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NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, October 26, 2011

LEGISLATIVE CHAMBER

**Department of Health and Wellness
Colchester Regional Hospital Replacement**

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Public Accounts Committee

Ms. Diana Whalen, Chairman
Mr. Howard Epstein, Vice-Chairman
Mr. Clarrie MacKinnon
Mr. Gary Ramey
Mr. Mat Whynott
Mr. Brian Skabar
Hon. Keith Colwell
Mr. Chuck Porter
Mr. Allan MacMaster

In Attendance:

Mrs. Darlene Henry
Legislative Committee Clerk

Mr. Alan Horgan
Assistant Auditor General

Mr. Andrew Atherton
Office of the Auditor General

Mr. Gordon Hebb
Chief Legislative Counsel

WITNESSES

Department of Health and Wellness

Mr. Kevin McNamara, Deputy Minister
Mr. Bryan Darrell, Director, Infrastructure Management
Ms. Linda Penny, Chief Financial Officer



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, OCTOBER 26, 2011

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN

Ms. Diana Whalen

VICE-CHAIRMAN

Mr. Howard Epstein

MADAM CHAIRMAN: Good morning, members of the committee. It's just nine o'clock and I would like to call the meeting of the Public Accounts Committee to order. We have with us today witnesses from the Department of Health and Wellness and the subject is the Colchester Regional Hospital replacement.

Before we begin with an opening statement from the deputy minister, I'd like to start with an introduction of our members who are here today, beginning with Mr. Ramey.

[The committee members introduced themselves.]

MADAM CHAIRMAN: I think perhaps what we'll do for the other introductions is leave them to you, in your opening statement. With that I'd like to turn it over to Mr. McNamara to give an opening statement about this subject for the committee. I will mention that we all have copies of this statement as well, so we can follow.

MR. KEVIN MCNAMARA: Thank you very much, Madam Chairman, and good morning members of the committee. Accompanying me today is our Chief Financial Officer on my right, Linda Penny and Brian Darrell who is Director of Infrastructure Management with the Department of Health and Wellness.

I welcome this opportunity to update you on the actions our department has taken since the Auditor General released his report in May. We in the department, along with our minister, welcomed the recommendations of Mr. LaPointe. I can assure you that all 14 recommendations have either been recommended or are underway. First, allow me to provide some context for the replacement project of the Colchester Regional Hospital which originally was approved in principle in 2003.

The current Colchester Regional Hospital is the oldest in Nova Scotia. There are two attached buildings; the back building was constructed in 1933 while the main building was constructed in 1965. There is no question in anyone's mind that this hospital was old and needed replacement. As we explore some of the issues that emerged, I believe it would be helpful to review the milestones of funding.

Initially in June 2003, the Colchester-East Hants Health Authority received approval to spend \$1 million in funding from the province to complete the Master Program/Plan, Functional Program and site selection process for a replacement hospital. Two years later, in September 2005, an Order in Council was issued in the amount of \$78 million, representing the Department of Health's share of the total project cost. The total project, by the way, was \$104 million - the 75 per cent share for the department being \$78 million and the district's share at \$26 million.

In August 2007, an Order in Council was issued for an additional \$51 million. This increase was not cost-shared and the department's share of the additional funding, which brought our budget at that time to \$155 million and was fully funded by government.

In November 2008, an Order in Council was issued in the amount of \$3.4 million, to include an MRI unit in the facility. This additional program was added while the project was under construction. The total cost was \$5.2 million, with the department's share at \$3.2 million and the district sharing \$1.8 million. Obviously when you add a piece of equipment in the middle of construction it is going to increase a cost to any project.

In August 2009, the health authority announced that it needed to revisit budget and tender documents from mechanical-electrical trades after responses to the tender call for both trades came in well over budget. There were a number of factors contributing to this budget pressure, including a spike in the construction cost and the fact that few firms were able to respond to a project of this magnitude. As well, during this period of time the Department of Health was involved in the process to add new long-term care beds, as well as other infrastructure projects. The construction of new schools was also a factor so there was less competition in order to be able to participate in these projects.

In February 2010, the Department of Health announced additional investment of \$25 million which will allow the project to move forward and hopefully to completion. Once again, there was no cost sharing with the full amount funded through the Department of Health. We can always benefit from hindsight. It is clear that this is a fact; a case of

lessons learned over the years. To be frank, at the time, the Department of Health lacked the necessary experience or resources to monitor such a large construction project and we had not built a new hospital in some time. Nor, quite frankly did the Colchester East Hants Health Authority have the project management experience.

As the Auditor General pointed out in May, consultants were hired to help but the assumptions presented were not properly challenged. We agree with the Auditor General's observation and I know our staff fully co-operated with him throughout this audit. In fact, it was our current minister who asked that the Auditor General take a look at the escalating cost from 2005 to 2011. She wanted the project reviewed and had been helpful even as we begin our work with the renovations to the hospital in New Glasgow in the upcoming years.

Committee members, we are in a much better position today in 2011 to manage such a project with the help of the right expertise within government. As I previously stated, all 14 of the Auditor General's recommendations have already been implemented or in progress of being completed. For instance, we signed a memorandum of understanding between the Department of Health and Wellness and the Department of Transportation and Infrastructure Renewal to help oversee major infrastructure projects in the future. As well, in 2005 during the start of the project, there was only one engineer on staff to the department. Today there are six engineers and staff. They cover the following engineering fields: civil, mechanical, industrial and agricultural. In fact, the agricultural engineer is probably the one with the most experience in construction.

Our department now has a robust infrastructure management group that oversees all construction activities. We now ensure that accurate budgets are presented to Cabinet and in the future will be given the scrutiny and the rigour they require. We at the Department of Health and Wellness work very closely with our colleagues at the district health authorities. We agreed with the Auditor General that there needed to be more formal agreements for the onset of how a big facility should be and that any changes to original project estimates will follow the change order processes.

In a nutshell, the orders in council do spell out where the projects went off course as far as costs go and I am happy to advise that they were included in your package. At the Department of Health and Wellness we are focusing on the future. We are closely monitoring the remaining construction of this replacement hospital. We have asked the DHA to recycle furniture as much as possible from their old facility. We are currently at industry standards and doing everything we can. We are watching this project very closely and we are currently on budget.

As I said at the outset, the reality is, however, we have not built a new hospital in this province in a very long time. We will make the best use of it for the residents of the Colchester County area and all Nova Scotians once it is completed in 2012.

I now look forward to taking your questions.

MADAM CHAIRMAN: Thank you very much, Mr. McNamara. With that, I will turn the floor over to Mr. Colwell for the Liberal caucus for the next 20 minutes.

HON. KEITH COLWELL: Thank you very much. The first question I want to ask is, why isn't the district health authority here this morning?

MR. MCNAMARA: I was invited but the district health authority wasn't invited. I guess that's up to the committee to invite who they wish.

MR. COLWELL: It would have been very useful if we would have had them here as well to get the story from all sides on this very drastic issue.

MR. MCNAMARA: So I would suggest that in the future if you would like the district health authority, invite them along with us and we would be happy to ask them to comply with us.

MR. COLWELL: This budget in a nutshell is over budget by about \$80 million, is that correct?

MR. MCNAMARA: That is correct.

MR. COLWELL: I know that when the budget first started, you went through the Orders in Council here of the different dates and different times for the different processes that went through. It just seems like the whole project - the more I look at the numbers and the description of the Auditor General's Report, the more it seems like it was very poorly handled, both by the past government and the present government. Indeed at a time when we need hospitals and there are waiting lists to get into operating rooms, a new hospital, I'm sure, would help alleviate that some. I would just like to ask you some pretty direct questions about this.

The department had gone through several Orders In Council (OIC) and I've sat around the Cabinet Table and understand how they work. I mean the deputy minister comes in and usually makes a presentation to Cabinet as the minister does and tries to get approval for the funding for a project. It seems like as this went through, for instance there's one thing here when you went through and got an Order In Council to do, let's see in my notes here - in 2008 the province agreed to the addition of a new MRI for the new hospital but was removed from the Order In Council in June 2007.

About a year later, they decided to put an MRI back in the hospital and at that point - as you made note of in your statement - an additional \$5.2 million had to go into the project. How much of that \$5.2 million was additional construction cost, as you talked about that, to install this new MRI which had originally been planned and taken out again?

MR. MCNAMARA: I can't give you an accurate cost on the increase, but I know that when you change the footprint of a facility after it's in place, that it adds additional construction costs. I also want to go back to your remark that the present government has mishandled this. The present government, when it took this over - that was when it was recognized that the budget was over budget and that's when the minister ask that the Auditor General take a look at the project, just after they had come into government. The second thing is since then we've put controls in place to make sure that it doesn't get any worse than it had in the past.

As relates to the MRI, as I understand it, the recommendation from staff was not to include an MRI. It was a decision of the government of the day.

MR. COLWELL: You talk about the present government, well the present government had stopped the process because there was, I believe, a \$28 million overestimate or a cost overrun because of some mechanical things that had to be done in the hospital. It cost approximately \$3.9 million to hold the project up for that time while they reviewed this, is that correct?

MR. MCNAMARA: There was an increase while it was being reviewed, but in order to take something that's not managed correctly and to find the right direction, you do need a bit of time to make sure you do that right thing on a go forward basis.

MR. COLWELL: In that process, I understand there was about \$10 million worth of something taken out of the program to get the costs potentially down. Is that correct?

MR. MCNAMARA: There was a request asking to do mitigations where possible in order to reduce the construction costs, that is correct.

MR. COLWELL: So basically you took \$10 million out, it cost almost \$4 million for the delay and when the final tender came in - the original tender being \$28 million - it was for \$24 million. How did that save any money?

MR. MCNAMARA: Again, is it talking about the due diligence of doing the project? As a new deputy with a number of new staff, what you do is make sure you do due diligence on a go-forward basis, trying to protect the taxpayer as much as possible. In a perfect world if you had the time to do all the advance homework it would not have required that type of diligence to go back and review what was happening.

MR. COLWELL: Well, this project is now two years late and you're telling me that you eliminated \$10 million on the project, it cost almost \$4 million to delay the project, your bid still came in only \$4 million less than it originally did for the things you were trying to save, so the hospital is less equipped with \$10 million worth of equipment, or structure, or something in there that wasn't there. So it basically cost \$14 million to save \$4

million, if this is what I'm reading and what you've told me. How would that save any money?

