On Time and On Budget:
Addressing Alberta’s Infrastructure Needs

Drew Barnes, MLA
Cypress- Medicine Hat
Wildrose Official Opposition Infrastructure Critic

November 2014
EXECUTIVE SUMMARY:

Public infrastructure development in Alberta faces considerable challenges. If changes are not made, the province will continue to borrow billions of dollars while failing to build the infrastructure our communities need on schedule. With the population expected to dramatically increase over the coming decades, debt and unsustainable borrowing must be addressed now to avoid a cycle that will lead to higher taxes and reduced services. Wildrose believes we can do better.

The contents of this report are broken down into four overarching policies:

- Exposing the real differences between personal mortgage debt and public infrastructure debt and interest costs. Albertans must understand how exorbitant public infrastructure debt and interest costs will negatively affect families and increase taxes for future generations.

- Implementing a new policy framework that avoids P3 or other debt financing. Through addressing spending inefficiencies and a new 10-Year Debt-Free Capital plan, Wildrose will build the infrastructure we need without incurring public debt and mounting interest payments.

- Improving the efficiency of procurement and construction of projects. This will be done through open and transparent listing, private professional engagement, and an effective, variable and consolidated contracting procurement system.

- Maximizing cost savings. Poor practices and inefficiencies must be eradicated in order to maximize the use of capital in public infrastructure development. This will mean engaging a variety of firms and utilizing innovative ideas as they emerge.

Wildrose believes it’s time for fresh thinking to ensure our schools, roads, and hospitals are built on time and on budget for our growing communities. Families deserve to have the infrastructure needed for future generations, without having to plunge the province further into debt. We must face these challenges differently than we have in the past by implementing bold and new ideas learned from innovative examples and advancing successful methods.
AUTHOR’S NOTE:

As the Wildrose Infrastructure Critic, I believe Albertans deserve a new strategic and targeted plan for revamping Alberta’s public infrastructure sector.

While our communities are badly in need of new infrastructure, the province is failing to build our hospitals, roads, or schools and at the same time creating a debt situation that will impact generations to come. Because they’ve been spending on operations at a rate 54% higher than population growth and inflation, the government has not had the revenues left over to cover infrastructure. After nearly exhausting our $17 billion in savings and incurring an additional $10 billion in debt, the government has resorted to giving Albertans the misleading message that ‘it’s okay to borrow for infrastructure just like a family does for a mortgage’.

In order to move Alberta forward, the province will need infrastructure that can meet the demands of a rapidly growing economy and population. With aging infrastructure in many of our key sectors, it is critical now more than ever to regenerate public infrastructure construction in order to secure Alberta’s long-term economic prosperity. To provide the necessities of health, education, social services, and transportation at the highest possible standard, a Wildrose government will eliminate corporate subsidies and trim unnecessary bureaucracy, freeing up funds to redirect to capital priorities. At the same time more value from capital spending would be achieved by having a public ‘Priority List’, increasing private expertise in project management, and establishing the most appropriate contract and construction techniques – all bound together by a full cost-benefit analysis.

- Drew Barnes
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In recent years we have witnessed the debt levels of the Alberta government continually grow. From proudly celebrating our debt getting “Paid in Full” less than a decade ago, we are now more than $10 billion back in the red despite repeated years of record revenues.

During this same period, the public understanding about how debt accumulates has become blurred because of operational inefficiencies and financial inconsistencies in reporting and budgeting methods. These methods have not been holistic in scope and failed to have a truly consolidated approach. The government’s practice of taking on billions every year in debt to cover their fiscal irresponsibility across all government spending will burden future Albertans. The lack of transparency surrounding their spending prioritization in infrastructure and elsewhere has made it impossible to assess the decision-making process properly.

The government insists on the need to continue to borrow in the years to come, despite projecting the greatest revenues Alberta has ever seen. Revenue is not the issue - the government’s inability to spend within its means is. Alberta currently spends approximately 50% more per person on infrastructure than other growing provinces. The decision-makers in Edmonton are comfortable spending money they don’t budget for because they think they can leave these payments for future generations of politicians and taxpayers to deal with. Critically, they also believe there is a general willingness amongst Albertans to continue this practice. Simply put, this is not the case.

