs, where the population stays fairly static but the school numbers drop. It is a problem or a situation that cuts right across, I would suggest, most of North America, where the mature neighbourhoods don't house very many young students, so you have schools that are established in neighbourhoods that don't have a growing or a stable student population. We've seen it in Calgary, with the more rapid growth of a city. It seems like the younger families – now, I hope that we're able to look at some co-operation or future co-operative approaches from the cities that will kind of allow us to rebuild.

Nothing is more troubling, I think, than when you see the downtown cores of some of the former major financial centres; Detroit, for example. You know, what's the use of pushing all of it out from the centre, abandoning the centre? Can we get around to where we're re-establishing why the younger families are moving out? Are they moving out there for the schools? I don't think so because in many places there are no schools yet. So for whatever choice they've made. It's much the same as in our small communities, where acreages have popped up around, and it becomes extremely expensive to just take your bus out and bring them all to school.

I tell you that I'm not the person to talk to about what Education is proposing to do with their capital and what the school boards are going to do with their building projections. I think we have a significant amount of money that we are investing, that we have invested into schools, and that commitment is big. But it's not schools that are the problem where I think you're going, Hugh. It's that you've got schools and no kids. You know, to establish busing back there – it's a tough situation. I don't think for a minute that any of the school trustees take lightly what they have to do. I've never been a school trustee, but I can imagine it's a very difficult balance they've got to do.

The Chair: It's 20 minutes left.

Mr. MacDonald: Thank you, Mr. Chairman. I appreciate that.

Just as a note, the city of Edmonton did a census in 2005, 2008, and 2009. The census indicates that there's a significant increase in the number of preschoolers now residing in the city, whether they were born here or moved here. It's gone up by 30 per cent in four years, so that projection by Alberta Education, I would think, is very accurate whenever you compare it to the actual results in the 2009

census. However, not all those children are living in the fast-growing neighbourhoods on the edge of the city. I'm with you: we have to be very careful with public policy, that we don't create a doughnut or a doughnut effect, where you have everything on the edge and a big hole in the middle of our city. Hopefully, we can work with the school boards and the respective municipalities to ensure that that doesn't happen.

That being said, in the 20-year strategic plan there are a lot of schools constructed or modernized – there's a list of them here – in Calgary and in Edmonton. If we have this declining population and if the declining number of students is a barometer in school construction, why then, if the number of schoolchildren is declining, are we building additional schools?

7:20

Mr. Snelgrove: Because the students aren't where the existing schools are. It's right back to where we were.

The other thing that should give us thought, all of us, regardless of what party we're in: last year we determined we had 51,000 births in Alberta. Well, that tells you that even five or six years from now you're going to have 51,000 more students. You know, that's a great challenge. One thing that is probably the most feared in some of the other nations around the world is the declining birth rate. Even to re-establish what you might want to call a revitalized downtown, who goes there? Probably the young professionals. Many, many people in our society are putting off child raising until much later in their life, so they may live downtown. They may not even intend to have children until well into their 30s or later. Things are just a little different in how you can look at what a traditional neighbourhood was.

Mr. MacDonald: I'm looking, Mr. Chairman, in the 20-year strategic capital plan on page 87. From my quick math, in Calgary between the years 2003 and 2007, in that five-year period, there was \$258 million spent in school construction projects. That's 30 schools. There have been significantly fewer – there have only been seven or eight schools that I'm aware of – constructed in the same period in Edmonton for significantly less money. Both cities had issues around supposedly declining school enrolment, but that is a significant difference, as are the school modernization projects listed on page 89, where Edmonton received \$34 million in roughly the same time period while Calgary received \$41 million. We have significant infrastructure issues with older schools in established, mature neighbourhoods in the city, and I think enrolments would be a lot stronger if we could ensure that over a period of time these buildings would be brought up to modern standards.

Mr. Snelgrove: Certainly, I accept the numbers that you've put forward, but I think that to get a fair lens on what's gone on with the student population in Edmonton to compare it directly to Calgary, you would need to look at what was spent in St. Albert, Stony Plain, Spruce Grove, Sherwood Park. There aren't the shock-absorber communities around Calgary that take some of the resources here. Without getting into it, I would say that you'd need to look at greater Edmonton for investment in schools. I don't think that anybody gets up and says: can we somehow change these numbers so Calgary gets more than Edmonton or Lethbridge gets less? That doesn't happen. We go off numbers where populations have moved to growth numbers. You know, Hugh, that some of the neighbourhoods in Calgary were 20 miles out there. I mean, we had kids riding buses in Calgary for well over an hour and a half, so the need was there.

In some cases, and I think the minister expressed a little bit of his frustration today about not being able to move quicker where we're

able to identify that there are significant populations of school kids, we do have opportunity to maybe use – I don't want to call it a P3 – certainly some other partnerships, maybe a P4 or a P2 or however many Ps it takes to get it done. Either way, you know, we're looking at it.

The minister has been very adamant – and I think you'd have to agree – that especially with young children it really is about getting them to school without spending an hour, an hour and a half a day on a bus. Now, we don't have much choice in the rural areas. We in many cases have to ride a bus for an hour and a half, but that is some of the least productive time spent. Trying to get, especially, elementary schoolchildren to a school where they live is pretty important, and I know it would be important to you, too, but I think we have to keep in mind that I would feel less concerned about busing high school students a certain distance. I think that with the electronic opportunities they've got now, they could probably make better use of time on buses if they had a screen in the back seat or their laptop and could go to work.

The other part of modernization, that I hope is being used in Edmonton, too, is the electronic chalkboard and information that allows smaller classes or smaller schools to stay connected with the best teachers in the country in such a real way in their classroom. If you have smaller schools, you can still get them the real high-level instructors. You know, where we've got schools with maybe a total population of a hundred students so that you have two or three grades to a classroom, they're making very effective use of technology, and I would presume that the Edmonton board is. There's a little more to the school than just making it look nice because, quite candidly, it's the teacher in front of the students that's probably the most important thing in the school. How nice it looks: that's maybe kind of important to the people driving by or building a house nearby.

Mr. MacDonald: Thank you. I appreciate that, and I found that interesting.

Now, I'd better move on with the time that I have if you don't mind, please. On March 2, 2010, it was reported that the Alberta capital bond program to raise \$100 million fell short. The latest number: I think it's floating around \$75 million. The entire amount of funding, as I understood it, was to go to seniors' accommodations or the construction of facilities for seniors. The reasons given for the shortfall were that this was a new product on the market and that it was very close to the RRSP deadline. The government still plans to spend \$100 million in seniors' accommodations by making up the shortfall through the general revenue fund or perhaps through borrowing; I'm not sure. Why is funding for seniors' accommodations not already a part of the budget?

Mr. Snelgrove: It is. There is \$50 million in the Seniors budget this year and \$50 million next year for seniors' accommodation. The real significant push behind this was the fact that our building costs are better, and it's essential. You know, when you're dealing with the folks who don't have a great deal of their years ahead of them, to have to spend them in a hospital is just inappropriate. We believe that giving seniors the opportunity to have more choices about where they can live but primarily making sure that they have the opportunity to not have to stay in a hospital is one of the biggest.

I mean, we'll watch our spending. I think that from the Seniors list of requests for building – it was a year ago that we tried to get the federal government to come in as part of their stimulus package or any of their granting to share in building some of these facilities. It has multiplied two or three times sometimes as you partner up with some of the foundations or some of the communities, so there's

a real effective use of your money. We tried to get Seniors in. At that time I think we had an established list of projects at about \$176 million. You know, there is certainly a demand for the money that we can raise from the bond issues.

I'm not going to get into why it didn't raise a hundred million dollars. The money markets are what they are, but we'll make very effective use of what we did raise from the bonds. Coupled with the \$50 million that's already in our budget, that's a significant investment, and everyone probably would be aware of the last several years of very large investments in seniors' facilities.

7:30

Mr. MacDonald: I found the government's approach on borrowing this \$100 million dollars quite interesting. I think the real goal of the government was to soften up the taxpayers of this province to try to convince them that debt is good, that government borrowing is the right thing to do. For so long this government had indicated that, no, we can't have any debt. We can't have any borrowing after, you know, your Conservative predecessors borrowed so much money, and it took us so long to pay it back. It was so difficult to pay back that key government programs were cut. I think this is an elaborate public relations exercise to convince Albertans that times have changed and that now we have to borrow money and that it's a good idea.

Mr. Snelgrove: I think the huge difference is that they were borrowing money to operate. I absolutely do not agree with borrowing money to operate. If you review the budget, you will see that our operating budget has been within our revenue. If you wanted to shut infrastructure building off, you could balance the books. That's not, I don't think, either practical or appropriate.

I think it's very important to know and to note that all of the money that we're borrowing is for capital. The bonds, our \$3.3 billion are for capital, and when you build it, you have an asset. Now, we depreciate it like anywhere else. Realistically, you need to know what the value is, but building facilities that are going to be used for 30, 40, 50 years and in some cases of highways for longer with maintenance, it just makes good sense to borrow at historically low numbers for capital. That's what we're doing.

Mr. MacDonald: Okay. Given the fact that whenever you look at the interprovincial comparisons of capital expenditures, Alberta is \$1,947 per capita. The average of the other provinces is roughly \$1,100. That's a significant difference or a significant increase. Do you not think that the capital plan could be stretched out over a longer period of time and we could gain greater economic efficiencies? Let's face it; contractors have sharper pencils these days. The Premier himself said that in some cases contracts are coming in at 40 per cent less than what had been anticipated or planned. Given that we have capital expenditures on a per capita basis that are so much larger than the rest of the country, I know we have to catch up from previous decades, but do you think that's wise to spend it all so quickly?