MR. MCNAMARA: First, the hospital was not reduced in how it was built with the change in plans, but there were mitigations put in place to reduce the cost as much as possible. Again I'm going back to when you come in looking at a project that is out of sync by the amount of dollars that it was, you have to go back and take due diligence and that is what this minister asked us to do and which we did do.

MR. COLWELL: In the meantime you hired two consultants to look at this - two consultants. Were the costs of those consultants included in this overall program or is that something the department paid separately?

MR. MCNAMARA: No, it would be included in the overall cost.

MR. COLWELL: So either the consultants didn't do their job, or the department didn't do their jobs or the Executive Council didn't do their job on this whole project. As you said in your own statement here, this is very poorly managed.

MR. MCNAMARA: I don't disagree with you and I guess you'll have to ask the last government how they got out of control.

MR. COLWELL: And the present government, I mean the present government - basically it cost \$14 million to save \$4 million on the project. How is that good management? Tell me.

MR. MCNAMARA: I'm trying to tell you that the due diligence that was done to make sure on a go forward basis is what this government did and what the staff in the department did.

MR. COLWELL: Were the consultants paid or being paid, who were hired to do this due diligence and when it cost \$4 million to hold the project up, plus a two-year delay in the opening of the hospital?

MR. MCNAMARA: Unfortunately consultants don't work for free. Yes, they did cost us some money to get them to help us to make sure we're doing the right job.

MR. COLWELL: Was there anybody, and I repeat anybody - now or in the past - held accountable for this mess? In government, is there anybody? This is a question I want an official answer, a written answer on. I want to know if in the past - I don't know if it is the case now but in the past there were bonuses paid to deputy ministers and senior members of government. Were those bonuses paid during this whole fiasco?

MR. MCNAMARA: All I can tell you is that since I came in as deputy minister, I have had a zero per cent increase because that's the mandate of this government. I can't speak for the past deputy, I don't know of any bonuses.

MR. COLWELL: Could you find that out and let us know, to the committee?

MR. MCNAMARA: I can have a look, I'm not sure but I can have a look.

MR. COLWELL: It just seems like here we are, we've got long wait times to get into hospitals, emergency rooms are overloaded, a new hospital appeared to be needed. There were all kinds of difficulties, the Auditor General picked out all kinds of things that have gone wrong with this thing. Even your own statement identified things that have gone wrong. My question again is, who has been held accountable for this?

MR. MCNAMARA: Again, I can't speak for the past. I know that since this minister came in, I have been held accountable to make sure the project is going forward and is on budget and we have maintained that.

MR. COLWELL: Well how is the present government going to be accountable for the - and I get back to this again, we had a \$28 million bid to finish the mechanical parts of this and electrical parts of this hospital. You cut \$10 million out of it, it cost \$4 million to do that, the due diligence, and you still came in at \$24 million - only \$4 million less than original, after a \$14 million cost. How did that happen?

MR. MCNAMARA: Mr. Colwell, can you repeat the question and I'll see if Brian can try and explain the difference in your dollars for you.

MR. COLWELL: My question is, it cost the present government probably \$3.9 to do due diligence on this that consultants had already been hired to do. Also, there was a bid put out for \$28 million, roughly, to do the mechanical and electrical work, I understand that there was. When it was all done, there was \$10 million cut out of the budget of that \$28 million and the bids still came in at \$24 million. You spent \$14 million to save \$4 million - how does that make any sense? That's under the present government.

MADAM CHAIRMAN: Mr. Darrell.

MR. BRYAN DARRELL: Thank you. The bid was structured such that when it actually went out, there were very few people who actually responded. The province would have been put in a position where we would have had one company actually just responding to it and that doesn't leave you much room in terms of negotiation, in terms of actually the design they bring forth, in terms of how they would actually provide the services.

We wanted to actually review the design to make sure that it was the most efficient way of doing it. After all, it was being built to LEED standards and there are some changes. There could be some question as to whether all the materials were required, so actually it was revamped, it was redesigned. A good portion of that was actually spent on redesigning this in terms of bringing it to something that could be affordable, that we could actually get other people to bid on. The end result was that we actually had multiple suppliers bidding on it so yes, it actually did improve the services in that aspect. Am I answering your question?

MR. COLWELL: Not really. I understand that whole process you just went through but how is it possible - I mean I can understand you have one bidder, you can either negotiate very well with that bidder and say look, this is too much money, we're over budget and we can work with that. That's easy to do, you've got to sit down and go through with the engineers you have internally or the DHA has or the consultants that you hired and how much this would change.

The problem is the whole thing was delayed, costing \$3.9 million for the whole project - \$3.9 million it cost the project, that's the information we have. Then, when all this was tweaked, there was another \$10 million in savings but when the bid came back in for this exact work, it came in at \$24 million, only \$4 million under what the original bid was. How do you save any money by doing all this, plus delaying the hospital for all this time?

MR. MCNAMARA: Mr. Colwell, I think if the project had gone the way it was going, the cost wouldn't have been \$28 million, it would have been a lot more. What we did is reduced and mitigated the potential overall cost to the hospital could have come in.

MR. COLWELL: Could you explain that in more detail?

MR. MCNAMARA: Sure. If we had not done the due diligence, if we had not gone back and did the redesign, if we had not taken the time to do it right and to put the accountabilities in place, then the \$24 million estimate probably would have been a lot higher.

MR. COLWELL: But you already had a \$28 million bid, right? Why wasn't the due diligence done prior to that? I mean on these big projects, and I've worked on these big projects, this stuff just doesn't come out of the air and all of a sudden you're going to build a hospital and say to an electrical firm or a mechanical firm, do the wiring in here - that doesn't happen. You have to have a set of drawings, you have the architect - did the architect do the work right?

There is something desperately wrong with this situation. When you look at the money that was spent, the delays, the additions of things and taking costs out and then putting them back in again, like the MRI was out by one OIC - Order in Council - and in the next one it is in again. It's not acceptable, it's just not acceptable.

Did the architect not design the building properly? Is that what is going on here? What happened?

MR. MCNAMARA: I don't disagree that it wasn't done correctly and that's the reason we took the time and the due diligence to try and bring it back on track, to try and ensure that the go forward could be completed within reasonable dollars for the taxpayer.

I'm sure that if the expertise we had in place now and using TIR, the outcome would have been totally different. We do recognize there were issues, that's why we fixed them up to go forward.

MR. COLWELL: You know, as you go through this, who has been held accountable? This is \$80 million over budget, who has been held accountable? Anybody? Or did you just say no, it's no problem, and just write a cheque and pay the \$80 million? Has the architect been held accountable? Have staff in the department who evidently - as you said, you didn't have the proper staff at the time, so have they been held accountable? Who has been held accountable for this? If this was an industry, there would be a major shakeup and it doesn't appear that anybody is taking any responsibility, just spend more taxpayers' money.

MR. MCNAMARA: Mr. Colwell, you're taking things out of context. This government changed . . .

MR. COLWELL: Not really.

MR. MCNAMARA: Just a minute. This government changed, and when the government changed they took accountability by making sure on a go forward basis that the appropriate things were put in place to ensure that it was done right and also put in place for the future to ensure that projects do not get out of control and that the appropriate budgeting is done, the appropriate individuals are in place with the expertise to be able to build a project.

As I said, we recently signed a memorandum with the Department of Transportation and Infrastructure Renewal so that they will be the lead for us on major projects. I can't speak to the accountability of the past government or the past deputy.

MR. COLWELL: Well, when you get a project like this so far over budget - and the province is used to building buildings. You build schools all the time and you are renovating all kinds of things on a regular basis, so I can't believe that you are here telling me that nobody has been held accountable for this, nobody. So just spend the extra \$80 million, change what equipment you are going to put in, review it, stop it, spend an extra \$4 million on a delay, come back with \$10 million less in the program and then you end up paying almost the same amount of money for the original contracts. How are you saving any money? All of the other contracts were let, is that correct during this time - all the

construction ones, all the major ones? How did a \$4 million delay in this thing save any money down the road if this was the only contract that had to be finished?

MR. MCNAMARA: My belief is that by taking the time to do the redesign to do it correctly, we saved it from escalating a lot higher.

MR. COLWELL: Where would it have escalated higher?

MR. MCNAMARA: By the fact that some of the things that were done differently in order to reduce the cost on a go-forward basis. Let's extrapolate backwards - if you look at how the costs had ballooned from the original project and you take that and extrapolate, it would have been a lot higher than \$24 million.

MR. COLWELL: But you already had a bid for \$28 million so how could it be higher than \$24 million? You already had a bid on the table to do all this work, so how could it be any higher?

MR. MCNAMARA: The reduction with the work brought it down some. Granted, nothing is perfect when you're trying to fix a project after it's in construction and you're trying to do something at the very end to maintain and control costs.

MR. COLWELL: Did the same bidder that bid the \$28 million finally get the job?

MR. DARRELL: No they did not.

MR. COLWELL: Did they re-bid after that or did they bid on this project as well?

MR. DARRELL: They re-bid but they did not get it, that's correct.

MR. COLWELL: How much higher was their bid when they didn't get it?

MR. DARRELL: I don't know if I should give that information out.

MR. COLWELL: It should be public information.

MR. MCNAMARA: We'll check and if it can be given, we'll give it to you in a statement later.

MR. COLWELL: To the committee.

MR. MCNAMARA: I'm just not sure of the protocol on that, so I don't want to . . .

MR. COLWELL: That's fair enough; I have no problem with that.

MADAM CHAIRMAN: One minute left, Mr. Colwell.

MR. COLWELL: Well, as I go through this, it all comes down to accountability. It appears that the Progressive Conservative Government in the past had made some pretty serious mistakes on this. I totally agree with that, but I still can't see how you can take \$4 million in delays to hold this project up when you already had a bid for \$28 million. I have no idea who the bidder was or anything like that and it doesn't matter. Then you come back, cut \$10 million out of the program and come back with a \$24 million bid. There's something desperately wrong here. So \$14 million was spent plus a two-year delay in opening the hospital probably because of this in order to save \$4 million.

Something doesn't add up here. You had consultants hired to do this, to look after this, look at the financial part of it; and consultants to look after the program to ensure that it was going correctly, and the past government did that. When you look at all this, the question still remains; you had one consultant to manage the program and one for cost savings and you tell me these guys were paid after the \$80 million was gone out of the system and you spent \$14 million to save \$4 million. It just does not make any sense.