The recent failures of debt financed P3s (Public-Private Partnerships), most notably in regards to the now-cancelled ‘19 school’ P3 bundle, have proven to the public that this government has failed to build a sustainable infrastructure spending program. A Wildrose government will publish a consolidated provincial budget that has a real infrastructure plan that meets our needs. Rather than burden future generations with debt, Wildrose will implement a savings strategy to build Alberta’s Heritage Trust Fund. We would reprioritize spending away from managerial waste and corporate welfare and toward core front line services, a consolidated contract procurement system and priority infrastructure needs.
The widespread controversy over the government’s budget presentations in the last few years stems largely from the lengths the government has gone to claim a surplus. The main strategy has been to take capital spending off the books and pay for it by taking on debt. After being debt-free, Budget 2014 calls for our debt to rise to $21.5 billion in 2016-17, and the government has no plan to repay it beyond the minimum interest charges. The government’s spending levels on infrastructure have been consistently higher than the national average. Canada’s most populous provinces have spent $700-$1,100 per capita compared with Alberta’s $1,780 per Albertan. Moreover, the public is left little understanding as to why a province as wealthy as Alberta is going so deep into the red.

Infrastructure Debt Reduces Other Public Services
The ability for the public to be able to distinguish between ‘capital debt’ and ‘mortgage debt’ is going to be an important factor during the next election. On one hand, we are witnessing a government that is playing down this significant distinction and insisting that public borrowing is perfectly acceptable, even wise, just as it is smart for a family to get a mortgage to...
buy a house. The public is asking us, “what is the difference?” There are many, but the main one is that whereas the purchase of a house replaces the payment of rent with the opportunity of personal investment in an asset that appreciates and can easily be sold, getting into the trap of debt-financing infrastructure generates a collective mortgage that has no foreseeable end or payoff. Rather than producing an appreciating transferable asset for the person making the spending decision, the people cutting the ribbons today pay hardly anything, while their financing charges and maintenance bills pile up for their children and grandchildren.

The graphic on page 2 clearly shows how the continued misuse of capital funds can lead to a debt situation where interest repayments alone have the ability to stifle the public sector. Capital infrastructure debt is significantly different from personal mortgage debt. A mortgage for a house is a singular contract and has a defined life cycle with the individual owner paying it off. Public infrastructure debt accumulates annually and operates on a continuous cycle. Incurring collective public debt for assets that have no resale factor and only depreciate in value makes no financial sense. Individual debt for mortgages and investments is incurred in the anticipation of relevant return, whereas public infrastructure is almost never sold off at a profit. Add to this the significant operational, maintenance and repair bills that public infrastructure inherently accumulates and you can see how dangerously flawed this argument is.

The responsibility and accountability factor is also very important. When an individual buys a house they are the sole stakeholder who makes the decision as to how large their investment will be. Conversely, the amount of spending and debt is made by the leaders of the government of the day, but they are only responsible for a small portion of the repayment. They can cut as many ribbons as they want leading up to an election knowing that even if they...
win it they only have to pay back a certain percentage during the next electoral period. They can take all the credit for undertaking public infrastructure projects but leave the responsibility of paying for it to someone else. The current government is showing no accountability when they plan for payments that will continue for thirty years or more. This cynical strategy draws future tax dollars away from other much needed public services, as well as infrastructure.

Just as we saw in the late 80s, when interest payments alone became one of the largest expenditures for Alberta’s government, the path of public debt this government has chosen will lead to a crossroads for future generations: simply paying for the decisions of this government will force them to choose between significant cuts to services and infrastructure or raising taxes.

A Wildrose government will ensure Alberta pursues a sustainable and open approach under which taxpayer’s money is not taken for granted and future generations are not forced to pay this government’s bills.

**Spending Inefficiencies**

The current government has consistently fluctuated in their fiscal commitment to capital spending. The most overt problem is that from one year to the next, the levels of expenditure vary dramatically. This has significant negative ramifications on the public infrastructure sector. Design and construction firms are put in a position where they don’t know what to expect from Alberta Infrastructure and Alberta Transportation. Their ability to efficiently and effectively plan over a number of years becomes severely impacted. For example, between the years of 2007 and 2011 there were swings in the Capital Plan.
of over $500 million in each consecutive year. Sometimes it increased, sometimes it decreased. How can we expect to have a competitive and productive infrastructure sector if the government cannot plan the way it uses capital?