Mr. Snelgrove: Well, that's not all. I mean, there is a reduction because of some of the benefits.

A couple of things we need to keep in mind that I think we in Alberta look at differently than some of the spending that the federal government came out with where they talked about building infrastructure as a stimulus. Well, that's okay, and we'll use that. But the fact is that we're building infrastructure in many cases as economic enablers to grow what we need from the economy to pay for the programs we've got. When you look at the pressures, we're

not, I guess, unique in Alberta, but it is pretty interesting when you fly how lit up at night all of Alberta is except the north. We've got huge development to Grande Prairie, huge development to McMurray, all through central Alberta and south. We've got infrastructure to be provided everywhere.

You know, when you fly over British Columbia, you hit some hot spots in the south, in the valleys, Nelson, and Vancouver. When you go over Saskatchewan, I mean, there's some development, but if you just put out Saskatoon and Regina, it is not nearly as populated although they're coming. When you go over Manitoba, there is very, very little north of Winnipeg and the lakes. My point is that you can consolidate your infrastructure in very small numbers. There's no question that if you build one high school for 10,000 as opposed to 10 for a thousand, that would be cheaper. We don't have that opportunity. We've got growth all over the province, pillar to post.

Most other areas that see significant economic expansion come from one area. It's a big deal when a car plant reopens in Ontario. People's eyebrows hardly go up now in Alberta when you have a 100,000-barrel development north of La Corey or 400 wells at Tulliby Lake or a new gas development south of Grande Prairie. We just expect to be busy everywhere. When you see the houses being built all through the south, there is a demand on us that I'm not sure is faced by some of the other provinces that don't have the economic spread-out that we've got. That's cost, but it's good. It spreads your opportunities out, too.

Mr. MacDonald: Thank you. Now, getting back to the estimates on page 430, the capital projects, there's a provision there of \$62.2 million. What is the breakdown of the \$62.2 million in spending for provision of capital projects? How does that work?

Mr. Snelgrove: A few years ago we had identified a need for a first responders radio system. We haven't been able to bring to the table a sound enough plan to go forward on that particular proposal, so that \$62.2 million will stay in Treasury Board until that or another project is identified. At that time, because it is voted on in Treasury Board, before it goes, it would have to come back to a supplementary estimate to be put to a project. It's not for a capital project that we're going to do.

Mr. MacDonald: This first responders radio system: what exactly is that?

Mr. Snelgrove: The concept or the intent at the time was a system that all of the first responders – ambulance, firemen, SRD, fish and wildlife, police – could access particularly because most of the time when they're on the road, there's an emergency. It could co-ordinate activities, whether it's forest firefighting, in case of natural disaster, or just even other, you know, fires and stuff that need more than one responder to facilitate intermunicipal sharing of equipment and information. It really was giving an opportunity to the first responders to co-ordinate their work.

Mr. MacDonald: It has nothing to do with the emergency response for, say, a tornado.

Mr. Snelgrove: Well, it doesn't have to do with that, but it would have to do with all of them responding to the tornado, to be able to talk to each other.

Mr. MacDonald: Okay.

The Chair: Thank you, Minister. I'm sorry; the time, 60 minutes, has expired.

We'll take a five-minute break and be back at approximately a quarter to.

[The committee adjourned from 7:39 p.m. to 7:44 p.m.]

The Chair: We'll call the meeting back to order.

Seeing as there are no members here from the third party, the Wildrose Alliance, then we'll just go to the fourth party, the NDP, and I'll turn the floor over to Mr. Mason. You guys have 20 minutes. Do you want to share your time back and forth?

Mr. Mason: Yeah. Thank you very much, Mr. Chairman. Well, fourth in the standings but first in your heart.

I have to start by saying, Mr. Minister, that you have me tonight at a bit of a disadvantage because ever since the Wildrose Alliance came along, you've sounded more and more reasonable.

Mr. Snelgrove: So have you.

Mr. Mason: Take that back.

Mr. Boutilier: Brian, in the discussion you said that there was a merger with you and the Wildrose.

Mr. Mason: No, I did not say that.

Okay. Let's get started. Mr. Minister, you've got an item in here in your department, your expense by elements on page 429, which is separation payments of \$30 million. Now, that's a forecast. It's not in the estimates from either this year or last year, nor was it in the supplementary supply, so where does that money come from?

Mr. Snelgrove: It's money we had set aside for capital that we weren't able to spend, didn't have to spend.

Mr. Mason: Okay. We're spending \$30 million of capital money to give people golden handshakes?

Mr. Snelgrove: No. Correct that. It came out of the money we'd set aside to deal with the federal stimulus funds, that we didn't all have to expend.

In any given situation business requirements change. Especially in Service Alberta, we chose a different route to deal with some of the contracts around our IT, and that resulted in our having about 110 people that we didn't need. It was as simple as that. It wasn't that they were good, bad, or otherwise. It's the simple fact that the job they used to do was no longer there.

Mr. Mason: Because you contracted it out.

Mr. Snelgrove: We contracted it out. We have an agreement with our employees and our unions that sets out what you're eligible for as a severance package should you no longer be needed. This falls under all of those guidelines.

Mr. Mason: Did you take these severance payments into account when you estimated the cost-effectiveness of contracting out that work?

Mr. Snelgrove: Uh-huh.

Mr. Mason: Do you have anything on that?

Mr. Snelgrove: It's not a one-year savings. It's a savings that's there for virtually forever.

Mr. Mason: Is this \$30 million across the government?

Mr. Snelgrove: Yes.

Mr. Mason: So you're picking it up for everybody.

Mr. Snelgrove: That's right. In corporate human resources we have taken the approach that we are one government. We're actually trying to work very hard internally to make sure that the number of layoffs we've got is minimal. By co-ordinating that, we take the skills that some people have, and if we can offer retraining or relocation to another department, we would far rather do that than have to send them home at all.

Mr. Mason: That's a huge amount of money. Now, you said that that came from unspent money that was allocated to the federal stimulus program. Remind me what the ratio is on the federal stimulus program. Is it one-third/one-third/one-third?

Mr. Snelgrove: Different programs have different – the biggest key with the stimulus was the fact that it had to be spent by March of next year, so a year from now it's got to be done. The stimulus spending, I'm not sure if it had to be one-third/one-third/one-third or 50-50. [interjection] He's saying one-third/one-third/one-third.

With the federal stimulus we were able to sign with municipalities directly contracts that we didn't have to be participating in.

7:50

Mr. Mason: So you took \$30 million out of that. That means that you left \$30 million on the table. Is that not correct?

Mr. Snelgrove: No. It means that we took all the federal money that we could get and used it where we could. Right from day one we put this aside to make sure that we had adequate funding. So the rules that they come up with as they think these programs through – if they wanted to call it new money, we had to have it audited.

Mr. Mason: Okay. So we got all the federal money from their stimulus package that we could.

Mr. Snelgrove: Yeah.

Mr. Mason: We didn't leave money on the table.

Mr. Snelgrove: No.

Mr. Mason: All right. Well, that's good.

Okay. I want to ask about some other things, and this could just as easily be asked of the finance minister, I suppose. Remind me of the total operating expenditures for the entire government in this year's budget. Do you have that number right at hand?

Mr. Snelgrove: Do you want operating, or do you want operating and capital?

Mr. Mason: Operating for now. Ballpark is good.

Mr. Snelgrove: It's \$33.211 billion estimated this year.

Mr. Mason: Okay. Well, you may as well give me the capital number, too, while you've got it there.

Mr. Snelgrove: Well, add \$7.208 billion to that first one, and you've got it. So our total capital plan is \$7.2 billion. Total operating plan is \$33.211 billion.

Mr. Mason: Okay. Great.

Now, how much of the government's revenue comes from tax levy, and how much comes from royalties?

Mr. Snelgrove: Okay. I'd say I'd better get my book out. The tax, if you want to include personal, is \$8.6 billion; corporate is \$3.1 billion. Tobacco tax, \$880 million; fuel tax, \$760 million; freehold mineral rights, \$167 million; insurance taxes, \$330 million; the tourism levy, \$63 million; education property tax, \$1.592 billion; those add up to \$3.792 billion. So direct taxes, income and others: \$15.4 billion.

Mr. Mason: It's \$15.4 billion. Okay. And royalties?

Mr. Snelgrove: I'm sorry; I didn't hear the question.

Mr. Mason: Royalties?

Mr. Snelgrove: Oh, \$7.3 billion. Sorry, I was sitting here waiting for it.

Mr. Mason: It's \$7.3 billion. Good. Okay.

Mr. Snelgrove: And I'll be happy to note that we get about \$5 billion from our good friends down in Ottawa.

Mr. Mason: Good.

Mr. Snelgrove: Yeah. We give them \$40 billion and we get back – just kidding. Go ahead.

Mr. Mason: Okay. I guess my question, really, is whether or not we have enough revenue on the tax side, or have we become too dependent on royalty revenue, especially gas royalty revenue, in order to pay for program expenditures on the operating side in the long run?

Mr. Snelgrove: I guess the point would have to be made that if you have it, you might as well use it. You can work toward setting aside a share of it. You can do that in a couple of ways. You can put it in the bank, but we've all seen the families on TV that put enough money in the bank that their kids and grandchildren never had to work, and most of them didn't amount to very much. You could create enough wealth that that would be your goal. You can put it into infrastructure: building roads, building schools, building hospitals. That will allow the wealth generation and the generational transfer of opportunities that are there. There are others, but somewhere in there is probably the right mix.