MR. MCNAMARA: I can only speak for the time since this government came in and which I came in as deputy is when we're trying to do due diligence, we have to do it on a go-forward basis.

MADAM CHAIRMAN: Your time has elapsed now so I'll turn it over to Mr. MacMaster.

MR. ALLAN MACMASTER: Who did the original \$104 million estimate?

MR. DARRELL: That would have been prepared by Nycum & Associates.

MR. MACMASTER: Was that prepared for the department or was it prepared for the district health authority?

MR. DARRELL: That functional plan was actually prepared for the district health authority.

MR. MACMASTER: Are we placing too much responsibility in the hands of district health authorities when - if they're going to construct a new hospital or expand an existing hospital - an estimate is prepared for them and they're responsible to critique that estimate and ensure that it makes sense?

MR. MCNAMARA: You're correct. As I mentioned in my remarks, it has been a long time since a new hospital has been built. The hospitals have expertise to run hospitals. They don't necessarily have expertise in construction and that is why on a go-forward basis

we'll ask the Department of Transportation and Infrastructure Renewal to assist to make sure we do it correctly, because we know we need outside help.

MR. MACMASTER: The other thing that you had mentioned in your opening remarks was there were only two firms who had responded to the tender for the construction of the hospital. I guess the obvious thing that comes to mind - if you're doing a very large project, there are probably very few companies who can respond to that kind of tender call. Couldn't the project have been broken up into smaller segments to help generate more responses, more competition, to ensure the province is getting good value for money.

MR. MCNAMARA: I'll ask Mr. Darrell to answer that.

MR. DARRELL: What you just stated was not quite correct. The two firms that responded were for the mechanical and electrical component only; there are many components actually in the building of a hospital. Now if you actually broke that up into smaller components you run the risk of one firm saying, I got here and it's the other firm's fault why those pipes were two inches off to the left or to the right or they used a different type of duct work or something of that sort. So you get into a case of he said-she said and then we spend the amount of money actually trying to solve that particular part of where the parts actually join. To have one firm do it all the way through gives some sort of consistency to the project.

MR. MACMASTER: I respect that point - if you get too many cooks in the kitchen, you might not end up with a very good meal to eat. But isn't there some kind of accountability or ways that you can hold those accountable for the work they do so if they do put the pipes in two inches out of place then they have to - and then I guess you run into timelines for a project, so I guess . . .

MR. DARRELL: Exactly and that's usually - I'm sorry, I cut you off.

MR. MACMASTER: Oh no, I guess I was just thinking, isn't there some kinds of protections in place or penalties that would discourage companies from varying from their requirements based on what they responded to and the work they agreed to do?

MR. DARRELL: Yes, there are, but those things are usually resolved in court afterwards and that doesn't do anybody any good.

MR. MACMASTER: Okay, I respect that. You had mentioned that the mechanical and electrical trade costs spiked. Would you say they may have doubled in price? If we look at the cost of the original tender - and I know mechanical and electrical is only a portion of the cost to construct the hospital, but the cost seems to have doubled.

MR. DARRELL: Mechanical and electrical represents about 40 per cent of the actual construction cost in a facility. When they actually spiked, it was largely due to just an absence of firms in the province who can actually compete on a project of this size. When you actually put down your bid bond on a subject of that, there are not many firms that can actually put down that amount of money just as a deposit, in terms of coming to the table to do this work. Yes, that scared a lot of firms away and as a result we only had one local firm that was able to come to the table on this; the others were all from out-of-province. When they're coming in from out-of-province, it tends to push the price of the project up.

MR. MACMASTER: May I ask who the firms were who replied to the tender?

MR. DARRELL: I'm trying to remember the exact firms now because that was a while, but . . .

MR. MCNAMARA: We can supply the committee with that.

MR. MACMASTER: Sure.

MR. DARRELL: If you don't mind, I would rather do that.

MADAM CHAIRMAN: We'll make that a request.

MR. MACMASTER: When did the costs start to go up? Was it after they had won the tender to do the work?

MR. DARRELL: No, no, it was actually before. I'm sorry, I'm going to ask you to repeat the exact question to make sure I understand what you said.

MR. MACMASTER: I guess I was just trying to get an understanding of these costs. They represent about 40 per cent of the cost of the project, and they started to go up in price. Did they go up in price after these companies won the tender?

MR. DARRELL: Oh, no, no.

MR. MACMASTER: So it was agreed upon that they would do the work for a set price?

MR. DARRELL: When we actually went out to tender, the prices we got back were higher than what was estimated.

MR. MACMASTER: So you had no choice but to accept?

MR. DARRELL: Well, that's what the industry is telling you what the going price is for that amount of work; that's what they're telling you. That was different from what our pre-tender estimates were which had been completed quite a bit earlier.

MR. MACMASTER: Were those numbers compared with other jurisdictions, with other current construction projects maybe around the country or around North America?

MR. DARRELL: They were compared with other ones in Canada, yes, they were.

MR. MACMASTER: How did they compare?

MR. DARRELL: The prices that came back were in the ballpark of what we would have been paying if we were in Ontario. There's a factor in there in terms of the location of the work that takes place, but yes, they were comparable.

MR. MACMASTER: Like within 5 per cent or 10 per cent?

MR. DARRELL: The exact amount I cannot give you but it was very comparable, in terms of what could be expected in Nova Scotia.

MR. MACMASTER: Okay. In August 2009, I guess that was around the timing of this. Was that when those tenders came back in and you had the two responses and they were well above what was expected?

MR. DARRELL: It would have been in that time period, yes.

MR. MACMASTER: So then the government of the day, which is the current government, decided to go along with those cost increases.

MR. DARRELL: Yes.

MR. MACMASTER: Was there any way that they could have, at that point, said wait a minute, this project is well beyond what was expected, what can we do now besides looking forward into the future and changing estimating and tendering processes? What can we do now to keep this project from further increasing in cost?

MR. DARRELL: The province actually went to a value engineering process where we actually took a very critical look at the design before us and said, what can we actually eliminate or reduce that would actually get the project completed but yet actually cut the costs back? That was a very tough exercise. We actually looked at a lot of the features that were built in, a very nice operation. It had a lot of redundancy in it that would have made it a very state-of-the-art building. That was actually removed, it was pulled out and actually we settling for something that's functional, it's going to work very well but it's not as sophisticated.

MR. MACMASTER: So if you look back on this, it seems to me that the original estimate was just way off.

MR. DARRELL: The original estimate was off, yes it was.

MR. MACMASTER: I should remember this because I just asked you a couple of minutes ago but who did the estimate? Was it contracted out?

MR. DARRELL: The estimate was actually prepared by Hanscomb.

MR. MACMASTER: Have you had any conversation with them since to find out why they were so off in their estimate?

MR. DARRELL: Actually that was one of the questions that was discussed. They said well they actually hadn't paid as much attention to some of the details as they thought they had and there were some intricacies that they hadn't properly accounted for.

MR. MACMASTER: Is there any recourse through them for giving such a low estimate? They have obviously been paid for a service, which they have supplied to the province, which if we look at things now it wasn't that helpful to the province.

MR. DARRELL: That's correct. As to that recourse, I honestly have to defer to our legal experts, I'm sorry.

MR. MACMASTER: Is that something that we could hear back from, maybe back to the committee?

MR. MCNAMARA: Yes, and one other point I'd like to make, too - and I guess it's one of the lessons learned and this government has changed the policy - is announcing the total cost of a project up front. What we have learned is that the firms become very astute at being able to figure out what their share should or might be and so in the future, you will never see the total dollars of a go-forward project, so it doesn't give an advantage to construction companies.

MR. MACMASTER: Yes, you don't want to reveal your cards.

MR. MCNAMARA: That's correct.

MR. MACMASTER: In your opening remarks, you mentioned that there wasn't a lot of experience in the Department of Health at the time, around construction of a hospital. In fact, this was the first new hospital built in many years.

The first thing that comes to my mind is, why would the province have that kind of expertise in-house anyway? Why wouldn't the province look outside to contract for that

service, towards somebody who specializes in that activity, somebody with a good reputation who would be able to bring that kind of experience to the province?

MR. MCNAMARA: I can't speak for the decision of the department at the time, not being there, but it is one of the things we recognize, too. One, we had to increase the individuals we had; secondly, that we had to go to a department that had the expertise in building. For example, the Department of Transportation and Infrastructure Renewal was heavily involved in building new schools so they had a lot of expertise that were not involved. As I said, I can't answer for why decisions were made at the time.

The other thing is, even though we had only one engineer, the poor individual was also hampered with the long-term care beds that were being built around the province at the same time as well, so the burden on that one individual was overwhelming, I'm sure.

MR. MACMASTER: What about the idea of - I should remember the term, you know when a contract is put out, like a design and build contract I guess it is called. That way you are putting the risk in the hands of the company doing the estimate and the construction. What about looking at that sort of arrangement?

MR. DARRELL: That would be something that would actually be determined by the district health authority who actually signed the contracts. There are some real risks when you go that route because you draw up the specifications initially and if there are any changes - as we've seen throughout here that there are changes to the concept - they don't respond to them. If they do, there is a significant increase.

MR. MCNAMARA: Can I add to that? Going back in my history when I was involved with the Camp Hill Medical Centre and the Veterans' Memorial building, which was built sort of along that line, one of the things we found which created a lot of problems was that the contractor left out doing things in order to be able to bring the costs - for example, the air handling systems didn't go all the way where they should; there were exhaust fans that were not put in, and the mechanical stuff that you wouldn't see until you actually had some difficulties with the building, so we have to be careful in which way we go. You can put a risk out but unless you've got the real due diligence in 100 per cent of what you're doing, it can create issues so we have to be careful.

MR. MACMASTER: I guess when I think about it, are there not ways that you couldn't have a company that is doing the construction work and another company that is overseeing it and you have penalties in place for going over budget or for work not being completed to spec, so that they both have a vested financial interest ensuring the project is done properly and on budget?

MR. MCNAMARA: Again, hopefully TIR will look at all the different options and come forward with the appropriate way to do it. I think they have been closer in bringing

projects in on budget, if you look at the schools. Our belief is by turning these larger projects over to them, it will give us that expertise to be able to do it right.

MR. MACMASTER: Are there other hospitals currently under construction that are over budget?