Important to understanding this government’s spending methods is that its rate of spending is consistently far above inflation plus population growth. Mark Milke’s report on spending, inflation and population growth highlights how the government has spent in excess of $22 billion, purely as a result of spending above inflation and population growth levels since 2005. This could have been avoided, and Alberta would have had consecutive surplus budgets (even in 2009 and 2010) if the government had kept spending levels to inflation plus population growth. Capital expenditures should be managed within multi-year funding envelopes consistent with Government Business plans. In this way, the temptation to re-profile and drag out projects will be reduced, projects can be completed on time, and departments will not have their capital budgets re-allocated at end of fiscal year. The government abandoned this practice.

The government’s excessive spending, in a wide array of areas, has meant that the province has had to borrow heavily, ostensibly for public infrastructure development. During the resource-boom years of 2005-2007, the government failed to recognize that planning for future public infrastructure was important. This was the period where revenue flow to the treasury was at its peak and the government felt that this money would be better served in other programs. However, as Milke suggests, the allocation decisions in this redirection of funds failed to prioritize:

- the opportunity to balance Alberta’s budgets;
- investing more in the Alberta Heritage Savings Trust Fund; or,

DID YOU KNOW?

Alberta infrastructure reported in November 2013 the following amounts of deferred maintenance:

- Government Owned Facilities: $345 million
- Post-Secondary Institutions: $625 million
- School Facilities: $817 million
- Health Facilities: $1.04 billion

DID YOU KNOW?

Alberta Transportation reported in November 2013 their infrastructure deficit at $520 million? In addition, Alberta Transportation had $1.4 billion in deferred maintenance!

DID YOU KNOW?

As of November 2013, the Government of Alberta had 295 buildings that are rated to be in poor condition.
spending on Alberta’s public infrastructure – the building and repairing of Alberta for the future.

This extensive supply of money was fed into programs and schemes across multiple ministries other than Alberta Infrastructure. We saw significant salary increases to executives of various departments, continual rollouts of I.T. hardware and software, and a health system that has spent incredible amounts of money only to become structurally unsound and dictated by a grossly overpaid and underperforming ‘Superboard’. The government has also put aside billions of dollars for untried and untested programs, such as ‘Carbon Capture and Storage’ (CCS), and continually exceeded allocated budgets for projects like the South Calgary Hospital.

The government’s failure to manage the province’s finances properly over the past thirty years is most dramatically highlighted by the state of the Heritage Savings and Trust Fund. Over this time, not only has virtually none of our resource wealth been invested in it, but the government has actually withdrawn the investment income earned in order to pay for day-to-day operations. Had the investment income earned been allowed to accumulate, through the magic of compound interest the Heritage Savings and Trust Fund would be worth over $200 billion today. At that size, if we decided to start spending just a portion of the roughly $10-15 billion in interest earned annually we could eliminate the infrastructure deficit in a few years.

In short, if we had simply left the Heritage Fund alone, even a fiscally irresponsible government would not need to take on new debt today.

**The Wildrose Debt-Free Framework**

The Wildrose Official Opposition has a long-term, multifaceted framework that will put in place measures to address heavily inflated debt-dominated methods and prioritize infrastructure spending. Efficiency and innovative ideas will form the backbone of our approach, which will target the debt problem at its core. This will take a change in culture inside the public service where year after year, public servants indicate in the Corporate Employee Survey that their ideas for innovation are not valued. With a new Wildrose approach to governance those with front line knowledge will be listened to and heard.

Wildrose’s ‘10-Year Debt-Free Capital Plan’ proposes three key principles as a platform for future decision making. First and foremost is the idea of sustainability. In order to realize a steady and sustainable flow of infrastructure dollars, the Wildrose recommended an approximately $50 billion capital spending plan over the next 10 years. This plan would deliver considerably more infrastructure than any other province, delivering on the priorities of Albertans without the need to take out loans that will burden generations to come.

To deliver what Albertans need within a stable, sustainable budget, the prioritization of infrastructure projects must be clear and assessable for all.
be better prepared ahead of time, allowing them to negotiate the lowest possible material costs, thereby lowering costs to the taxpayer.