Would it be nice to have a bigger share of revenues? Yeah, but not at the expense of taxing more. The other provinces or other entities around the country that tax more are in worse shape than we are by a landslide.

Mr. Mason: Oh, I appreciate that. We have grand sources of revenue that other provinces generally don't have. My point is that if it's royalty revenue spent on operating, you know, we're really spending capital on operating. It also makes us more vulnerable

when gas prices go down. Now it looks like they might stay down because of all the shale gas in the United States.

We've increased the deficit, and we're spending a lot of money on health care. I'm not unhappy about that at all, but we're kind of in the position where the price of gas dropped substantially, and we've got to lay off nurses, you know? That's because we've got the flat tax, which costs us probably \$4 billion or \$5 billion a year. The people who benefit the most from that are, of course, the wealthiest of Albertans. We've cut corporate taxes by over a third in the last eight years, and most of that time they were making record profits. We walked away from huge amounts of revenue. Now we're too dependent on natural gas royalty revenue, and that's drying up. Where do we go from here, Mr. Minister?

Mr. Snelgrove: Well, I'd say that philosophically we have a slight divide between your premise that we've walked away from large opportunities for money. We've created enormous opportunities for wealth by attracting business and people here because of a predictable tax system. Even Mr. Lincoln said that you don't make a poor man rich by making a rich man poor. When you look at the breakdown of who pays taxes in this country, the wealthy pay an extraordinary chunk of taxes. I believe very, very firmly that by moving the basic exemption up, you are giving by far the best opportunity that there is to low-income earners. In Alberta a couple can make around \$35,000 before they pay a cent of provincial income tax. And if you've got kids, you're into the \$45,000 range before you pay a cent. With no sales tax that puts you at probably a \$10,000 average benefit over any other province.

Mr. Mason: Yeah, but the lion's share of the benefit really goes to the very wealthiest people, though, doesn't it, Mr. Minister? It does.

Mr. Snelgrove: You know 10 per cent of a million is \$100,000 they would pay. So you have about 40 per cent of the people that pay zero.

Mr. Mason: Yeah. I appreciate that.

Mr. Snelgrove: What's the point of driving hard work or entrepreneurs out of your system . . .

Mr. Mason: Can you tell me how cutting the personal income tax on wealthy people is something that stimulates investment?

Mr. Snelgrove: It's not cutting.

Mr. Mason: Well, it was cut.

Mr. Snelgrove: This is a flat tax that says everyone that makes over this pays 10 per cent.

Mr. Mason: It was dramatically cut. What was the effective tax rate at the highest income category when we had a graduated and progressive income tax?

Mr. Snelgrove: I don't know. Those dark ages are behind us, thankfully.

Mr. Mason: Well, we remain the only province and one of the very few jurisdictions in the world that actually does that.

Mr. Snelgrove: And the only province that is paid for. The connection isn't that we didn't tax people enough.

8:00

Mr. Mason: You can thank the high price of oil and gas for that, Mr. Minister, not the flat tax.

Mr. Snelgrove: You know, the people of Alberta would be paid for if we had no oil. The attitude out here is far different than in most other provinces and many other states. We'll do what we have to do. I don't believe for a minute that the solution would be: tax us more to make us happier.

Mr. Mason: Well, I think we could cut taxes on middle-income families. I wouldn't mind that, Mr. Minister, because in some cases they pay more than in other provinces.

Mr. Snelgrove: In the ranking across Canada for married couples, we're the lowest. For single parents with two children, we're the lowest. Single senior, we're the lowest. Married senior couple, we're the lowest. We're number two, married couple with two children. Number one is Ontario, I believe, or probably Quebec. It is Quebec, so we're paying for them, too. As a single individual, we're number two behind B.C. When you factor in the sales tax and the other hidden taxes, it's not even close.

You know, I've got to tell you: a little while ago I was going to have my AGM, so I spent a day, and I read this whole book again. You ought to. I know sitting behind those other characters over there, you must want a distraction. Get in there and read about the tax benefits. Anybody would. It's not just you, Brian. Anybody would.

Mr. Mason: Well, I am glad we've got the old Lloyd Snelgrove back tonight, Mr. Chairman.

I want to sort of go on to the secretariat for the oil sands if I can. I had an interesting exchange with the Premier today in his estimates, where I urged the government to really get a little bit more serious about cleaning up the tailings ponds or the tailings lakes in the oil sands, rather than just spending money trying to convince the world that everything was fine, to actually recognize that we do have a problem and that we have to change how we do things. To my surprise, he sort of halfway agreed with that. I want to ask you since you're responsible for this: what exactly are the plans to clean up the tailings lakes?

Mr. Snelgrove: You'll have to wait until you get Mr. Renner and Mr. Liepert here, or the combination of them, and talk to them about their plans. We don't set environmental policy. We just work through the secretariat to make sure that the groups involved understand what's going on. So you'll have to ask Mr. Renner. You can take the opportunity just about every day and ask him or let Laurie ask him or you can wait until you get him in here and ask him.

Mr. Mason: I already had him.

Mr. Snelgrove: What did he say?

Mr. Mason: He invited me for lunch.

Mr. Snelgrove: Look, if that works.

Mr. Mason: I miss the old one.

Mr. Chairman, I wanted to ask about that, though, because there is a big increase in the budget this year. I don't have it in front of me right now, but it goes from \$2 million something to \$3 million.

I'm just wondering how you could explain that. It goes from \$2,100,000 to \$3,037,000.

Mr. Snelgrove: Yeah. We used that office to channel \$931,000 to community development from alternative capital financing. So their actual budget is not increasing by that. That was simply facilitating a move into a community plan.

Mr. Mason: Okay. I'm just curious why the oil sands secretariat resides in your department. I know that's the Premier's decision, but maybe you can shed some light on that.

Mr. Snelgrove: Because we don't have any real vested interest in a particular initiative or another. We're not trying to build schools or hospitals or anything differently. We're trying to co-ordinate the rest of the government activity. So it was probably easier to say: "Look, there's going to have to be some money spent. You need to be the co-ordinating body that makes sure that we're not working against each other." I know you're aware of the large number of different departments that had land around Fort McMurray or interest in Fort McMurray. It needed to be co-ordinated, and quite honestly it's worked extremely well.

Mr. Mason: Thank you.

The Chair: Thank you very much, gentlemen. The time has expired.

We now move to the speaking list, and we start with Mr. Xiao, followed by Mr. Boutilier.

Mr. Xiao: Thank you, Mr. Chairman, and also thank you to the minister and staff for coming to this committee to answer questions. By going through the documents we got, you know, what really catches my eye is when I go to page 291 of the business plan. You call your statement an accountability statement, so that really immediately catches my eye. I want to start from here because, as you know, accountability is the key for our government, especially in your department, which is responsible for all the money. You are the money man. So this is a very, very important issue.

On page 296 you talk about accountability in the government, and then you develop a strategy, from 3.1 to 3.8. I just wanted to ask you a few questions, if I may, to elaborate on some of the strategies in some detail. For example, in 3.1 you are talking about: "Strengthen the government's central financial processing systems by adopting best practices, improving internal controls and risk management and delivering effective financial reporting."

Mr. Snelgrove: A couple of things that were important for us to do. If you want to have a consistent approach, make sure that we're all on the same IT. I was actually quite shocked years ago, when I was responsible for Service Alberta and Treasury Board, that we had developed many different systems within our government. I doubt there's any corporation out there running, basically, a \$40 billion business that doesn't have a consistent approach to IT throughout, particularly the parts that need to talk to each other, need to report. So establishing a consistent criteria for reporting, making sure that we've got the IT in the departments that can not only talk to us but talk to each other. When you have that big of a – I mean, it's an enormous task to bring IT back into what you might call government domain, where we all looked at it from a corporate point of view.

I think we've made huge strides in developing a common approach to our workforce and how we try and attract some of our management. It really is a process of putting a corporate identity on

all of the departments that says: we are one government, and we will act like one government; we'll report consistently through common IT.

Mr. Xiao: Okay. In terms of technology, in your 3.6 you are talking about: "Increase specialized forensics and technology audit services for government ministries." Like, what kind of new technology are you talking about in order to make this whole system you just talked about more efficient and more effective?

8:10

Mr. Snelgrove: I think we probably saw some of the examples in responses or working with the auditor when he talked about some of the access into our systems and how we need to be able to watch. Like, I think one of the important things if you're going to be reporting and using common IT: it's got to be secure. We've got to know that we're the only ones that have access to it. So by moving to a common IT or using that strategy through Service Alberta, you are going to be able to identify – you know, I think if everybody that works in the office of the controller or internal controls knows the reporting structure, if there's an oddity, it'd be just like your accountant or the federal government. If you apply for a GST rebate over \$10,000, you're going to get a call. Well, there are trends or traits that show up in government that I think, if you have the right technology in place, can identify either people that are colouring outside the lines or some kind of discretion that may not be appropriate.

Mr. Xiao: Okay. Yeah. You know, another thing is to make sure that as a government we are absolutely accountable to Alberta taxpayers. So what kind of concrete measures are you taking, the steps, if you will, that you are taking to make sure that is going to be the case? For example, at 3.4 you're talking about developing "transparent and effective performance measurement systems" because it's very, very important, how to measure the performance of each department and the system we have and the system we're going to establish "to address the economic, social and environmental pillars in Alberta's high growth areas." I also want you to highlight, you know, those pillars in those high-growth areas.