MR. MCNAMARA: No, as a matter of fact we're currently on the Inverness one, we're fairly close and that's one where we've made some great savings because it involves the nursing home and the hospital, as you know. We'll be able to have one kitchen instead of two; one laundry instead of two; one mechanical system instead of two - there are also operating savings on a go-forward basis. At the moment, no, there are no major projects other than that one. The cancer bunkers, again, there's still significant dollars - around \$20 million approximately - but they're on budget. I understand Lillian Fraser Memorial Hospital came in under budget.

MR. MACMASTER: Those budgets haven't been modified or re-estimated so they're within budget of a new budget estimate; they're to their original budget estimates?

MR. MCNAMARA: That is correct.

MR. MACMASTER: Madam Chairman, I would like to pass the remainder of my time over to my colleague from Hants West.

MADAM CHAIRMAN: Mr. Porter.

MR. CHUCK PORTER: Thanks to the committee this morning for coming in. Just a few questions to start; I don't think I have a lot of minutes left in this round . . .

MADAM CHAIRMAN: Six minutes.

MR. PORTER: Six minutes, thank you Madam Chairman. How many projects are on the go right now that TIR is now managing or have picked up?

MR. MCNAMARA: None yet because we haven't had any of that volume yet. The memorandum with TIR would be projects at \$20 million or more. We may have smaller ones if we decide we do not have the expertise for the ones. For example, the cancer bunkers at both Cape Breton and Capital District Health Authority are closer to the \$20 million range and that didn't require a TIR type of expertise.

MR. PORTER: When did you put that policy in place, deputy?

MR. MCNAMARA: The memorandum has just been signed recently, but we've been in discussions with TIR since the Auditor General's Report came out.

MR. PORTER: What about other projects? There have been other projects done; fairly significant projects and I'm aware of one obviously in my backyard with the Windsor Elms Village, which was a fairly long drawn-out project, but a very good, much-needed project. If I recall, that was somewhere to the tune of \$36 million or thereabout, give or take a few dollars. Can you tell us where that project came in? Was it on budget, over budget or under budget?

MR. DARRELL: That was right on budget, yes.

MR. PORTER: Right to the dollar on budget.

MR. DARRELL: Within a few pennies, yes.

MR. PORTER: What's a few pennies?

MR. DARRELL: Seriously, it was right on budget. I can't say in terms of, you know, 49 cents, but it was right on budget.

MR. PORTER: I understand that it was very close to budget. That was a very long, drawn-out, painful process with an organization there that did more due diligence than I've probably ever seen on any project. A very well-organized committee, knowledgeable committee, with great experience there.

MR. DARRELL: That was a very sophisticated project, too, in terms of using the geothermal heating in it. That's what took quite a bit of time there actually, the design of that system. There was a lot of delay up front in terms of getting the mechanics of that right, but I'm sure people in that area are going to be very pleased with it.

MR. PORTER: They are indeed very pleased with it and it was very close to budget. I know that they worked hard to keep that on budget as well.

If that project had been - oh, maybe I should ask this question. What is acceptable then? Now that the project is already underway or well underway, yes, there are delays obviously, unfortunately, with regard to - we'll use that example of geothermal. I can understand that, it's pretty complicated, there were some changes that needed to be made, but that project is underway.

Are you going to say, deputy, that you would stop the project until it was able to meet a budget - and I'll just use that one project as an example - and leave it on hold until you're able to fit in the figure that the government in advance says we're only going to spend \$36 million, make it work or it doesn't get finished? I want some clarity around that.

MR. MCNAMARA: Mr. Porter, it's a good example of where you come in with a board to try to get extra money from the department and we kept holding the board's feet to

the fire, to the original budget, which did happen. I'm proud to say that if it hadn't been for the department's push, I think it would have been over budget.

MR. PORTER: Deputy, do you know what cuts were made in that project, specifically, to make that work or where they found the savings?

MR. MCNAMARA: I can't tell you exactly - what we did was we kept going back to the board and holding their feet to the fire and saying you've got to do due diligence to meet the original estimate.

MR. PORTER: And the board did a good job there. What about other projects that are underway, maybe the Hants West school as an example? I don't know if TIR had anything to do with that but I guess probably given the memorandum of understanding recently being signed, that was a fairly big project but it doesn't meet that \$20 million. Just as an example, you wouldn't be involved in that as TIR anyway?

MR. MCNAMARA: I have enough problems with Health, I don't need the schools.

MR. PORTER: I guess in general with the policy, deputy, I guess my question to you is, is this policy specific to Health, this memorandum?

MR. MCNAMARA: Yes, that is correct.

MR. PORTER: So, Mr. Darrell, you're with Infrastructure Management; are you only working on behalf of the Department of Health and Wellness and not government in general?

MR. DARRELL: Actually, I'm with the Department of Health and Wellness, I'm not involved with TIR at all.

MR. PORTER: So it's just specifically Health . . .

MR. DARRELL: Just specifically Health-related projects.

MR. PORTER: Okay, very good, thank you. What other projects - there are no other projects, did I hear you clearly, that you're working on currently?

MR. DARRELL: Oh no, we have over 30 projects, depending on whether it's today or tomorrow, we have 30 or 31 projects on the books at this moment. One is just being completed as we speak.

MR. PORTER: Can you give me just a couple of examples of what some of those bigger ones might be that you're involved in?

MR. DARRELL: Certainly. We have Colchester, obviously, and we have Inverness as well. We finished Lillian Fraser a little while ago. We have the bunker project over in the Dickson Building and we just finished one in Cape Breton, adding on to the hospital there. We have the ER expansion in Cape Breton that we did and we have a project on the go in Queens, the revamp (Interruption) Thank you, the Primary Health Care Centre - I'm being caught off-guard in terms of spilling them all out.

MADAM CHAIRMAN: Perhaps we could get a list of all the projects.

MR. PORTER: Yes, that would be fine and I know my time is running short. How much time do I have left, Madam Chairman?

MADAM CHAIRMAN: Thirty seconds.

MR. PORTER: Thirty seconds - I'll just defer that until the next round, that's fine.

MADAM CHAIRMAN: Thank you, Mr. Porter. With that we'll turn it over to Mr. Whynott for the NDP caucus. You have 20 minutes.

MR. MAT WHYNOTT: Thank you very much, Madam Chairman, and thank you to the department for coming in today. As we all know, hospital improvements and hospital expansions and hospital builds are such an important piece of the system as a whole and, in particular, for the Colchester catchment area it's certainly important. As the deputy well knows, the area that I represent is in the catchment area for the Cobequid Community Health Centre. When that new community care centre was opened it was certainly valued. I'm sure that when this - I know that when this facility opens up it will be a gem in the community, that's for sure. It's an important issue for all Nova Scotians.

I guess I'll start by asking - I don't know if it's a simple question or not but when the government came into power in June 2009, Minister MacDonald asked the Auditor General to take a look at this project. Can you explain why?

MR. MCNAMARA: Certainly, when she came into office one of the things we were faced with was a request for additional dollars, she was concerned, looking at the original estimates, as to where it had gotten and with new dollars being asked for, why did this get out of control? What can we do to ensure that for the future this doesn't repeat? So she asked that the - it was also supported by staff within the department, as well, that we believed a review had to be done in order to ensure we can fix for the future. We can't fix the past, but we certainly can put new procedures in place to make sure we do the right thing as we go forward.

MR. WHYNOTT: In regard to that, how far along was the construction in June 2009? And further to that, how much over budget was the project at that point in time?

MR. MCNAMARA: I think up to June 2009, it was tracking to budget, the excavation had been done; the footings were in place and the structural walls, so the early part of construction. It was not obviously at a point where some of the major work was done. One of the things about hospitals is that the most expensive part is what goes inside walls because that's where your oxygen lines go, the electrical wires, your computers, all of these things, so those are the hidden parts that we don't see, but they do add up in construction.

MR. WHYNOTT: Currently, if the Department of Health and Wellness decided to go out and build a hospital somewhere else in the province, would you include rates of inflation for that project?

MR. MCNAMARA: Yes, we would and that's one of the things I was talking about, the appropriate budgeting on a go-forward basis. The documents in the project were costed out, inflation was mentioned and was identified as an issue to be added to the cost, but it was, in fact, entered in as actual figures. What happened was the Cabinet of the day was aware that inflationary costs were going to take place, but the dollars were not sort of identified and estimated on a go-forward basis. That is something in the new budgeting process that we would do to the best of our ability to have in there.

MR. WHYNOTT: I guess that's the mismanagement of the former government in regard to a lot of projects. We can go back to previous Liberal Governments, as well, in particular the P3 projects that we're left with now. I wanted to ask, in your opening remarks you mentioned about June 2003 and you talked about \$1 million that was set aside or approved for funding for kind of the functional program, the master program and all the rest of it. What is entailed in that whole piece of building a new building?

MR. MCNAMARA: Basically what we're doing when we fund functional plans or the master plan up front, is asking the district or whatever to develop a plan that will show what the project is going to look like, what's going to be included in it. For example, we would have staff review that and make sure these are the things that should be included in this district based on our knowledge of what is going on around the province. Sometimes you look at it and say, what are the needs and what are the wants, because you have to sort of separate those over time. Often when we're looking at new projects we want to put everything into it and so there has to be looking at the affordability at the end of the day. It does set out for us the plan of where the district wants to go in developing a new facility.

MR. WHYNOTT: You also mentioned in your opening remarks about August 2007, there was an Order in Council for an additional \$51 million. Why the increase at that point?

MR. MCNAMARA: That's information I don't have at my fingertips, but I can get that information for the committee.

MR. WHYNOTT: Okay, thank you. Nova Scotia really hasn't built a hospital this size in quite a long time. Did the DHA, the board, the department have the expertise to oversee it? I know you mentioned before that you didn't. I find it interesting that the memorandum you signed with TIR is, I would assume, very similar to the one that TIR holds with the Department of Education around the building of new schools. Can you talk a little bit about that and are there similarities in that process in how hospitals will now be built?

MR. MCNAMARA: There are some similarities in the memorandum. We had talked to Education as well as talking to TIR in developing the memorandum and as I said, we recognize that we do not have the expertise in the department to build big projects, particularly when you're building them so few and far between. The second thing, as I mentioned, the staff and DHAs are better at running hospitals than building them, so we have to recognize that they're once in a lifetime for a particular organization, unless you can hire the right project management. For small projects definitely they have the correct staff and so this was one of the things we knew, when we saw the Auditor General's Report, this was a better way of protecting the taxpayer on a go-forward basis.