The final principle of the 10-Year Debt-Free Capital Plan highlights the importance of partnerships and innovation in the design to reduce government inefficiencies in planning, tendering, and oversight. Elaborating on this kind of innovation will be the focus of parts 2 and 3 of this report. When a government loses desire to eliminate unproductive practices and improve methodologies, there is a clear message sent that the administration has been in power too long.

A new Wildrose government will seek to engage local developers, municipalities, school boards, Alberta Health Services and the not-for-profit sector to accelerate the building of priority infrastructure where additional funding from these entities is offered.

The idea of spending within our means for the province’s infrastructure projects, thus avoiding debt accumulation, used to be the practice of Alberta’s government in a more fiscally responsible era. The Wildrose framework is looking to take this idea to a new, and more current, level. Between 2002-03 and 2006-07 Premier Klein raised the level of capital plan expenditure by almost $4 billion. This was achieved without incurring debt. Inefficient and poorly prioritized spending since Premier Klein left office has forced the Government to take on debt, leaving Alberta in a precarious financial situation. Consistent spending adjusted for inflation and population growth will allow contractors to plan better, keep projects on time and on budget, and provide value for taxpayer dollars without burdening future generations.
In addition to the operating inefficiencies of the current government, Alberta Infrastructure and Alberta Transportation have been pushed to adopt the wrong procedures and policies by a government that has continually lacked a long-term vision to accommodate growth and an appropriate plan to address the lifespan of public infrastructure that is quickly coming to an end.

The Government’s “3-year (now 5-year) Capital Plan” Failure

The government's system of planning and prioritizing important public infrastructure projects has utterly failed. We have seen cases where projects were removed from the government’s list of priorities with little or no consultation. Projects appear, disappear, then reappear again years later. Other projects get re-profiled: in other words, their funding gets delayed or dragged out, lengthening and delaying completion of the project. Consequently, many firms are feeling a sense of frustration in dealing with the current government – both in regards to the process of contract procurement and knowing where their projects sit on the government’s ‘to-do-list’.

The recent mandate letter to the new Minister of Infrastructure outlined a change from 3 to 5 years for the government’s infrastructure capital plan. While longer-term planning is commendable, if the current government has been unable to keep its 3-year plan’s commitments, there’s little reason to think a 5-year plan will allow them to do so. In addition, the existing 3-year list provides no rankings of the projects in priority order: a key part of the Wildrose plan.

It remains to be seen if the 5-year Capital Plan will be ranked in order of priority. It is critical that any priority list be openly published in order to hold the government to account for the delivery of the needed infrastructure. Objective criteria need to be set and properly weighted in ranking public infrastructure incorporating important considerations such population trends, health and safety factors, local and provincial economic benefits, and others.

The Negative Impact of PC Government P3’s

The current government’s use of P3 projects has resulted in ever-increasing debt for Alberta, with no end in sight. This ‘debt financing’ through P3s and general borrowing for capital uses an accrual accounting concept that counts the value of the asset against the debt owed, essentially cancelling each other out when determining the annual deficit. This allows the government to hide the true facts about their P3s and other borrowing. Taxpayers pay interest on that debt for decades - interest which benefits financial institutions outside of Alberta and diverts resources that could be used to address future infrastructure needs here.

As if the debt financing situation was not bad enough, recent P3s have been cancelled, leaving behind a climate of instability. A bundle of 19 schools in a single P3 was so large that only one consortium made a Request for Qualification submission. The situation was compounded by the government spending
even more money by commissioning Deloitte to investigate why these P3 bid failures occur. That investigation determined the following:

- Alberta’s construction market is extremely robust;
- margins on the P3 projects do not provide enough incentive to bid;
- too many resources were required for a 19-school bid;
- incumbents had a competitive advantage;
- the model restricts innovation; and,
- only the largest consortia have the ability to bid.

In other words, only the big guys and the first in the game got to play while new, smaller, local players were left out.

To add insult to injury, Leo DeBever, CEO of the Alberta Investment Management Corporation (AIMCO, the body that manages the Heritage Fund and the public pensions), warned the government against P3 schools at a Government of Alberta Economic Summit. Seven weeks later, the Government of Alberta went ahead with a Request for Proposals for the 19 P3 schools. Only when the single bid came in did the Government then decide it could build the schools through traditional methods cheaper.