Mr. Snelgrove: It's an interesting position. We probably get most of the reporting about whether we're accountable through the auditor. That's unfortunate in some ways because our Measuring Up document tries to put a measurement to what we're actually accomplishing. Are we achieving the goals that we've set out in our business plans? We've produced the Measuring Up document for years and years and years. Now, we are looking at trying to make it more relevant and more readable so that people actually can understand when we talk about what we're trying to achieve in health care, education. Are these goals something the department has thought of to make themselves look good, or are they real goals that affect those departments?

You know, our books from the accountability point of view are literally the standard that any other province is held up to. Both the Auditor General and all of us have always acknowledged the fact that Alberta's books are as complete and consistent as or above anywhere else in the country. We will be on a fully consolidated financial statement this year. We've even done last year and, I think, the year before. I mean, we know how the reporting is going to change when we bring in the SUCH sector. When it comes to the online reporting of ministers' expenses, the blue book, although it's not early enough for Mr. MacDonald – and we'll look into that – the putting of all of our airplane expenses online for people to see, you

know, you do run into a cost when you're trying to get out there as quick as you can and do it. It is taxpayers' money, and I understand that completely.

Are we trying to be as open and accountable and still live within the deliverable framework we ask our staff to do? Yes, I think we are. Probably as electronic reporting gets easier and easier to do, it can get better and better. But I think we're leading probably in how we report and how often we report and what we report.

Mr. Xiao: Yeah. Well, you know, to achieve the goal, going through your budget on page 428, this year's budget for the office of the controller has been reduced significantly. The internal audit services budget has been reduced as well. That's lines 3 and 4. By having less money to spend on the auditing services and also on controllers, how can you ensure that we will, you know, achieve the goal, that of being accountable as a government to make sure that everything we do is transparent and measurable?

Mr. Snelgrove: I think that's one of the benefits of getting into a common IT system. While technology does cost, you also need to use it appropriately to make sure that you are able to measure what you're setting out to do. I mean, our department is no different than any others. Nobody really likes to go with less money, and most are just naturally going to grow. It would be irresponsible for us in Treasury to sit here and not lead when we talked about being more effective in using our money. We're part of all the re-engineering processes we've engaged because, quite honestly, wasting money has never been really my strong suit. We will make just a little more efficient use of our staff and of our technology, and we'll watch very carefully.

We also work very closely with the Auditor General. One that we don't need to do is duplicate what he's doing, and I think from their office they would say that they don't need to duplicate what we're doing. I don't want to leave the impression that there isn't a complete independence there, but there's a co-operation that says: if we've compiled this information and neither has any reason to suggest it's inaccurate, why reinvent it? If you have sound systems – and the former Auditor was adamant about systems being the solution to a lot of your issues – if you've got appropriate systems in place for checks and balances, you will ensure that you're achieving your outcomes. I think we're trying to live up to his direction.

Mr. Xiao: Well, you know, my last question is about privacy. It seems from what you are saying that we try to rely on technology more and consolidate the government services to make the system, the government more efficient. What concrete measures have you taken, if you will, to make sure that personal information, the private information, is secure?

Mr. Snelgrove: It's a secret. I'm not telling. You know, that's not our forte.

Obviously, the departments and the protection of their information is left up to that department, but I do think we need to look at opportunities to pre-FOIP, if I can, a lot of the information that we have to store. It doesn't make sense to me to have to generate this information and then determine what comes out, what doesn't come out. There are certain amounts of information that need to go into that base that don't need to be retrieved by anyone else except, say, a caseworker, those documents.

I think we can work with Service Alberta on other things to say: how do we make that system – because, quite honestly, I don't know if you're getting value for your money now in the whole FOIP

access to information. I'm not going to get into it, good, bad, or otherwise. It's an extremely expensive process. Technology can probably help us identify what should be accessed and what never should.

I'm a firm believer in making sure that our IT is secure. I think we're actually far better than we were given credit by the Auditor, but that was just a difference of opinion that we didn't share. I'm aware of the issues around it, but I also believe we need to be using the technology that we're paying for to make sure that it doesn't become a burden to the operations of government or to the people that are trying to rightfully access the information that they need.

8:20

Mr. Xiao: Okay. Well, thank you very much, Minister.

The Chair: Thank you.

The next questions are from Mr. Boutilier, followed by Ms Calahasen.

Mr. Boutilier: Thank you, Mr. Chair. I have numerous questions. We can just go back and forth. Would you like to be called Minister or Lloyd?

Mr. Snelgrove: Lloyd is just fine.

Mr. Boutilier: Okay.

Mr. Snelgrove: Fred is okay. Bill, Gary, George.

Mr. Boutilier: I'll stick with Lloyd.

Lloyd, I've been in most of the budget meetings. Very interdependent with your strategies are different initiatives in Finance and in Energy. My first couple of questions are about exactly that. I'm somewhat concerned based on the announcement relative to Responsible Actions: A Plan for Alberta's Oil Sands, which I think was a very good document if it's a living document as opposed to not a living document.

To all your staff that are here, they don't have to turn pages or do anything at all. They can just relax. I think the questions are just between you and me. You don't have to turn any pages because you don't know what my first question is.

Having said that, let's go on. The other night I was talking to the Minister of Energy. In my questions to him I asked him regarding the competitive review, which is a global initiative of the government. I'd asked him relative to the generic fiscal regime and the unprecedented growth that generated over a hundred billion dollars in the oil sands, my hometown. When I asked him what he thought of it, he commented to me he didn't know what it was. That set off an alarm to me that the Minister of Energy does not know what the generic fiscal regime is with unprecedented growth that has generated investment in jobs galore across not only my community and Alberta but all across Canada and, for that matter, probably across the world.

I know you are aware of the generic fiscal regime that was in place that generated over a hundred billion dollars. On the competitive review, that I understand is coming out, I asked the Minister of Energy if some of the positives that came out of the generic fiscal regime would be utilized in the competitive review. He said: well, even though I don't know what the generic fiscal regime is, I'm sure it will. Can you give me some confidence that there is an understanding of the generic fiscal regime by people on Executive Council?

Mr. Snelgrove: If we're going to talk about trying to make sure that we understand that there's more to business than just royalties and that the opportunity to recover – because it's even bigger than that. It's not even just about recovering. It's about certainty that the financial sector has to have. If you don't have the cash in the bank, if they don't see a business plan that says, "There is an opportunity down the road sometime for you to pay me back," which is what every bank looks at when they give you money, if your business isn't operating in that kind of a setting regardless of what it is, whether it's oil or agriculture or forestry, if there isn't a reasonable opportunity to generate cash to either service the debt or return to shareholders, then they can't give it to you.

A royalty structure needs to address that in the most basic, fundamental way: is there a reasonable expectation of profit to service debt? I would suggest that, yes, there is. I know there is. But it's kind of a little bit awkward to me because the competitiveness review isn't out yet. I mean, I'm going to love to talk about it when it's out there, but it's not now, so I really can't.

Mr. Boutilier: Okay. I accept that. It will come out. I don't want you to prejudice the report in any way. I say that in a positive way, if you were to prejudice it.

Let me ask you this. The fact that the certainty of what we have – and in the document it talks about goals. It talks about us in my constituency and part of Alberta having the second-largest oil deposit in the world next to, of course, the Middle East – and the fact that in the constituency of the oil sands community that I represent, we have something the rest of the world wants, which is a good thing. I think that provides certainty to bankers, to financial institutions and in fact answers some of the questions when it comes to the competitiveness review that, my goodness, we can service this debt and other things as a business because of the fact that, wow, they have something and the price of west Texas intermediate being at \$81 or \$82 today or wherever it would be. The fact is that that is certainly a confidence builder to, I think, bankers who loan that money in terms of cash flow.

My concern was, though, that there is a Minister of Energy. He didn't know what the generic fiscal regime is. This goes back. Obviously, it has been my home for 30-some years. Many people in this room have a wealth of information regarding the oil sands and how it has evolved to where it is today, and some of the questions even that come from other parties I don't, perhaps, necessarily always agree with when it comes to things that are going on. In fact, some of them were in questions today and yesterday in the House.

The minister of finance made comments yesterday that concerned me relative to the connection to your plan about the oil sands secretariat. They were this: if you don't like, you know, what we're spending in Fort McMurray – I think he recited the last 10 years. He went back 10 years. I'm not sure why he decided to go back 10 years. Why not go back 30 years, you know, when the government was actually an owner in Syncrude? Which perhaps the government doesn't get credit for but was very successful at the time in terms of what they did to get this project off the ground. But he said: well, if you don't want the money, we can always send it to the mayor in Calgary. Again, no different than a financial institution.

We look for certainty, so in comments that come out of members of Executive Council, we look for certainty of their understanding of the value of oil sands and royalties and what they contribute to the general revenue fund of the province of Alberta, which helps pay for many things.

When I heard that from the minister of finance, it baffled me, so, first of all, my question was: would you be aware of the amount of royalties that have come from Fort McMurray to the total general

revenues that all Albertans enjoy? Because it's apparent to me the minister of finance did not know.

Mr. Snelgrove: A couple of things, though, Guy, in all fairness. I think there's a little bit different approach to talking about budget and departmental responsibilities in this room than there is in question period. I'm not going to suggest that I take question period with the same response that I'll try and make today. I think it is important to note that for the first time in our province's history our bitumen royalty paid more money than natural gas. Now, that hasn't been the case, and the royalty coming out of Fort McMurray hasn't been as large as some people might expect with what went there.

Your point about 30 years ago. It never would have happened if we had to wait around until it was profitable. I absolutely agree. The people don't know that the government was there. You couldn't have financed up there with a magical wand until the commitment from governments through tax credits and incentives got the technology in place to make it work. So I think it is a really appropriate success evolution that we've taken, which was really a gooey mess, and have now been able to develop. I even believe and I know Guy probably believes, too, that it's far bigger than the Middle East when we're done producing what opportunities we have up there. It will triple what they've got.