MR. WHYNOTT: Let me be clear that no one is arguing the need or previous need for this hospital, this is an important piece of infrastructure for that district. However - a direct question, I guess - with the replacement of this hospital, was it the right size? If not, what aspects of the hospital were overbuilt? Are there features that shouldn't have been there at all, were there investments made that were just strictly political? Can you talk about that a little bit?

MR. MCNAMARA: The Colchester Hospital is larger than the original hospital. Some of the amenities in it are important and recognize the needs of that community. For example, expanding the ER space, the original emergency room was built to handle about 20,000 visits a year, they're up around 30,000, so those are appropriate. I think hindsight is sometimes easier to look at a space and say, what should we do?

If you look at the amenities, and I always call them some of the niceties - for example, the expanses in the entryway, large window spaces, areas to clean - they might not be the best decisions in these economic times. They may have been something that would have been appropriate at that time, but I can't speak to that. I think in terms of some of the spaces that will be required to be cleaned and these type of things, they may cost some extra operating dollars that would be unnecessary.

Some of the other changes would be when you build a new facility and you build, for example, two bedrooms versus some of the four-bed wards, that does change your size, which is appropriate. Your operating rooms are built to a different standard so there is the increase in size there which is appropriate. There is a lot of it that is right and it is the right thing to do. It is also my understanding that the district on its own decided to enlarge certain areas which added to some of the costs and these were issues that had not gone

through the department approval process. This is something as well we will have to look at in the future to make sure we work with the appropriate districts to make sure the original plan is adhered to.

MR. WHYNOTT: How much did the community fundraise - I know oftentimes with these sorts of project a community does fundraise - I forget?

MR. MCNAMARA: They raised 25 per cent of the original estimate and they raised 25 per cent for the MRI. Our policy on a go-forward basis is that every community is to raise 25 per cent of both the building and equipment and that is a policy that is in place and will be enforced for all go-forward projects.

MR. WHYNOTT: How long has that been in place?

MR. MCNAMARA: Since this government was put in place. It was after the Colchester decision to be honest.

MR. WHYNOTT: So I guess now that we know the hospital is larger than it originally was - in regard to the actual, physical size of it - what impact will the new larger hospital have on going forward on the operating side of things, not only on operating, but on the staff, their working environment and those sorts of things? Can you talk a little bit about that?

MR. MCNAMARA: We know the operating costs environmentally for cleaning the additional space, the \$1.7 million, that has been approved, so we know that is an additional operating cost. We also know that there are some spaces in the facility that have been built for other reasons that probably will not be funded operationally up front, but this is no different than the Dartmouth General which has some additional spaces that are still waiting to be expanded and utilized into the future, as we can afford to do it. At a time of tight operating expenses, particularly when we're asking districts to reduce their budgets, it's very difficult to fund new programs until we're in a better fiscal situation.

MR. WHYNOTT: I would assume that - under the previous government - when budget increases were given and the hospital was getting larger and larger, would that information not have been shared with the government at the time?

MR. MCNAMARA: I'm not sure, to be quite honest. As I said, some of the increases came about because of - like the MRI, for example, being added mid-construction. That's probably a decision that, as I say, was not recommended by staff and was probably not something that would have been supported today to be put in Truro. Not that it's not a nice amenity to have but if you're going to spend money on an MRI, there are probably better locations. I would expect some of the additions done by the board were probably not known by the government of the day either.

MR. WHYNOTT: Why didn't the department or the minister at the time scale back the project once it was discovered to be overbuilt and over budget?

MR. MCNAMARA: It was built using a construction management project and the method involved tendering at the phases that were put out. The over-budget aspect I can't - we were not on a daily basis monitoring the project, we depended on the district to do that. That's why the new monitoring system we have in place - for example, Bryan and his team make sure they meet with the district on a regular basis to see where the project is, where the budget is, so that we know we are working with the district to ensure it meets our new target.

MR. WHYNOTT: Thank you very much. Obviously this project was a good example of mismanagement by the Progressive Conservatives under the previous government. I'll pass things over to my good friend, the member for Pictou East.

MADAM CHAIRMAN: Mr. MacKinnon.

MR. CLARRIE MACKINNON: Thank you very much, Madam Chairman. I just want to get something clear here. It's my understanding that soon after the current government came to power, the projection was that this project was, in fact, going to be about \$70 million over budget. Is my understanding correct?

MR. MCNAMARA: I'm going to ask Linda to answer that question.

MS. LINDA PENNY: The approval that came before this government was the additional \$25 million so it was within months after they had taken power.

MR. MACKINNON: But soon thereafter we were looking at something in the order of \$70 million in an overrun; that's my understanding with the contracts that were let and so on.

MS. PENNY: That was previous to that time. There are actually four Orders in Council for this project: the original \$104 million for the total; there was a subsequent one for \$51 million, which was in 2008; there was the MRI, which was in total \$5.2 million; and then in 2010 was the \$24.375 million, or \$25 million - that was the one that this government approved.

MR. MACKINNON: Thank you very much for that. On a go-forward basis - I guess that's what we really have to be concerned about now - I'm looking at the Pictou County Health Authority where an expenditure was put in the last budget and it was mentioned in the Speech from the Throne as well. We're looking at something that may be under \$20 million for changes to the ER there, and also the pharmacy and some other associated changes. How do we ensure that's going to come in on a projection? The

municipalities in this case and two very good foundations have come up with the 25 per cent; unlike the situation in Colchester County, the 25 per cent is there.

MR. MCNAMARA: I can speak to that. They have put, I guess, a dry run on what they think 25 per cent is. We don't know the total cost of the project. When the project finally goes out they will know what the real 25 per cent is that we may be asking them to put on the table. As I mentioned earlier, the cost of the full project is something that was speculation and we're trying not to get into a speculative business so that the tendering doesn't follow the appropriate percentages.

The other thing is what the project will look like will depend on the plan that is now being worked on. We know, for example, the key thing is working on the emergency department because we know that needs work for flow and being able to look after patients appropriately in Pictou.

The pharmacy is the second issue and we'll have to decide when we see all the plans that come in and the prices there, whether we can afford the full project.

MR. MACKINNON: Mr. Whynott alluded to the 25 per cent, can we come up with the actual amount that did come through the DHA, the district health authority there in Colchester County? It was considerably less than the 25 per cent in the end, which is a concern to other units. I'm very pleased to hear that the 25 per cent will, in fact, be enforced in the future.

MR. MCNAMARA: The total contribution from the community was \$27,000,300.

MR. MACKINNON: Thank you very much. I think those were the two questions that I have. How much time do I have?

MADAM CHAIRMAN: You have about three minutes left.

MR. MACKINNON: Okay, I'm going to share with Mr. Epstein.

MADAM CHAIRMAN: Mr. Epstein, please.

MR. HOWARD EPSTEIN: Thank you and your staff for your presentation. After the experience of the department and the comments of the Auditor General, it sounds as if the department has accepted those suggestions for change by the Auditor General and have put them in place. Key to that seems to be the involvement of TIR. I'm still left a little unclear about the respective roles of Transportation and Infrastructure Renewal, the Department of Health and Wellness and the district health authorities when it comes to capital projects, so I'm hoping for a little more clarity about that.

Can we start with the Department of Transportation and Infrastructure Renewal and what their role is going to be on these projects that are of a capital value of more than \$20 million. Will they be involved in the design of the projects? Will they review the cost estimates? Will they be superintending the bidding process? Will they be generating shadow bids? Will they be superintending or advising on the construction as it goes ahead? Exactly what will they be doing?

MADAM CHAIRMAN: Mr. McNamara, there's a minute so maybe you could just start with that piece of it.

MR. MCNAMARA: Okay, I'll give you a piece of it and then we can also file a copy of the document at a later time, if that would be helpful. The main thing that TIR will do is they will provide estimates of cost and cash flows for the large capital project. They will give us the estimate of the completion and occupancy dates. They will provide rationale to the department for the estimates of cost, completion and schedules. They will identify any implications or charges, particularly if the budget is insufficient, in their minds. They will provide updated project financial information to the department on a regular basis. They will provide detailed accounting of expenditures and recoveries for large capital projects no later than 60 days after each month end. They will maintain the official record of the project budget forecast and also oversee the project.

MR. EPSTEIN: So if there are change orders that are generated, they'll be involved in reviewing those? Is that one of the things . . .

MR. MCNAMARA: That's correct.

MR. EPSTEIN: Okay, then, I think I'm perhaps just at the end of my time, I'll get back to the other roles of the other players when I get another chance. Thank you.

MADAM CHAIRMAN: Thank you, Mr. Epstein. For the last round of questioning we have 16 minutes. We have no committee business today so I'll turn it to Mr. Colwell to begin.

MR. COLWELL: The first question I have is for the representative from the Auditor General's Office. Wouldn't it have been wise today to have someone here from the DHA to talk about this as well, based on the audit that you did?

MADAM CHAIRMAN: Alan.

MR. ALAN HORGAN: Well, the DHA definitely played a role in both the construction of the project and was also a key subject of our audit, I believe. As to whom the committee would care to post questions is really a decision of the committee.

MR. COLWELL: Also, to the Auditor General again, during the original estimate, any consideration for inflation was taken out of the original estimate, which was one of the problems that appeared to be at least - I believe it was around \$8 million. By removing that, with that not being accounted for and when the province did its books for that year, would that show if, indeed, it was \$8 million in the inflationary consideration for the overall budget? Wouldn't that make the budget look like it's in an overall - make the books of the province look like they were \$8 million better off than they actually were?

MADAM CHAIRMAN: Mr. Atherton, did you want to try that? We may have to have a request for information as well.

MR. ANDREW ATHERTON: As we said in our report, I think that it clearly understated the initial commitment that the province had made for the project by excluding the amount that everybody should have realized would be necessary. So to the extent that the project was understated it certainly would impact the books of the province accordingly.

MR. COLWELL: That's what I thought. Mr. McNamara, you keep saying you're not responsible for the past and I have a problem with that. I know you didn't make the decisions at the time but the department did and went through the thing; you're ultimately responsible to the province, as the minister is, and you're responsible to the minister, and the minister is responsible to Cabinet and to the people. If you're not responsible, the Cabinet's probably not responsible, who is?