A typical P3 is one that uses the private sector to Design, Build, Finance, and Maintain (DBFM) the infrastructure but the financing aspect can be excluded. Wildrose supports the use of the private sector for Design, Build, Maintain (DBM) because for some large projects, construction can start more quickly, long-term costs can be more certain, and a project can be “on-time-and-on-budget” under a Design, Build, and Maintain model.

### A Wildrose Project Procurement Approach

Our plan for a strengthened infrastructure sector will require rethinking the approach to planning and tendering based on whether projects are of a small, medium, or large scale. This will be partly achieved through improving on the methods of Design-Build (DB), Design-Bid-Build (DBB), as well as methods of project procurement that incorporate long-term maintenance.

The Wildrose policy would allow the specific characteristics of infrastructure contracts to dictate which method is more suitable, meaning all of these contractual methods would play a role whenever they made the most sense.

…”putting control of the engineering design and construction under single ownership puts responsibility for delivery clearly in one contractor’s hands.”

The key element of DB is its ability to reduce ‘scope creep’ because it eliminates expensive and lengthy stages that have the propensity to exist in DBB projects that have not been run efficiently. Another important benefit of DB, when cost-analysis and scope are favourable, is that putting control of the engineering design and construction under single ownership puts responsibility for delivery clearly in one contractor’s hands. The details of the design and execution are left up to the company to solve and the projects are passed over to the private sector in a quicker fashion. Consequently, liabilities are more distinguishable if problems or delays arise. DB contracts get the government out of micromanaging each step of the process and allow the private sector to be creative and get the job done.

Important for Wildrose is preventing
DB projects from becoming ‘cost-plus’, where the taxpayer is on the hook for any cost increases regardless of who causes the increase and the final price tag is uncertain. Wildrose parameters around DB contacts will prevent this from happening both in the manner in which we contract, and by ensuring the first pre-requisite for winning a contract would be to show a history of professional project management.

The key element of DBB is that the government can bid-out specific sections of a project when and where, and to whom, deemed necessary. Value for money may come from using different contractors for specific tasks within the larger project. The concern of micromanaging various parts of a public infrastructure project are alleviated when the government is confident in their capacity, expertise and ability to make the right decision. By breaking the job down into component parts and accepting separate bids at each stage, the government can control the level and speed of expenditure. Additionally, in some occasions, a bid stage could be used for the design component, essentially making it a Bid-Design-Bid-Build (BDBB). This would allow for a competitive approach in initial phases that would provide professional choices for the government to consider for the contract. Most importantly, construction does not begin until the design phase of the project (or particular component) is completed. This helps address overall costs in that the process itself, combined with vetting for competence, reduces the chances of expensive design changes affecting work that has already begun.

Our sustainable and prioritized approach will open up the public infrastructure market to wider array of construction firms and help foster a competitive bidding process that will see a Wildrose government build more with less expenditure. Our funding approach would be based upon traditional budgetary diligence that has initial scope to facilitate these methods of public infrastructure development. A Wildrose procurement policy will in some cases encourage the completion of projects ‘on time and on budget’ through financial incentives for finishing early. In these cases, and perhaps even more frequently, there would also be a penalties for finishing late.

Our DB, DBB, BDBB and P3 policies would keep final costs lower because contractors would not have to inflate the price of the project to cover potential risk. This is because a Wildrose government would negotiate a fair and equitable rate from the outset with more certainty about following through on funding promises and less political interference or ‘re-profiling’, because we know the cost to the economy of incomplete or unfinished public infrastructure work can be far greater than a dollar figure. A full cost-benefit analysis will be used to determine which method of contracting will be the most efficient for the people of Alberta. This is particularly true for major arterial roads, bridges, schools and medical facilities.

**Wildrose Priority List**

Priority listing should be an important tool for all Albertan construction firms who are invested in building public infrastructure. A Wildrose ‘Priority List’ will form part of the backbone of our infrastructure policy that will reignite project prioritization and the construction process. Our infrastructure Priority List will be formulated by dividing infrastructure into four key areas: Provincial Transportation Network, Health Care and Equipment, Schools, and Other Government Facilities. The most important facet of these four lists is that the ordering is consistent, publically disclosed and has an objective set of prioritization criteria. A progressive list will help ensure projects of highest priority are acted upon at the
first possible opportunity. Ensuring a competitive bidding process and cost-benefit analysis for all government infrastructure projects is integral in creating a public infrastructure plan that will remain sustainable through both periods of economic prosperity and downturn.