That said, no matter what the royalty was 10 years ago or five years ago, you know, the structure now seems to have given certainty to the business of bitumen producers, I think, to the point that actions speak louder than words from government and from business.

I think the government has made huge commitments to Fort McMurray and not because there was any plan out there that said – the fact is, I think, that most people recognized that this was the goose that had the opportunity to lay golden eggs for a long, long time if we got it right.

8:30

The other thing to keep the goose laying that is different, I believe, at this table from even a few years ago is that I don't believe that the oil sector, the developers, had the same approach to environmental issues that they do today. That's not a great big, lofty goal statement. I think that's a fact. I think in many ways it was: we're producing up here out of sight, out of mind. You know, we'll get around to cleaning up the stuff when we get around to it. While it's not acceptable now, it was then.

The Americans have tailings ponds from their mines all over the country. I'm not trying to diminish it. It's something that we'll work on together with them. Maybe it takes a little bit more from us right now so that we can get away from having them in the first place.

What's said in question period is said. And you, more than anyone else, know how much has been invested in Fort McMurray and how much more there is still to do.

Mr. Boutilier: Okay. And just on a positive note: how much more there is still to do. My sense from the minister of finance's comments is: well, we've spent so much money there over the last 10 years; it's like you just want it all. I think I know that in your portfolio you realize that there has been a phenomenal amount of catch-up over the idea that there wasn't a plan, which was, of course, admitted a few years ago. Also, the fact is that we're trying to catch up to enjoy what other communities across Alberta enjoy. I don't think that's asking any more or any less than to be treated fairly.

I want to go back to the issue of prioritization. Under 2.1 it says: to lead and evaluate and prioritize the capital needs as part of the 20-

year plan. As you know, the former minister of health took the opportunity under responsible actions to delay a capital plan. In the House he indicated that part of the infrastructure for seniors would be delayed till past 2012. He said that just back in November. Having said that, though, my question is about prioritization, which is goal 2.1 of your ministry.

It's about how the priorities are evaluated to get on the capital plan, how they are eliminated when they're removed from the capital plan, like I learned about from the front page of my newspaper. Now, this is my question, and I'm going to bring up constituencies in the city of Calgary. In terms of priorities if you have 10 MLAs saying, "We think this is important, and it represents many constituencies," and you have the Premier who says, "No, I don't think it is," when it comes to priorities – and I'm using the example of the Baker centre. As of yesterday the civil servant Dr. Duckett indicated that the Baker centre is nowhere on the radar screen when it comes to capital plans in terms of priority. But the minister of health, based on comments made by the Premier, says that it's now a priority.

I need to get some comfort around how priorities are made. Specifically to use the example not in my riding but the Baker centre, it was not a priority for Duckett yesterday in the health ministry, but the minister of health says that now it is a priority. In fairness, he obviously heard from the Premier, who said that it's a priority now. I need some confidence in understanding: is it just one person who determines? If the Premier says it's a priority, it's a priority, or the 10 MLAs who feel that there are other areas that are a higher priority? How does the evaluation go on? At the end of the day does the Premier have the final word no matter what other elected officials would say? That could be a loaded question.

Mr. Snelgrove: No kidding.

The capital plan that we built first established a set of principles that say: how do you balance your capital requirements against a consistent set? There is no doubt that pressures for different projects can change. I think that when we had the nine regions, we weren't getting a broad Alberta perspective on priorities because they were looking out for their particular priority. With the establishment of a common provincial go-forward and with the opportunity that they took to take a look at what we had in inventory – you know, honestly, how many hospitals have we got all over Alberta? What is their usage rate? Do they have other things they can do?

You know, we also built, Guy, or are in the middle of looking at some cancer delivery projects that weren't – I don't want to say that they weren't on our radar, but they were a federal initiative. They came in and said we want these in, I think, Medicine Hat, Lethbridge, Red Deer, and Grande Prairie. Now, when the federal government comes along and says, "This is what we want to do" – unfortunately, cancer is such a strong emotional driver because we've all lived with it or with someone that has it. The fact that we lost Mrs. Webber the other day I think, maybe, makes us even more sensitive to how hideous cancer is and what we can do to put everything at our disposal towards not only the treatment but the cure. So the priorities can change. The establishment of principles and also the flexibility to say that what we thought was right 10 years ago isn't right now.

I really want to spend a little bit of time on seniors' facilities. I'll guarantee that every one of us has had a couple come into their office or their kids come in and say: "My father was diagnosed with Alzheimer's. He's gone to the unit at Myrnam, and my mother can't go with him. She's been moved to Consort. They've been married for 64 years, and they can't live together." For many decades, a hundred years, in this province that wasn't an issue that was dealt with. It was just the way it was. Now, to me, no matter what was

put into the thinking before, the thinking around that has to end. If the case is that we're going to do everything we can to ensure that couples, or whatever, can stay together regardless of their medical needs, then maybe we've got to build a different design into the buildings that we're building.

Mr. Boutilier: Okay. Yesterday the Premier used that example, and of course, my question was about honouring a commitment that was made but that was changed. He did go into detail about that point, and I don't think anyone in this room or in this province would disagree with that. We don't want to split up couples that are married for 60 and 70 years. What we want to do is honour commitments that were made. Whatever the reason why a priority changes or not, you know, that may be politics; that may be statistical analysis. You know, when I hear the former minister of health, who's now in Energy, say that, "Well, we deal with averages," well, I don't deal with averages, and MLAs in this room don't deal with averages. We deal with real people every day.

The lady who was 101 years old that I talked about today in a member's statement was on the fourth floor of a hospital, where she died after a year of being there. According to what the former minister of health said, she'd have to wait till 104. That's how long she'd have to wait, based on the fact that it's been taken off the capital plan that it was on two years ago. She couldn't wait. So that's close to my heart, and I think it's close to everyone's heart.

But this would be my question. Right now there are over 50 acute-care beds that, I understand, cost a thousand dollars a day. It's my understanding, that's what I'm saying: a thousand dollars a day for an acute-care bed. We have over 50 seniors. That's costing \$50,000 a day. It's costing \$350,000 a week. It's costing \$1.4 million a month. It's costing almost \$17 million a year. The economics of this are that the sooner it's built, the saving you will have from building it will save on the operating costs in the future, and I'm concerned about the loss of that part of the discussion regarding that.

8:40

The Chair: Thank you, gentlemen, but the time has elapsed.

Mr. Snelgrove: I'm sure that someone else will give us just a few seconds to answer Guy, right?

Ms Calahasen: I'll give it to him.

The Chair: Sure. Pearl will give it to you.

Mr. Snelgrove: The projects in the capital plan individually have not changed. The facility that's going to become that facility in many cases has changed to address those very specific changes in what we need to have, people of different levels of care.

I can tell you that not once in the process of moving capital plans along has anybody directed me, and certainly I have directed no one, elected or unelected, to do anything around what constituency they are in, across the board. We have never – and I can absolutely tell you that this is a fact – in Treasury looked at projects and said: whose riding is that in or whose riding isn't it in? Whether it is a Liberal or a New Democratic or any other riding, no one has ever, ever come to me: wink, wink, nudge, nudge, "Can we do this?" Never.

I'm sitting on the fourth year of an actually announced funded facility in Lloydminster. I have been twice to Grande Prairie to officially announce a hospital. Now, that Grande Prairie hospital is

not off our capital plan. We have to make sure that what we build is a hospital for the next generation, not the last generation.

The facility in Fort McMurray is not off the capital plan. We took it upon ourselves to make sure that we're building facilities that are what the people that we're representing, that you represent, need. I'm not going to get into individual ones except the Grande Prairie one because I did.

The capital plan is whole. We've had to push some out. Quite honestly, the Grande Prairie hospital went from an idea originally of \$250 million to a regional monolithic \$985 million to a "We won't do a P3 because I don't want to" statement by the chairman of the board to: "Well, listen. We don't have a billion for that hospital."

The importance of co-ordinating what they're building in Nelson with Grande Prairie – now, this isn't specifically to your question, and I'm doing that on purpose. More importantly, I can take a little heat for being longer at it if I'm right when I'm done. If we get the right facility for the community when we're done, that's what I want to be judged on. But I will tell you that there is not a push to hold any single MLA in that House out of the principle process of the need around these facilities.

The Chair: Thank you.

Ms Calahasen, followed by Mr. MacDonald.

Ms Calahasen: Thank you very much. I was hoping that when I gave you those few minutes, you'd include High Prairie in that little assessment there.

Mr. Snelgrove: Stay tuned.

Ms Calahasen: First of all, Mr. Minister, I want to talk about your performance measures. I was looking at your performance measures, and I like the idea that there is some quantitative and there's a little bit of qualitative. I've been harping on this for a while now, talking about how we should be able to put some qualitative measures because as a government I know that we always talk about what happens for the people of the province of Alberta, not in numbers, not only in dollars. I think if we start to look in that direction, under your ministry I believe that we can push that envelope even further to be able to identify that. I think that people in the province want to hear how it affects them, what it is going to do in terms of how it improves their quality of life. I'm so glad that you are responsible for making sure that you're going to be leading the cross-ministry initiative on the reporting processes as well, and I'm hoping that's probably part of that whole process.

Mr. Snelgrove: Well, it's been a long time since someone rated my performance.

Ms Calahasen: Okay. I can rate it.