MR. MCNAMARA: As I stated to you, the minister holds me accountable from the day I took this position on a go-forward basis and that's why we're putting processes in place to make sure that we do the project with due diligence on a go-forward basis. Asking me who is accountable for what, I think there's - if you're looking for blame, I think there's a lot of blame to share between the non-expertise that was in the department in the past, the non-expertise in the DHA, with some of the decisions that were made by Cabinet. So I think it's a shared responsibility for the past.

MR. COLWELL: What recourse have you taken against the people in the past who have done this? Have they been held accountable at all or just sort of say, okay, \$80 million, who cares?

MR. MCNAMARA: I haven't figured out a way to be able to chastise a Cabinet.

MR. COLWELL: In other words, you're saying the Cabinet is the one that should take the responsibility; that's what you just said.

MR. MCNAMARA: That's what I said.

MR. COLWELL: Interesting. Well, I think the whole system is a mess and it sure shows this. I can't understand; this province has been around for over 250 years and we still haven't got it right to build a hospital and keep it on budget. Something is really, really wrong with that whole picture. I mean, you're building 30 or 31 projects right now and we can't build a hospital? I'm just guessing and I don't know, but I would bet you some of those other projects are going to be over budget too.

MR. MCNAMARA: I disagree because we are really doing the due diligence to keep them on a tight schedule and to keep on top of what is happening.

MR. COLWELL: So you're saying officially now that there will be no more overspending on any of these projects that you have underway?

MR. MCNAMARA: We are doing our very best to keep - I mean I can't guarantee 100 per cent but I believe we'll be very close.

MR. COLWELL: I'm glad to hear that. If it's not, are you going to hold somebody responsible?

MR. MCNAMARA: I'm accountable.

MR. COLWELL: Okay. What recourse do you have against yourself?

MR. MCNAMARA: I'm sorry, I didn't hear that.

MR. COLWELL: What recourse do you have against yourself?

MR. MCNAMARA: There's always another job.

MR. COLWELL: Okay. When you talk about the inflation factor not being considered, am I correct in saying that was approximately \$8 million that added to part of the \$80 million that was over when the original contract was put in place?

MR. MCNAMARA: Somewhere in that area, Mr. Colwell. I can't give you the exact figure right off. As I said, inflation was mentioned by staff in the document but it wasn't calculated out, and that's one of the things for the future we've got to make sure is there.

MR. COLWELL: Yes, I think it's quite important and if it's a smaller project you're doing, a small one is insignificant, but one this size is very significant.

MR. MCNAMARA: Agreed.

MR. COLWELL: I have to get back, again - I've already talked about this four or five times, I'm going to talk about it again. As I listen to my colleagues from the NDP trying to defend what has transpired here, please explain to me how a \$4 million delay in the project - \$4 million extra cost, \$10 million removed from the project, and you still come up with an electrical mechanical contract of \$4 million less than you started with. How is that possible, that it really made any sense to do all this stuff?

MR. MCNAMARA: I'm going to try again.

MR. COLWELL: I'm listening very carefully.

MR. MCNAMARA: Okay, good. If we hadn't done the due diligence, if we hadn't done the delay, if we hadn't done the revamping, what I was trying to say is if we had followed the pattern that occurred up to that date the potential exposure to the province would have been a lot higher. So I'm saying this is the best that could be done to control a project that would be out of control in cost at that time.

MR. COLWELL: Okay. That being said, you had two consultants hired - are they still the same consultants now as when the present government took power?

MR. MCNAMARA: I've been advised they were just hired for that evaluation, it was for a short-term project.

MR. COLWELL: Okay, it was just a short-term project so they're not there now? When were they removed?

MR. MCNAMARA: Bryan, do you want to take that?

MR. DARRELL: They were just hired to review the estimates, the bids that we received, to see if they were fictitious, if they were being padded, or what.

MR. COLWELL: Do you have a copy of their report that you can give to the committee?

MR. DARRELL: I did not receive the report properly - it would be the DHA who actually received them and who requested it would have it, probably yes.

MR. COLWELL: Yes, could you provide that to the committee?

MR. MCNAMARA: We will ask the DHA for a copy.

MR. COLWELL: Okay, I think that would be quite useful. When were these people hired in this whole process - what date?

MR. DARRELL: The exact date I'm not certain of, but it was when we received the estimates that were so much higher than the expected, the pre-tender estimate.

MR. COLWELL: Any idea what it cost for these consultants? One was to manage the program and you mean they're not gone either?

MR. DARRELL: No . . .

MR. COLWELL: There are two consultants, one to manage the program and one for cost savings.

MR. DARRELL: I'm actually referring to when we received the tenders that were above what was expected, we had those evaluated by outside bidders to see if there was a case of padding or whether or not those were really what was going on in the project, if that was what the industry standard was. Those are the two consultants I'm referring to.

MR. COLWELL: I understand consultants have been on the payroll for some time - is that correct - besides these ones?

MR. DARRELL: We have the construction management firm and we have the project management firm, those are the consultants - are those the consultants you're referring to?

MR. COLWELL: Yes.

MR. DARRELL: They are still in place, yes.

MR. COLWELL: And did you say one of them was a budgeting firm?

MR. DARRELL: I said a construction management firm and a project management firm.

MR. COLWELL: And the construction management group would be just to oversee the construction to make sure that is done properly?

MR. DARRELL: Yes, the construction management firm is actually the one that is on-site on a daily basis, who supervises the project. There are over 300 tradespeople on that site at any given time at this moment - that's a very big site. The construction management firm ensures that the people putting down the flooring are doing it in the right sequence and they're not in the way of the people who are trying to paint the walls or hang the duct work, or the electricians, they're the ones who actually manage the construction of the project.

The project manager is more engaged in the actual budgeting of it, whether or not these change orders coming in are realistic, are we actually staying on schedule, are we

actually getting the work done, is it being done to the right quality, and are the warranties being applied at the right time? Yes, they're still in place as well - we couldn't actually function without those and that's typical of any large project, yes.

MR. COLWELL: Yes, I realize that. It's an important role they do play.

MR. DARRELL: Oh very, yes.

MR. COLWELL: Did either one of these consultants come forward to government and say we've got a problem here, at any time?

MR. DARRELL: Oh yes. This issue was identified and we were aware that there were going to be problems, so we actually started looking for ways to mitigate it.

MR. COLWELL: And when would that have been?

MR. DARRELL: That would have been back in the February timetable, February 2009.

MR. COLWELL: What were they telling you at that time?

MR. DARRELL: That it looked as though these tenders were going to come in high - now that's a hunch, a guess, a gut reaction in terms of the number of people who were willing to actually bid on it.

MR. COLWELL: Typically these managers understand how it all works . . .

MR. DARRELL: Exactly.

MR. COLWELL: . . . and who the bidders are going to be . . .

MR. DARRELL: Who the players are.

MR. COLWELL: Yes, who they are and typically what a job this size would cost. There's probably a dollar per square foot average that you would have for a building that size for the mechanical, the electrical and all the other services, just an average one that you would use?

MR. DARRELL: Hospitals are quite a bit different from schools; in fact, dramatically different from schools. That's one of the things that makes hospitals so problematic. If you're interested, just in terms of the air that you actually have in an operating room - in a conventional school or in a residential building you might change the airflow in a room maybe four times, five times in an hour; in an operating room in a hospital you actually change that 12 times an hour and that has to be vented directly

outside. It is not actually recirculated within the building, so the level of sophistication is dramatically more.

In terms of the actual power that you'd have in that operating room and, for that matter, in many parts of the hospital, you are actually running off an uninterrupted power supply. The only thing that will come close to that in a conventional setting would be at the casino, where people get very upset if there's a power glitch when they are actually using a slot wheel.

Hospitals are very sophisticated in that the amount of design involved in it and the amount of backup equipment is incredible. So yes, there's a fair degree of sophistication there.

MR. COLWELL: Yes, I understand that - and 12 air exchanges or three air exchanges are basically just a reprogramming of a system?

MR. DARRELL: No, no, not at all, because you actually have to remove that air out of that room. So it's not a matter of just reprogramming a system, you actually have to size the ductwork to be able to handle that without creating a vacuum or a low-pressure area in that specific room. It's not just a matter of reprogramming a fan or something like that, no, there's actually a large sizing component, a design element that goes into that.

MR. COLWELL: I know the department appears to have taken some action to alleviate this problem. I mean, after 250 years I can't believe we ended up with this mess and all this extra cost, \$80 million, at a time when schools are being cut, health care budgets are being cut, everything is being cut, supposedly in order to save money, yet this continues.

Are you confident now that the budget is going to stay the way it is or is it going to go higher again - what is actually going to happen that somebody will take responsibility for?

MR. MCNAMARA: I'm very confident we're going to meet the budget that we have in place at the present time and that the hospital will be completed, as mentioned, in 2012 and we will be on budget.

MR. COLWELL: Okay, I'm reassured, but not totally until I see the final numbers. I like the comments you are making about the things you've taken.

Has government issued any government-wide policies now to ensure that this doesn't happen again in any other departments, on any projects?

MR. MCNAMARA: I'm not sure for other departments, I can just know how accountable the minister is holding me.

MR. COLWELL: In other words, the present government hasn't made a department-wide accountability statement that says all departments have to be held accountable for the work they do now?

MR. MCNAMARA: Having gone to Treasury Board and Minister Steele, we're held accountable - I can guarantee you.

MR. COLWELL: That's good. Now when you are through all this and see exactly what has happened, it makes us wonder in a time when there are so many things that need to be done in this province - and I can tell you from seeing people in my constituency now that things are in dire condition, in dire condition. I've seen people who can't pay their heating bills, can't pay their property taxes, are having trouble paying for their homes - and they are working.

This is really difficult because if you take \$80 million more, and it is probably going to be added to the debt of the province - would that be correct, that \$80 million?

MR. MCNAMARA: That is correct, yes.

MR. COLWELL: That means that if the interest rate ever comes up in this province, not just here, but if the money that is borrowed in this province, the interest rate goes higher, we're going to be in big financial trouble - is that correct?

MR. MCNAMARA: I'm sorry, I missed the question.

MR. COLWELL: The more and more debt that has been wreaked upon the province by the present and past governments, won't the interest rate increase on our debt service charges make a very serious impact on our ability to pay those debts?

MR. MCNAMARA: I think any time interest rates rise it impairs our ability to do things, but at the same time we are working very hard to try and reduce our costs, not just within the district health authorities but within the department.