Effective communication with local and provincial stakeholders will ensure transparency on our new list and create objective criteria that ranks each project by need. The Wildrose Priority List would accompany our 10-10 Community Infrastructure Transfer plan for municipalities to assist in their long-term planning strategies. This plan would see 10% of all provincial tax revenues and 10% of all provincial cash surpluses go to municipalities. This will ensure a predictable and stable funding mechanism to allow municipalities the necessary funds to address local infrastructure maintenance and building. If it were in place today, our 10/10 CIT would be generating about $1.9 billion in no-strings attached funding for municipalities to use on whatever infrastructure they deem most important, not what provincial ministers want.

Our priority list model for provincial infrastructure likewise counters meddling from politicians because the list itself is objectively determined and accountable to stakeholders and the public. The practice of building schools, medical facilities, and other infrastructure projects based on politics and favoritism must end.

Wildrose Government to be a Preferred Client

Making the Government of Alberta (GOA) more approachable and a better business partner is another key to the Wildrose approach. Our platform will be based on providing consistent collaboration and follow-through on behalf of the Government – a duty too often neglected in recent years. Most recently, the government has added a lack of ministerial continuity to their problems. There has been continual cabinet and bureaucratic shuffling that leaves industry firms in a position where clarity lacking and the process is uncertain. Stakeholders have explained to us that the government fails to use standard documents. We will ensure this is addressed by having Canadian Construction Documents Committee (CCDC) documents as part of our framework. Contractors are seeking sustainability and consistency and they have also commonly voiced concerns over the instability in the government’s 3-year Capital Plans. Management of risk and addressing the ‘stop and start’ nature of projects and contracts are common themes of complaint. Our priority list and stabilized funding will immediately instill consistency in an area where predictability in itself means more value for dollars.

We must foster a culture where the most qualified people are making the important decisions or directly informing the decision-makers and where they are a voice in the process for its entirety.

Recent meetings with key stakeholders have provided important insights into the challenges that face construction firms. They have explained that greater involvement from experts and private firms at the project management level would allow for better qualification-based selection. For example, Alberta Infrastructure has passed the building of some schools over to school boards but there has, understandably, been a lack of expertise on some of these boards in regards to infrastructure development. We must foster a culture where the
most qualified people are making the important decisions or directly informing the decision-makers and where they are a voice in the process for its entirety. Having all the best qualified people centralized in Alberta Infrastructure to deal with construction procurement of all provincial vertical infrastructure will maximize value to taxpayers. Scattering these people and capital funding envelopes across multiple departments generally dilutes the quality of government decision-making.

In February 2014, infrastructure contractors had the opportunity to provide recommendations to Alberta Infrastructure on how to address challenges in the contractual process. This particular consultation was focused on school building, however many of the themes reverberate through all facets of the public infrastructure process. These recommendations included a range of ideas that would help balance risk, improve management and foster innovation. For example, the recommendations stated there is significant scope for improving project management capacity (particularly by contracting out), enabling contracting prequalification, speeding of permitting and selecting the appropriate delivery methods. Furthermore, appropriate allocation of risk was discussed, with construction firms often being unaware of where they sit in regards to cost, schedule and quality certainty. Alberta Infrastructure has created their own problems by not having a consistent approach to contracting and prioritization. This is where the Wildrose will do things differently. The above recommendations will help us facilitate a public infrastructure approach that is streamlined, clear and fair to industry while also ensuring taxpayers get better value for their money.
Wildrose is constantly looking for better ways to bring innovation into the public infrastructure sector. Apart from improving tendering practices and stabilizing our annual capital spending process, we are targeting some key initiatives that could help generate a synergy between the public administration and private firms. Identifying the appropriate areas, engaging the most suitable contractors, and bringing in ideas that will stimulate future projects is how we will look to redesign Alberta’s public infrastructure sector.

**Special Areas for Infrastructure**

Wildrose is committed to the idea of creating targeted infrastructure development areas such as the Comprehensive Regional Infrastructure Sustainability Program (CRISP) developed for the Athabasca, Cold Lake, and Peace River Oil Sands Areas. This is a promising concept and something a Wildrose government will look to strengthen going into the future. A Wildrose government will encourage the adequate funding of the infrastructure identified under a CRISP, which are being all but left behind under the current government funding framework.