Mr. Snelgrove: You know, Pearl, it really is about establishing a process. I will agree with the Auditor on that, that there needs to be, that we do it. An example I'm going to give you of why I'm not sure that we're not sometimes shooting ourselves in the foot – and this will come back to haunt me – is the Health Quality Council. Here's a group that can go out and rate health facilities or things without having to say – okay; for example, the \$7 million I think we had to spend in East Central to build a couple of walls between sinks that cleaned scopes and a machine that cooked and some other ones. I said this then, and I'll tell you now: in any sense of the word you had to be an idiot – I had other words in there – to determine that that was an effective use of taxpayers' money.

If you put these people in a position of saying: is there any possible risk? The room was this size. The one sink was there; the other was there. They said: "Well, cross-contamination. They could bump into each other." There's only one person that worked in that room, so to cross-contaminate themselves – it might be on the Internet, but it isn't something that can happen. You had them loading up tools, hauling them down to Viking, and putting them in exactly the same machine that was in Vermilion.

Here's a case of a group that had no responsibility to say what their request to spend meant in terms of what we got for it. They can come out with all of these laudable goals about: do this; do that. They should have to say: "If we're going to take a hundred million dollars from your existing budget to debug this whole thing, where is it going to come from? There are no more hundred millions." It's in that thing. If we've got these people out there assessing risk, then they should be obligated, in my opinion, to say: the trade-off is here. If you're going to be as stupid as building this wall and shutting a facility for six months, the money needs to come from – they don't. They come in. They tell you to spend all this money. They probably don't go home. They probably go back out and get charging us again and ride around town, I swear, to waste it.

It's stupid things like that that we need to clean up to have a balance again: this is what you get; this is what you give up.

Ms Calahasen: I think that's a really good way for us to be able to address some of the concerns, I think, that Albertans are concerned about, some of the little things that are happening that shouldn't be happening. We should be able to address some of those pretty quickly rather than having to interfere in their lives and interrupt some things that are happening. I think that's a really good idea.

The second issue that I do have is on the capital planning. It was so good to hear you say that capital will be built for the next generation because that's what we should be doing, looking at what are the needs for the future. I think the review process that was utilized by health is an important component. I want to be able to know that as we're building for the next generation, we are open enough to be able to look at everything that's possible for a small community and not just say, "It's a health facility; therefore, it stays a health facility," but rather become something even more, like one-stop shopping for health, look at that kind of development so that we can begin to see what the next generation is going to be. I just want to know whether or not we're open to that, and how we can incorporate that in what you're doing, Mr. Minister?

Mr. Snelgrove: Once again, it's not really, but I'll tell you that I think you're absolutely right about the facility needing to be a community health facility. I think the primary care network model that is being established – obviously, the minister of health would have that number, but I think it's 33 or 34 being established. The establishment of these primary care networks is going to demand that you have people in this facility. If we don't build our hospitals to have room for the social worker, the mental health worker, then we're crazy. You know, a little bit of that needs to be carried over into our schools, too. If you're going to be providing services to where children are, especially some of the northern remote communities, you'd better darn well think that what you need in a school is a little bit more than just a classroom. We have to.

I know the ministers are, because we all are, open to the suggestions. We just need to get around some of the old policy roadblocks that didn't allow you a heck of a lot of latitude in funding for a school or for a hospital. They literally have to be built with the electronic information opportunities that are available, the remote

medical procedure opportunities that are there, and the opportunity to include everything from mental health to whoever you need.

8:50

Ms Calahasen: I think that's so important. Thank you very much for those and, further, for thinking in the future rather than being stuck in today. Sometimes we get caught in that, so we forget about what the future may hold. You're talking about IT and those kinds of things. I really appreciate that kind of outside-the-box thinking.

My third question has to do with the oil sands. If you look on page 427 of your budget under number 2, expense, Oil Sands Sustainable Development Secretariat. I was really pleased to see that you are increasing the budget in that respect. As you know there's a lot of oil sands activity that is starting to happen in my constituency, in the Wabasca northern area there. I was really pleased to see that happen, but my question is: if you have increased that budget, what are the goals for this money to be spent, and how is it going to be spent?

Mr. Snelgrove: Well, I didn't really increase the budget. We just used that for an interdepartmental transfer to move money into the community planning part.

Your point about developing there is the really important one. We've got great pressures down around the Cold Lake-Bonnyville area. We're going to have them into Lac La Biche and all the little communities there. It's going right over into everything north of Athabasca and the Peace Country. Our oil sands secretariat isn't limited by any means to Wood Buffalo. Probably the most important part of the whole thing is to recognize that if government can organize its resources to a focused, outcome-based objective, we can get a lot done. But if we're going to depend on departments to go in by themselves and establish their little goals, we lose.

I think for everyone who was here three years ago, when the meetings were up in 512 and Fort McMurray was on the front page of the newspaper every week or day with this and that, since the establishment – and Heather Kennedy is here from the oil sands secretariat. A hundred per cent of the accolades should go to Heather and her staff. We don't hear it now. She's developed a repertoire with the Wood Buffalo council, with the business end of it, so you're at the table. I did learn something in my life. Not much, but a little bit'll stick. One of the councillors said that at the first meeting, when we talked up there, that in the absence of information there's speculation. No one knew what was going on.

As a government, I mean, how many times have we talked about communication? Well, from the position of Wood Buffalo and not understanding what we were doing, where our plan was, and where they fit into it, you know, I think we've looked after that. I think we need to be able to offer those same – it's not real comfort – assurances to the other areas that are going to be affected greatly that we'll be able to approach it with one window and then deal with these issues as we go forward. That, to me, is the real benefit here. If it was a mine in Hinton, the same approach would make sense.

That competitiveness strategy will be identifying some of the real, important things about kind of the one door to our government and getting the job done. It was good learning.

Ms Calahasen: Well, I think your committee headed by Heather was very, very good because what it did, then, was that it sort of focused on what the needs were. Although Fort McMurray suffered a lot, I think it also gave us a point of reference to be able to plan for the other.

As we know, we have that triangular component of where the oil sands are in Fort McMurray, coming down to the Lesser Slave and

over to Bonnyville-Cold Lake. I think if we can begin to even plan for that kind of situation and prevent what happened in Fort McMurray, I commend your committee for doing that. If we can even tie into that and begin to plan what needs to happen – I think whatever you can give them, please give them the money that they require and the resources that they need in order for us to be able to access that resource and not be worried about it.

In 4.2 of your strategy you talk about continuing to build on a strong cross-ministry and stakeholder relationships that support responsible oil sands development in Alberta. Could you tell me what ministries would be involved in this cross-ministry initiative?

Mr. Snelgrove: SRD, obviously, as a landholder, Environment, Energy, Municipal Affairs, Aboriginal Relation, Transportation.

Ms Calahasen: So anybody and everybody?

Mr. Snelgrove: Yeah.

Ms Calahasen: Okay. Excellent. As long as you have access to that, I think that it'll become very strong. Congratulations.

Mr. Snelgrove: It's about really being able to say, you know, that we might have an issue here today that only needs to deal with two departments. Well, just get those two in and deal with it. You've got access to all of them, but you only need to use the ones that are relevant for that particular go-forward. You know what? I think other departments probably look – well, at the start no one likes to give up anything.

Ms Calahasen: I know.

Mr. Snelgrove: You know what that's like. I think now they probably look at it as: "What a godsend. We don't have to spend all of our time and resources trying to get it right. We've got a coordinating body that's kind of a support." It does work.

Ms Calahasen: Thank you, Mr. Minister.

Mr. Snelgrove: No. Thank you.

The Chair: Next, Mr. MacDonald, followed by Mr. Sandhu.

Mr. MacDonald: Yes. Thank you very much. I think we'll have a look at corporate human resources if you don't mind. My first question would be: has your ministry completed any studies comparing salaries paid to the civil service over the last 10 years?

Mr. Snelgrove: Compared to who?

Mr. MacDonald: Year-over-year comparisons.

Mr. Snelgrove: Like the increases?

Mr. MacDonald: Yeah.

Mr. Snelgrove: Compared to the average weekly earnings of Albertans?

Mr. MacDonald: No. There are different categories that are listed. For instance, amounts earned over \$40,000, amounts earned over \$50,000, amounts over \$60,000, amounts over \$70,000.

Mr. Snelgrove: We'll tell you right now. Dale, have we? I don't know. It's a good question. We do salary surveys every three years.

Here's something that we need to keep in mind. You know that I'm considered a little bit of a right-wing person. A little bit. When people like the Taxpayers Federation start trying to compare salaries of small business and how destitute they all are, small business and the public sector, I've got to tell you that I came out of small business. Good Lord, the tax people might be here, but you know what? It paid for my truck. My business paid for my utilities. I got the odd ticket to a hockey game. I mean, you can write off everything you need to write off, and you also get to decide sometimes when you're going to work.

The public sector that works for us gets a fair wage and a fair pension for a fair day's work. That's all that anybody should ask of anybody. I managed, on a salary far less than probably any permanent employee we've got in Alberta, to make myself a pretty good living.

The comparisons to other workforce people – and I'm not saying that there aren't some small businesses that are in tough straits. It's very difficult to compare apples and oranges when you've got some lemons out there doing the comparing is what I would say.

I mean, I believe we've been very fair. In fact, probably in some areas of our government I think we probably have caused grief to our neighbouring provinces with some of the salaries that we've paid to people that provide services for us. Those are all accomplished at the bargaining table, and it's not up to me to go in and second-guess. It's easy to do, but it's not up to me to second-guess what they were going to do at that time. I think as we go forward, given the financial reality that we're in, we'll be having some heart-to-heart discussions with our service employees about their contribution and our contribution to them.