I can honestly say I wish - there are a lot of things we could have redone from the past, because we would not have spent money that we have spent needlessly.

MR. COLWELL: I wouldn't disagree with that.

MADAM CHAIRMAN: Your time has elapsed just now, Mr. Colwell, so thank you very much. I'll turn it over to Mr. MacMaster, please. You have 16 minutes to share, I believe.

MR. MACMASTER: Yes, thank you, Madam Chairman. Is this hospital too big or too elaborate for the community it is going to serve?

MR. MCNAMARA: Somewhat in the eyes of the beholder, I guess. I would say that when it opens, some people will probably describe it to be a little bit palatial, that would be my guess. I think it could have been designed in a way that some of the amenities could have been less and it would have saved costs.

I know there were, for example, things cut out of the original design that would have added tremendously. For example, I know there was a long, covered pedway outside that would have cost a few million dollars that was reduced from the project, so the architectural design, and I'm not sure who that architect was who built into the plan, so there were reductions from that.

Particularly looking at our current economic times, I think we would make different decisions than may have been made at the time.

MR. MACMASTER: If you could go back in time and design it, would it be more like a \$170 million facility?

MR. MCNAMARA: It would certainly be less. I'm not an estimator so I'm not going to . . .

MR. MACMASTER: Would it be back to \$100 million?

MR. MCNAMARA: I can't give you a dollar amount. I just know it would be less than the full cost.

MR. MACMASTER: How about \$150 million? (Laughter) Those are pretty wide-ranging numbers. I guess the point I'm trying to make is I'm sure the local people and I'm sure the current local MLA is pleased with the state of the hospital. I guess the point I'm trying to make is that I think the original estimate was way off. Perhaps the final bill is more than it should be, but somewhere in between maybe lies where it should have been.

MR. MCNAMARA: I think that's what I was trying to say, Mr. MacMaster, a lot of issues contributed to this, a lot of parties contributed. It is very difficult to say one individual or group was totally accountable for what happened.

MR. MACMASTER: Okay, thank you. I'm going to turn it over to my colleague.

MADAM CHAIRMAN: Mr. Porter.

MR. PORTER: Thank you, and I have just a few questions. With regard to the new memorandum and your new, I'm going to call it pricing policy, I guess, for lack of a better term, it seems to make sense. So in going out you're going to have a process by where experts or design artists or something are doing all of the final designs. They are costing it,

they are putting a price tag on it and you are basically going to say to the organization coming to the table, here's the price tag, take or leave it and build it.

I guess with that - and you can clarify it for me - there must be a factor built in there, I guess, for cost overrun or whatever buffer or whatever is in there. I'm just kind of looking at what those percentages are by way of the buffer over and top of what you're - you know everybody has a firm price when they're buying or selling. What's the buffer that you're willing to look at?

MR. MCNAMARA: There's always an amount that is set aside for contingencies that can come about in any project. For example, you can start a project and then find out there's an environmental problem in the ground that you weren't aware of, or you can find that there's a supply shortage you weren't aware of. So you have to build some contingency into any budgeting.

What we still will be relying on is the expertise of the external architects and designers in order to do that. What TIR will bring to the table is the oversight expertise that will allow us to make sure we do it right.

MR. PORTER: Okay, thank you for that. I guess just two things on that then, deputy. One is, what is that factor then, that buffer zone? Is it 10 per cent, 20 per cent, 5 per cent? Wouldn't that be a general cost across the board with regard to projects in your budgeting process?

MR. MCNAMARA: My understanding is the contingency is typically a 20 per cent contingency but we also have to look at where the project is in the province. We know, for example, that if you are building something in Cape North that the cost for getting it done is much higher than if you are building it in Halifax, because of transportation. The companies charge for the time from wherever their local site is to the construction site so you have to build these things in as well.

MR. PORTER: Thank you. I want to move to a couple of other things. With regard to DHAs, obviously they've got a multitude of different ways of doing business. We have nine and I've made clear in the past that I don't agree; nine is too many. I don't know why we're not looking at that. How much difference is there? What does it cost to run a DHA?

MR. MCNAMARA: They have . . .

MR. PORTER: Sorry, I'll clarify and maybe it will make it easier for you. What is the administrative cost to a district health authority?

MR. MCNAMARA: It depends on the district. For example, Capital Health and IWK would show lower administrative costs percentage-wise, but would pay higher salaries. The larger an institution is, the easier it is to have a lower percentage. If you look

at Cumberland, which is probably our smallest district, the percentage of administrative cost is higher but their salaries are similar to what are paid in seven districts. Seven of them, the amount that is paid per vice president is roughly the same. IWK and Capital Health would be the two that would be outliers in terms of the dollars. Some of the districts have been reducing their overhead. For example, South Shore is reduced a VP and the same has happened in Pictou, so the districts are looking at how they reduce their costs.

One of the other things on that, as we're working through a number of issues - for example, the RFP that is out there looking at some of the services that we can do on a joint basis, will lead eventually to reducing administration costs as well. The problem with health care administration cost is that it includes things that would not be called typical administration. For example, infection control is considered an administration cost. Patient safety is considered an administration cost. They're really not, in my opinion, administration, but it's how it is defined in the health care numbers and codes that are used Canada-wide for comparison.

MR. PORTER: Just on that, those couple of examples, obviously there are some differences so we have a different belief or - if I heard you correctly - based on responsibility is how you're paid. I guess another inequity; it is not a CEO is a CEO regardless of where you are. Again, we're doing business different. What is the cost of Capital District Health then for administration?

MR. MCNAMARA: I don't have that on top of my head, but I know their salaries are all published on their Web site and we've asked all districts to do the same so that it is open and accountable.

MR. PORTER: Just on that, of the administration - and as you've just described - it takes in some things that most people would not think are perhaps administrative responsibilities or duties. Who are doing those jobs? Do we have doctors and nurses sitting in some of these administrative jobs, deputy?

MR. MCNAMARA: Definitely, for example, a vice-president of medicine is a doctor, obviously. Most clinical leads are a nurse. Infection control usually is a nurse. Patient safety is usually a nurse or a nurse-in-training, but not all the time. So you need the appropriate background to be able to give the leadership in order to move some of the districts forward.

The districts are working very hard together to look at how we can reduce some of our administrative costs province-wide. If you go back to when the government came in, the administrative cost has reduced in this province from what it was to closer or almost to the national average from being above it.

MR. PORTER: What about procurement? I remember back from my days as a paramedic on the street, we would leave Windsor and maybe take a patient to Truro. We

would have to exchange all of our IV equipment out because they weren't using the same gear. Are we still procuring per district the way we did in those days or are we moving towards something new? Where are we with that?

MR. MCNAMARA: We've moved. There were two national buying agencies that we were using. IWK and Capital Health were using one; other districts were using others. Now we've got the same procurer that we're using on a national basis, which means the supply is very similar. We've also talked to EHS about that actual issue. It didn't make sense to change and throw one piece of tubing out and replace it with another, so we're moving much more in that way to have similarities across districts.

MR. PORTER: Those are large costs.

MR. MCNAMARA: That is correct.

MR. PORTER: I just wanted to go to another topic here. We see these cuts happening; you're asking 3 per cent across the board in Health and Wellness. People are generally upset about that and I guess I can understand that from a number of perspectives. They're saying no direct patient care. Many will argue that there will be front-line health care that will be affected; it can't help but not be.

We see things like TV commercials - back in February, I believe commercials started called Better Health Care Sooner in the Province of Nova Scotia. To me, these were nothing more than political commercials. They even represented the NDP colours, as far as politics go, they talked about Better Health Care Sooner and so on. Can you tell me the cost of doing those commercials; maybe let's use the period of February when they started for three weeks?

MR. MCNAMARA: I can get the cost for you. I don't have them, Mr. Porter, but what I can tell you is the result of those commercials. The calls to 811 have gone up. The understanding of individuals of when to go to an emergency room and when to call 811 has improved and so we know there have been beneficial results of it. The dollar payback, I can't give you exactly. There was another part of your question, but I've forgotten it.

MR. PORTER: That's fine. So you're telling me you think there's some value in the TV commercials by way of saving health care dollars, is that what you're saying?

MR. MCNAMARA: That is correct.

MR. PORTER: So those commercials for the three weeks in February ran about \$122,000, from the information that I've gotten - the FOIPOP I can provide that later, Madam Chairman, that's required by the committee to be tabled. So \$120,000-odd and people are going to be curious how that kind of money for a three-week period is saving

health care dollars in this province being asked to be taken out of other places that will directly affect patient care.

We have things like long-term care, wait lines, the lists are enormous, it never ends. We have a single-entry system with two people working in it and when I called the other day and I asked about a patient on a waiting list now for some time, who is living home with a family - and I just want to give you this example - between two sisters, it's a third sister, she's being two weeks here and two weeks there, she's been assessed, that was as of August or something. Now here's a lady who - unfortunately it's always hard for families to look after their own, it's very difficult. When I called, well there's only me here today, there are only two of us working in here. When I asked the question, can you tell me where she is on the list? No. Can you tell me what - and they were working on, she gave me a date, I'll say August 20th as the date. What date are you working on right now? I haven't got a clue.

How is that possible? You think about all these cuts to health care spending, how can you justify \$122,000 for three weeks of spending, when we can't get people who are waiting for long-term care out of places like Unit 500 and so on and so forth and also to go along with that we have beds in nursing homes that we know are open for days and days at a time while we wait for this single entry to get done. It's all reflective, I guess, is what I'm asking, so how do you justify that?

MR. MCNAMARA: I'm glad you raised that question about beds being opened for days and days. That's something we're trying to fix, but the unfortunate part is contracts were signed in the past that allowed for that to happen. I can go back to my days many years ago when I used to be an administrator of a long-term care facility, when I had colour in my hair. At that time, for example, I didn't get paid for a bed unless there was a patient in it. It has been changed to a whole new policy through the last couple of administrations, so we're trying to bring it back to get that in place that, if there's no patient in, you don't get paid. There's no incentive for a long-term care facility to take a patient and that's one of our issues.

The second thing - I just want to answer the other part of your question. You talk about patient care being impacted - one of the things we have to do is take our time to look at appropriate patient care. We are doing inappropriate patient care in many cases that we have to get rid of and that's the stuff that will save the money that will make the difference.

We know we're doing surgeries in the wrong places in this province in the wrong way. We know we're doing tests we shouldn't be doing. These are things that haven't been tackled and will be tackled over the next while as we deal with this.