Wildrose would maintain support for expert-driven initiatives like the Alberta Oil Sands Area Transportation Coordination Committee (AOSA TCC) to address the infrastructure needs of this part of Alberta. The AOSA TCC plays an important role in facilitating corporate investment and government dialogue to achieve delivery in regards to development planning, design, funding, construction and operation of transportation infrastructure in the Regional Municipality of Wood Buffalo. Their partners, including the Oil Sands Community Alliance (OSCA) combined with the ‘Infrastructure Focus Area Committee’ and the ‘Ground Transportation Task Group’, help provide context to policy-makers in identifying and prioritizing long-term strategic concerns and infrastructure development. This type of planning, alongside programs like CRISP, is integral because it opens the door for all Albertans to join the discussion around how these projects get financed. Importantly, it provides an environment to explore alternative funding approaches in conjunction with the private sector.

Secondly, Wildrose would recognize the need to target local and provincial economic development by increasing the weighting of the level of economic impact in determining project priorities in RODA, the Rationalization / Optimization Decision-making Application. This is part of the Ministry of Transportation’s Transportation Information Management System (TIMS). Making these adjustments to the government’s current approach will help facilitate growth when it is needed. Maintenance and upkeep alone will not address the province’s need to develop new infrastructure in identified growth areas.

"Maintenance and upkeep alone will not address the province’s need to develop new infrastructure in identified growth areas."

We also believe that there needs to be more openness to partnerships with industry, particularly in booming economic regions like our oilsands, to maximize the efficiency of our infrastructure dollars. Whether it is co-funding projects that have primarily an industrial use but benefit for other Albertans as well, or using the ‘Land
Value Capture’ concept in some situations, there are market driven solutions that can take some of the burden off of taxpayers and get projects done without debt. If we can use market signals from industry and other stakeholders we will have greater assurance that we are meeting the priorities most efficiently.

**Building Schools**

Wildrose has committed to spending $2 billion on Alberta’s schools over the next four years to kick-start the work that needs to occur. This is a massive undertaking that will require innovative solutions from both government and industry. All qualified companies, both large and small, will be able to bid on school projects with smaller school tender bundles. There will be no more delays with P3 school bundles. Bundles of Design-Build and Design-Bid-Build with safeguards in place to prevent scope creep from escalating the costs will become the norm. Our plan will create more local competition, keep costs low and speed up the all-important completion dates.

Provincial government initiatives could be supplemented by other cost saving methods such as standardized design frameworks and creative community partnerships. The first allows for a more efficiently structured system of contract design where a standardized model can be adjusted to suit specific needs. Creative community partnerships mean the wider community is invested in the school infrastructure, ideally from the beginning. Having responsible local investment is key to achieving this outcome. Co-use and co-management of public facilities would result in shared costs, long term-savings and greater strategic community involvement in the design phase of school infrastructure.

This could work in conjunction with ‘Developer-Pay’ methods, when it is agreeable to not only the developer but also the municipalities and school boards. For example, new community-based housing developments could have schools built more efficiently from the outset by the contractor. This would be attractive because the developer could expect to recoup the costs by having a more attractive and complete neighbourhood in which to sell homes.

Having a variety of contract methods can lead to mutually beneficial arrangements which allow for increased private development projects and various employment opportunities alongside public infrastructure creation.

We must have a multifaceted approach to school construction: the needs of the province are great. Conventional methods of building as well as new and innovative ideas would address the problem at its core. It is absolutely unacceptable that of the 50 schools promised in the last election only one has started construction. Wildrose is committed to rectifying the issue of paralysis in delivering the schools Alberta families need. There are far too many government signs in vacant school lots that must be replaced by shovels, machinery and people committed to building first class schools.

**Getting the Government Out in Front**

Wildrose recognizes the importance of anticipating future infrastructure demands across the province. This is why advanced planning will be critical to help ensure the economy is not stunted by poor or inadequate infrastructure. Identifying where the government will face major challenges in infrastructure related services must be addressed. The New West Partnership provinces’ demand that the Federal government allocate $1 billion to Western Canadian transportation infrastructure would be a critical boost to addressing challenges along the National
Highway System corridors (i.e. Highways 1, 2, 3, 4, 16, 28, 35, 43, and 63).