9:00

Mr. MacDonald: In your corporate human resources model you have employee age, salary, and location. You have the age distribution in your annual report. You also have the salary distribution in your annual report. That's done annually. What sort of analysis do you do on a three-year basis?

Mr. Snelgrove: Well, those would be the reports. You can extend them. If the salary three years ago was X dollars and they've been given the increases that were negotiated, we know from our agreements where it's going to be. Also, except for some people, we know the age has also moved up, too. It's pretty easy to just keep correcting and extending. What it does show – and you've gone through the book – is that we do have a lot of our employees that are into their retirement time.

Mr. MacDonald: Yes. It's different for the hon. Member for Battle River-Wainwright. He's a long way from retirement. But 35 per cent of the civil service is between the ages of 50 and 64. I'm surprised that you have to lay anyone off with your \$30 million stash of money. I think you can get them through . . .

The Chair: Mr. MacDonald, could I ask you to move your mike. We're not picking you up.

Mr. MacDonald: I'm sorry. I apologize.

Mr. Snelgrove: We are trying to get it through filling retirees and transferring people in. I mean, we've talked about how we can reduce, the least painful we can be, by doing exactly what we've

talked about: let the retirees retire. Fill their positions, and be flexible throughout government to make sure that you can move people into those spots and up.

Mr. MacDonald: If 25 per cent of the civil service was making \$80,000 or over in 2008-09, do you have any idea, with these studies you do, what percentage this year the amount will increase or decrease over \$80,000?

Mr. Snelgrove: Our salaries are frozen this year. If there was 25 per cent over \$80,000, then there is still 25 per cent over \$80,000.

Mr. MacDonald: Okay. That's fair enough, then. I was thinking of the SERPs, but we'll get to that in a minute.

Now, the Auditor General has raised concerns about supplementary executive retirement pensions. What steps have been taken by corporate human resources to standardize these supplementary executive retirement pensions across government? Or are they already standardized? I know they weren't in the regional health authorities.

Mr. Snelgrove: We probably still have a problem in the universities, technical institutions. I think we have a problem; we have a situation. We still have a situation in Health. But we did establish a senior executive evaluation/ compensation plan through, I think, disclosure to deal with the ones that we deal with, so our deputies, our directors, you know. We've got that looked at. But Alberta Health Services still develop their own packages. We know we've got issues as the Auditor has identified some of the unfunded pension commitments that were made by external delivery boards, agencies. We have developed the Agency Governance Secretariat. You've identified a real issue, and we're going to work to bring together kind of a common approach to it.

Mr. MacDonald: Yes. I think one of the resolutions to this issue is – and I can only speak for the RHA, the old regional health authority – the contracts that were signed, and some of them, to my knowledge, are still in force or valid. The executives are going to have to pick up part of this payment or this commitment or contribution, whatever you call it. Given that, as I said earlier, close to 25 per cent of the civil service is now making over \$80,000 and it was much lower even six or seven years ago and I think, if my memory serves me correctly, going back eight years it was as low as 5 per cent, a lot of this has to do with the achievement bonuses. My next question is: with the elimination of the achievement bonuses has the government introduced any other incentives, financial incentives, for senior-level employees?

Mr. Snelgrove: They get to keep their jobs.

Mr. MacDonald: Okay. That's fair enough.

Mr. Snelgrove: But I'll say this. In my personal opinion, incentive bonuses are a very effective way to drive results. I mean, I support what we've done because we needed to address our financial situation. I'll tell you: the senior members of this government came to us and said that they were willing to take these freezes. In many cases the senior members of our public service carry the baggage for a lot of decisions that we as elected people make. But I will tell you that they were at our desks first and said: "We're happy to do what it takes to get through this. If salary freezes and rollbacks are what we've got to do, we'll do it." We believe in the work they're doing.

You know, I came in here because I didn't like government. I still don't like us very much, but I'm getting a very healthy respect for the people that work for us. I think that in many ways they're easy to blame.

Mr. MacDonald: Yeah. I have and many people also have a very healthy respect for civil servants. I just thought I would do the math on some of this because I was going down the road listening to the radio, and one particular commentator was beating up on them as being overpaid and underworked. I would certainly disagree with him. The numbers that you provide, with the exception of the achievement bonuses, certainly would back up the fact that they work very hard for the money they make on behalf of taxpayers. But this individual was running them down pretty good, and I thought I would do the math, and the statements, in my opinion, in radio land were not valid.

Mr. Snelgrove: Well, I may have been listening to the same thing, and I think it was the Taxpayers Federation.

Mr. MacDonald: No, it wasn't.

Mr. Snelgrove: Well, the guy was on about how unfairly compensated they were compared to small business – it was small business – trying to compare apples and oranges. We do compare as best we can, but if somebody has got a whole life in small business, I know there are down sides, but there are also ways to make your salary look very low.

Mr. MacDonald: Yes, and over the years, since the achievement bonuses were started, it's a \$250 million allocation, and that's a significant amount of money. I think that's one of the reasons why now 25 per cent of the civil service is annually earning \$80,000 or more.

Mr. Snelgrove: You know, if you take – you're good at math – the \$250 million over the years it was done and the total payroll that we've got with those people, I don't think that you could come back and say that we've been too outlandish on those.

Mr. MacDonald: Well, I disagree in principle with the idea of an achievement bonus, but certainly in the consolidated financial statement last year – and I could stand corrected here. There's an item in here on salaries, and it's a lot lower. I think it was 2 and a half billion dollars somewhere. Anyway, I could stand corrected. It's a lot lower than even the \$17 billion that was quoted in the *Calgary Herald* the other day by one of your cabinet colleagues. I would really appreciate it if your office could give us an update on exactly what the number in the provincial budget is, and I want to include in it Alberta Health Services staff, Alberta Education, including the school boards and the teachers and the custodians and that group, all of them. What is the number?

9:10

Mr. Snelgrove: Well, let me tell you. Corporate human resources paid \$761,000 in bonuses to both management and nonmanagement. That included 127 management/nonmanagement staff that got a bonus. The median payment was \$4,300. It averaged about \$6,000. The Alberta government, excluding the Chief Electoral Officer, the Ombudsman, the Auditor General, paid a total of \$44.5 million in bonuses to both management and nonmanagement. There were 6,505 management/nonmanagement. The average was about \$6,800.

Mr. MacDonald: I had a different question.

Mr. Snelgrove: That was going to be my answer anyhow.

Mr. MacDonald: No. I bet it's not because you're just not that type of guy.

The expenses by object in last year's budget – salary, wages, employment contracts, and benefits in 2009 – were \$2.6 billion. It was \$2.3 billion in 2008. One of your cabinet colleagues over the weekend, I believe, in the *Calgary Herald* threw out the number of \$17 billion in total amounts paid by the taxpayers of this province in salaries and wages and contracts. That \$17 billion number: where does it come from?

Mr. Snelgrove: That's nurses, teachers, everybody who gets a cheque on behalf of the taxpayer. That's the whole kit and kaboodle.

Mr. MacDonald: Would that include outfits like the contracted-out Dynacare, all the ones that provide lab services and everything in the regional health authorities?

Mr. Snelgrove: Unless the contract was directly with children's services or family and social services. If it was with an agency, where we contracted to the agency, it probably wouldn't include that. It would depend on whom they're contracted to.

Mr. MacDonald: Okay. In the civil service if wages are frozen, I can assume that there's going to be \$2.6 billion paid out, and there will be an additional \$14.4 billion paid out to all the SUCH sector, if I can use that term. Is that correct?

Mr. Snelgrove: The teachers have an agreement where they are going to get a raise of 5.8 per cent. There are some employees of the government that have contracts that go through this coming year, and we have contracts with our unions that are going to expire at the end of August, I believe. We haven't started to negotiate with them. They haven't come running into my office and said that they'd like a freeze: happy, happy. I guess that there's going to be some discussion, but that has to happen at the negotiating table. How that zero cost increase to the taxpayers is achieved remains to be negotiated with the people that we negotiate with.

Mr. MacDonald: In this budget year will corporate human resources under your leadership be doing the contract negotiations, or will it be over in Employment and Immigration under the minister of labour?

Mr. Snelgrove: For the Alberta public service, we do. Health Services negotiates with the nurses.

Mr. MacDonald: Okay. I appreciate that.

Now, the Auditor General. You mentioned the Auditor General earlier.

Mr. Snelgrove: Kindly, I hope.

Mr. MacDonald: Yes, and we wish the former Auditor General, Mr. Dunn, the best in his retirement.

However, the Auditor General's October 2009 report stated that there are currently 257 outstanding recommendations which have not been implemented by various government ministries. There's quite a long list. But for the Treasury Board – and I'm looking at page 343 of the Auditor General's October 2009 report – there's a long list starting with corporate government accounting policies, infrastructure, government credit cards, inconsistent budgeting and

accounting for grants, CEO compensation disclosure, salary and benefits disclosure, report on select payments to MLAs, the content, the efficiency, and the timeliness of those reports. What steps has the Department of the Treasury Board taken to implement the recommendations of the AG to finish developing the guidelines describing roles and responsibilities for assessing and prioritizing individual infrastructure projects, to start with?

Mr. Snelgrove: Oh, yeah. That was one of the first things we got into, developing the principles around the capital plan. It was basically just that, you know, the balance and how we did it.

The other thing you need to remember is that the Auditor makes recommendations, but he's pretty busy with his new ones, too, and he doesn't always come back and follow up on the recommendations he's made. So a great number of the 200 and whatever number it is aren't an issue for him anymore. He just hasn't had time to come and hit the erase button.

In the capital priorities it always does get down, one way or another, to a judgment call. Is a hospital more important than a school? Or is an overpass more important than a waterway? You have to use the information you've got. Like, is it a health issue? Is it a safety issue? All of these go into determining the priorities for our capital plans. And can you afford to run it if you build it?

That was one of the recommendations that – you know, the government did that back in the '90s. I know they did extend what costs were to run hospitals and schools. I mean, you know these formulas are there. The Auditor had asked that that be included in the information we kept to make sure that we had done it.

The Chair: Thank you, Mr. MacDonald.

Next we have Mr. Sandhu, followed by Mr. Kang.

Mr. Sandhu: Thank you, Mr. Chair, and thank you, Mr. Minister. I'm just looking at capital projects. You mentioned the last part of the Anthony Henday ring road in Edmonton. Isn't the money already in the budget?

Mr. Snelgrove: We have allocated a significant portion of money to the ring roads. It isn't necessarily whether the money is there or not. It takes a great deal of work to put together a P3 to handle that size. They're something you don't want to tackle lightly. It's very expensive for the people to bid and come out, so you want to make sure you're going to do it when you're ready. We have to keep an eye on making sure that there is capacity in the contractors that are able to do that to go forward. So there are a lot of things involved in determining when you'll come forward with that particular section.

Mr. Sandhu: When do you think it'll finish? Give me an idea. Like, when I was door-knocking, I'd say: oh, by '15 we'll get it done. So I just want to know . . .

Mr. Snelgrove: Well, my grandparents farmed north of Edmonton, and I remember back in about 1966 or '68, maybe, they came and bought a bunch of land for this ring road. So, you know, if you wait long enough, it'll get there.

I think when the Premier made the commitment to get these done by 2015 – I mean, obviously, we have a little bit of a glitch with the reserve in southwest Calgary. But for the rest of it, the way that these contractors have come to the table and done the work, I think our construction period – if you see the time it took to do northeast Calgary: faster than the other ones. They started, and they were done. You know, when you let these guys come in and design and work on that, it can happen much quicker.

This is 2010-2011. If it went out in 2012, about 2013-2014.

Mr. Sandhu: Thank you.

9:20

Mr. Snelgrove: You know, I think that's extremely doable for that. And here's why it's got to go quick. That development in the Industrial Heartland isn't going to stall forever, and when you start to get the development of one, you're going to have the clusters that want the off-gas and stuff like that. We need to make sure that we've got that section in place so that you can service that heartland.

The other real benefit, I think, that has happened now is the co-ordinated approach that the Edmonton capital region communities have taken. It's going to make it nothing but easier to deal with significant developments like that from both a patience and a supporting role. So things are looking good.

Mr. Sandhu: Thank you, Minister. Keep up the good work. I'd like to get it done. I'm going to start door-knocking, so I want to make sure I can pass the messages.

The Chair: Okay. Next we have Mr. Kang, followed by Mr. Rogers.

Ms Calahasen: Now the tunnel.

Mr. Kang: Well, since you brought up the tunnel, I will ask: have you been considering my tunnel, trying to put some money aside for the tunnel five years down the road?

Mr. Snelgrove: No. I gave Luke the money the other day in cash and said, "Just build the damn thing," but I think he went to Las Vegas.

Mr. Kang: Who? Luke?

Mr. Snelgrove: Luke, yeah.

You know, we can't get into municipalities and start to fund individual municipal initiatives outside of our existing granting structure or we'll never ever get anything done. They've got to decide how to lay out their community. And you know what? If they learned anything from Edmonton, it should be: don't build an airport downtown, or you'll want to close it just when it's getting good. But we're not building the tunnel directly.

Mr. Kang: At the time the airport was not built in downtown Calgary, nobody expected the growth that fast. Special considerations have been made, and the tunnel is on airport property, so I think it's the responsibilities of federal, provincial, and the Airport Authority as well. I hope you give the tunnel consideration and the money comes soon for the tunnel before they, you know, kill the deal. Thank you very much, Mr. Minister.

Okay. Page 428 of the government estimates, line item 3.0.1, reports a \$393,000, or a 10 per cent, decrease in the funding for corporate internal audit services. Why did the funding for corporate internal audit services decrease, and how will this decrease impact the auditing services down through the Treasury Board?

Mr. Snelgrove: We're just going to use our IT better. We're going to be smarter with our manpower. And when the systems that we've made are brought in for other departments to operate under, it's going to give us better, more timely access to the information. We'll be able to get it and put it together easier. So we're just doing it by being more efficient.

Mr. Kang: My supplementary is: why do we even need an internal audit service when we have the AG? What role does the internal audit service within the Treasury Board fill that cannot be done by the Auditor General? What do we need both for?

Mr. Snelgrove: Well, you do different roles. One, we need to know as government on a more timely basis what's going on with our departments. Like, the Auditor General in many cases comes back and his report, you know, it's effective and it's good, but it's too late in many ways to just not let the problems happen. I think that if you're doing your internal audit, even in a company setting you've got to have someone watching the money on a more timely basis. The Auditor also needs to be independent of us. If anyone has watched him for the last eight years, you would agree that he is totally independent from any of his suggestions. We need to have more timely information. Plus, we support each other. We do share our resources, our information with him, as he does with us. It's not a duplication here. In many ways it's a complementary service.

Mr. Kang: So it's, like, making each other's job easier?

Mr. Snelgrove: Exactly. And making my job harder. That's all they do.

Mr. Kang: Going on further on page 428 of the government estimates, line item 4.0.1 reports a \$729,000, or a 25 per cent, decrease in funding for the office of the Controller. Why such a significant decrease in the funding for the office of the Controller? How will this decrease affect the accounting or control standards across the government?

Mr. Snelgrove: You know, we had some positions become vacant. We didn't fill them. In a small budget like that a couple of positions makes a really big difference. Sometimes necessity is the mother of invention. We just developed better ways to do the job we're doing. Probably we just worked him a little harder. But, really, it's just about being more efficient and understanding the information. We need to bring in just doing it better.

Mr. Kang: It will not affect the accounting or the control standards across the government?

Mr. Snelgrove: No. It's always easier to say: give me some more people, and we'll do it better. But I'm not sure that more will be better.

Mr. Kang: Okay, sir. Infrastructure. Now, page 293 of the ministry's business plan states, "Albertans want to sustain their quality of life." That's what I was talking about, quality of life, when I was talking about the airport tunnel, coming back to greenhouse gas emissions, people stuck in traffic, you know, people spending more time stuck in traffic away from their families. Here we are talking about quality of life.

And expect continued investment in public services while supporting efforts to balance the budget. A persistent challenge has been the need to balance ongoing maintenance and rehabilitation of existing capital infrastructure with the need to invest in new infrastructure that will accommodate Alberta's long-term requirements.

What is the current total infrastructure deficit in the province?

Mr. Snelgrove: I think that is a little bit subjective. Look, you know, you can take, for example, an old building, an old school that if you were going to run it as a school, it might need an \$8 million maintenance uplift. If you demolish it and make it a parking lot, it

doesn't need any. If you simply take the value of all our infrastructure, you can take the formula that they use on a Canada-wide basis and say: X per cent of this needs to be spent on infrastructure; if you haven't done it, your deficit is 4 point some billion dollars.

But most of the rest of Canada hasn't built as much new and certainly nowhere near the \$40 billion in the last five years, so to put our value of the deficit – you heard the federal Auditor talk about \$135 billion maintenance deficit. That was, I think, her number, the federal one. If you proportion that down, ours might have been \$13 billion. But I can tell you that for our infrastructure compared to Toronto, to most of southern Ontario, to the Maritimes, many areas in Manitoba, we've got a huge new investment. We have spent a lot of money on rehab of our highways. You've been after Luke good on that. I mean, we've been spending it. But to come up with a number that if you said, "If I give you that today, could you fix it?" I wouldn't put a number on it.

You know what? You can tell yourself when you drive around roads, our highways that the cities have issues. But you drive up and down our roads in Alberta, see our universities, our hospitals, and compared to just about anywhere else, we've got a pretty darn good infrastructure model working. I think the balance that we put towards maintenance is, you know, maybe a little low, but you have to work with what you've got.

Mr. Kang: There has to be some kind of a number there so we can work with some number.

Mr. Snelgrove: But if I told you the number was \$2.35 billion, what would we do?

Mr. Kang: If that's the number, we know that this is how much money we need so we can plan for the future and then the budget.

9:30

Mr. Snelgrove: Would we want to pay that off or fix it over 10 years? If we spend \$235 million a year for 10 years, we will have eliminated that \$2.35 billion, but there'll be another \$2.35 billion because the buildings are 10 years older that we didn't fix. I'm not trying to be callous about this, but we do look. We prioritize our buildings. We've got a better model now even from the point of schools. I think we've just about finished now the day that we go in and put a new roof on a school and two years later we close it. I mean, some of these things that were not directly our responsibility were happening.

Even as we go forward with some of our rehabs, go into a building now to redo it and make it more environmentally responsible or more green, you may spend more money than was initially required, but you've got a better product. You know, you've got a building that's good forever plus you've got the benefit of more efficient use of energy to heat it. There are trade-offs.

Mr. Kang: Thank you, Mr. Minister. I want to thank all your staff for being here tonight.

Mr. Snelgrove: Thank you.

The Chair: Sorry to interrupt, but I must advise the committee that the time allocated for this item of business has concluded.

I would like to remind committee members that we are scheduled to meet next Wednesday, March 17, to consider the estimates for the Department of the Solicitor General and Public Security.

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

[The committee adjourned at 9:31 p.m.]