Immigration trends and internal migration over recent years have shown Alberta’s population is increasing by 80,000-90,000 people annually. Our planning must reflect where the majority of these people will settle. Planning the infrastructure needs and transportation corridors for Albertans before commercial and residential areas are established must be a high priority. Disruptions to land use after settlement are costly financially and emotionally.

Wildrose knows that shrinking populations in rural areas means that smaller municipalities struggle with maintaining and upgrading existing infrastructure. Maintaining rural services is something Wildrose will not forget - our funding models will address this problem directly.

This problem is acute in rural health facilities with long-term care bed shortages that are putting peoples’ lives at risk and seriously and negatively affecting the quality of life of Alberta’s most vulnerable citizens. For example, Wainwright Health Centre continues to be shuffled up and down the government’s list for proposed upgrades. Safety issues have been identified in acute care components of the facility as far back as 2010 and the government has been reluctant to set aside the capital to address their problems. The Athabasca Health Centre faces different problems in the move to consolidate acute services from the Boyle Health Care Centre. The new facilities of Athabasca are arguably underutilized because of the continual decision by the government to assign it ‘no priority’.

The government is promising 464 continuing care spaces over the next 12 months, however much more needs to be done. The majority of these spaces will be created in Calgary and Edmonton, as population trends would dictate, but the support given to the aging population outside of the major urban centers is not acceptable. Are those in need in rural Alberta expected to completely relocate to a large urban centre, away from their homes and family, in search of the care that they both need and deserve?

We know that last year alone, outside of Calgary and Edmonton, the government moved to close over one hundred long-term care beds. Unfortunately, this is happening while demand for long-term care in rural settings is on the rise. There are 200 people waiting for a long-term care nursing home bed outside of Alberta’s two major cities. Another 225 are waiting for a supportive living bed.

This is why Wildrose has proposed a plan to immediately inject $50 million to re-open recently closed long term care beds. Wildrose has also proposed re-allocating a larger portion of existing health care dollars toward establishing new long term care capacity across the province. A Wildrose plan to fund and maintain exceptional rural long-term care beds and front-line caregivers will be central to any Wildrose health care infrastructure policy going forward.
Summary of Recommendations:

A Wildrose government will bring:

I – A commitment to publish a consolidated and balanced budget that has assured, targeted and sustainable infrastructure spending capacity.

II – A commitment to end the practice of masking fiscal irresponsibility by borrowing for capital and exposing the “public debt is just like a mortgage” claim for the dangerously flawed argument that it is.

III – A priority listing system that can accurately map out infrastructure priorities and take the politics out of the process by establishing clarity and openness.

IV – A procurement policy that is committed to lowering final costs of capital projects through an improved tendering process, incentive and penalty based standardized contracts, rigorous cost-benefit analysis, less micromanagement and ending ‘cost-plus’ by incorporating private expertise and contracting project management.

V – A commitment to innovation in engineering design and project financing that will allow Alberta to ensure ongoing economic opportunities.
CONCLUSION:

The factors that have conspired to lead our current government to politically claim that they must borrow to pay for infrastructure, in much the same way that a family must borrow to finance a mortgage, can be captured by the following key points:

• First, as Mark Milke’s 2013 Report “Alberta’s $22 billion-Lost Opportunity” clearly lays out, spending $22.1 billion more than population growth and inflation on programs (from 2005-2013) has crowded out infrastructure spending.

• Second, is the inefficient approach to capital planning and tendering. Alberta has averaged $1,780 per Albertan on infrastructure over the last six years when the other populous provinces spend $700 - $1100 per person but Alberta’s bridges, schools, and hospitals are over capacity or crumbling. Albertans must get a bigger bang for their buck.

• Third, is the Government of Alberta’s inability and unwillingness to plan proactively for Alberta’s future infrastructure needs given the high levels of immigration and internal migration.

The first part of this policy paper clarifies that an annual cycle of provincial building, borrowing and maintaining infrastructure is not like a family buying a home but instead irresponsibly adds public debt and maintenance obligations that future taxpayers will bear the responsibility for.

Wildrose is calling on Alberta Infrastructure to immediately adopt and implement the suggestions and recommendations contained in the second and third parts of this paper to once again ‘Build On Time and On Budget’.