MR. PORTER: It should be interesting telling people that they can't have surgeries or certain tests as we go forward, based on a government's perspective that they don't deserve to have this or that done.

MR. MCNAMARA: It's based on best evidence, sir, not what the government thinks.

MR. PORTER: It will be interesting to see where that goes. As I said, with the long-term care waits - you talk about previous contracts being signed. Well the government is quick to step up and say, we've done this and we've done that and we've made these changes - I don't know why you wouldn't be putting in place then changes that you felt were cost-saving measures immediately. Are you saying you can't negotiate with whomever it is that we're referring to here, long-term care facilities?

MR. MCNAMARA: That is correct. Those contracts were signed and approved by the Cabinet of the day.

MR. PORTER: So you can't go back to those contracts and make any changes, is that what you're saying?

MR. MCNAMARA: We are going through that process, but it's not going to be overnight.

MR. PORTER: When do you anticipate that will be happening, deputy?

MR. MCNAMARA: We expect to have some of the savings starting the first of the fiscal year.

MR. PORTER: I see. It is a huge issue. Long-term care has been a system designed for a very long time and I've said that in this House, standing here in this Legislature. The single-entry system has been a huge failure, it continues to be a failure, it does not work. People are waiting way too long at home, there are expectations and there are cases - and I don't disagree with some of your comments by way of things have to be reviewed to see how best methods, best policies might be to get people placed and numerous other things. But it is truly and continues to be a system failure by way of the single-entry system, it does not work in this province.

MR. MCNAMARA: The integration of long-term care to district health authorities will occur very shortly. This is something that started when Premier Hamm was here and we'll be bringing that to conclusion in the next month. It has been a tremendous amount of work to get there, which will improve what you are talking about because there will be more direct contact between district health authorities and the local long-term facilities, rather than doing it on a provincial basis.

MR. PORTER: Will that be done through the DHAs when it comes to negotiating contracts? I'll just use my own area, Dykeland Lodge - will that be a problem?

MR. MCNAMARA: The money part was totally the province but the actual transition of patients will be between the DHAs and the local long-term care facilities, which means it is closer to home to be able to look at placement and to be able to look at needs. That is something that I think is extremely important to patients.

The other thing, as I said, is we can move to change some of the contracts, change some of the ways that we provide. We can use those empty beds. The third thing that I have been publicly talking about is we've got to put more resources into home care and help people stay in their own homes, rather than our love affair with institutions.

MADAM CHAIRMAN: Thank you. That is the end of the time for the Progressive Conservative Party. I'm going to turn it over to Mr. Epstein and maybe we'll come back to this question of the hospital.

MR. EPSTEIN: Yes, in fact the questioning got wildly off topic, it was fairly clear. I want to assure members that the government has no problem defending what it has done in the last two years in trying to clean up the messes in the Department of Health and Wellness that we inherited from the previous government.

The line of questioning I was pursuing was on topic but I was asked by my colleague from Lunenburg West if he might ask a question first, so if I can pass it to him I will, before I resume my questioning.

MADAM CHAIRMAN: Mr. Ramey.

MR. GARY RAMEY: Thank you very much, Madam Chairman, and thank you, Mr. Epstein and thank you all for coming. When you are near the end of the question period, I guess you have listened to most of the debate so maybe it helps you formulate your questions a little better.

I do applaud you, deputy minister, and your colleagues for the significant amount of work that you've accomplished already and certainly in implementing the recommendations made by the Auditor General's Department and many other things that you've done. Also, I'm led to believe that patience and tolerance must be one of the main qualities that a deputy minister has, particularly if you have to answer the same question about 15 times or so. In any event, to put my colleague from Preston at ease here regarding the debt, too, I should mention that we've made the first payment on the debt in 26 years or so, so we're trying to look after that aspect of it, too.

My question goes back to my colleague, Mr. Colwell's question. I just want to put the final spin on this. The question kept being asked to you - I'll ask it now - the question was being put to you about spending money on the due diligence to try to figure out what was going wrong, so that we wouldn't end up spending perhaps millions of dollars going in

the wrong direction but try to get that straightened out. I think Mr. Colwell's point went to the fact that you know it looked like . . .

MR. COLWELL: Madam Chairman, on a point of order, the honourable member is not allowed to mention a person's name in this room.

MADAM CHAIRMAN: I think that in the committee, it is okay because we call people by their names as we call them here.

MR. COLWELL: I'll remember that, thank you.

MADAM CHAIRMAN: Thank you. Mr. Ramey, I'm sorry for the interruption.

MR. RAMEY: Oh I'd be perfectly willing to call him something else, but I'll go with Mr. Colwell, then. (Interruption)

In any event, my point, if I may continue - may I continue, Madam Chairman?

MADAM CHAIRMAN: Yes, you certainly may.

MR. RAMEY: Thank you. The point I was trying to make was that there seemed to be some confusion about this \$28 million, then \$24 million and how did we end up saving \$4 million. My understanding of it - and correct me if I'm wrong, please - was that had we not done the due diligence, it's very possible that the cost overrun could have been significant in many millions of dollars, so by doing it we reined that in and probably saved a fair amount of money for the province and the taxpayer. Am I correct in that or am I incorrect in that?

MR. MCNAMARA: Your summary is much better than how I said it.

MR. RAMEY: So that is the correct spin on it? Okay, that's really my question and I'll turn it back to Mr. Epstein. Thank you, Mr. McNamara.

MADAM CHAIRMAN: Mr. Epstein, please.

MR. EPSTEIN: Thank you. Deputy, when we left off, I was inviting you to clarify the respective roles of the main players: the Department of Transportation and Infrastructure Renewal, the Department of Health and Wellness itself, and the district health authorities.

Just to finish up on the Department of Transportation and Infrastructure Renewal, I think I heard you say that there was an MOU. Is it possible for you to file a copy of that with the committee at some point?

MR. MCNAMARA: Yes, I will file it with the committee.

MR. EPSTEIN: That's fine, so we'd be able to have a look at that, thank you. Then let's look at the Department of Health and Wellness, and the district health authorities. Who gets to decide whether there are going to be major renovations or a rebuild of a hospital as between the district health authorities and the department? Can you explain the respective roles of the two entities?

MR. MCNAMARA: I'll to follow it through. The first request would come normally from a district health authority to the department. The department would take that and it would come in to Mr. Darrell's shop. He would send it out to the different functional areas in the department to view, whether it was mental health, acute care and say, does this make sense? If that all came together, then we would put something together that would then go to the minister. If the minister supported it, then we would take it to the Treasury Board and say, is this a project that you're willing to support on a go-forward basis? If that happens, then we go back and start doing all the work - again, it goes through the same process over and over again, but it's really going through a process that the final decision obviously is going to be Cabinet's.

MR. EPSTEIN: So the DHA may have a request to make, but because it has no independent taxing powers on its own, the financial decision is made by the Department of Health and Wellness in conjunction with the rest of government, that's basically right.

MR. MCNAMARA: Yes. There are some smaller projects though that a DHA may do because they get funding from their foundation or their auxiliary and obviously, we're not going to interfere unless there's operating costs. If there's operating costs, they still have to come back through the department to see what's the impact.

MR. EPSTEIN: Okay, that's nice and clear.

MR. MCNAMARA: There is a process that we do follow.

MR. EPSTEIN: Our main focus here, of course, then becomes the initiation of the project once it has been approved financially by the central provincial government and who's in charge and who gets to make what decisions and who, as between the DHAs and the Department of Health and Wellness, gets to set the specs, gets to call for proposals, gets to review them. Can you explain for us which entity has responsibility for what function?

MR. MCNAMARA: The issues would come forward from the district health authority, so that's obviously where the first plan is to start. If I go back to the memorandum and I talked about what TIR would do, what the department would do is they would provide the functional program plan to TIR to work on. This would allow for the input to the schematic plans that have to be developed.

We would also, as a department, approve the cost estimates because it's still the department's responsibility of the day of funding a project through the budgets that we have. We would also be involved in all the engineering and the values that are going on there. We'd be part of the project team because, in other words we still need to know what is happening from a departmental point. We still manage and approve all aspects of the site infection control programs because that's something that's something that is extremely important to Health and Wellness.

We assess and approve implications of the completion date and if there are any issues with that. We would approve any alterations because we don't want somebody outside the department being involved in doing that. We would be involved, of course, in making payments and all change orders for there. We would be involved in the status reports. We would also be heavily involved in site selection because that can have impact as well.

So by design, putting forward the functional plan, TIR would consult with us in engaging the design team, so that would be part of the work that they would do. They would develop the detailed design documents with the architectural engineers or others who are involved and they would tender the construction project for us and oversee that part of it. We would determine the specifications for all the medical equipment because that's important with the DHA. We'd obviously be involved with the supplier and the sourcing of equipment. We'd oversee the installation and warranty aspects of the equipment because that's still something we have to do on a go-forward basis and be involved obviously in approving and establishing programs that would occur in a facility.

It's quite easy for a DHA to put a program in, but it can cost us a lot of money if we're not ensuring that we can fund the operating dollars of that on a go-forward basis. Sometimes we may determine that some space is set aside for a future program when the operating dollars might be available.

MR. EPSTEIN: Your description makes it sound as if all the responsibility is in the hands of the two provincial government departments. Maybe I should have asked what are the responsibilities of the DHAs because, again, it's not at all clear to me what role they have in the whole process apart from making the initial request which is obviously a very high-level, general decision or proposal to start the process off?

MR. MCNAMARA: This government has removed the DHA to a lesser role than it had in the past in overseeing the construction and controlling the project, so it will be more controlled by government on a go-forward basis.

MR. EPSTEIN: And that's a result of the experience with the Colchester Hospital. Is there a policy document or a statement that outlines this for the DHAs?

MR. MCNAMARA: The memorandum of understanding outlines this and the DHAs will have it as well. They will have the memorandum which outlines the responsibility of the two major departments.

MR. EPSTEIN: The same MOU that interacts with Transportation and Infrastructure Renewal?

MR. MCNAMARA: The DHAs will be instructed by the minister, that this is what will apply in the future.

MR. EPSTEIN: So at this point the major shift that has taken place is that the real locus of decision-making will be at the provincial government department level rather than with the DHAs.

MR. MCNAMARA: The payer will decide.

MR. EPSTEIN: Fine, thank you very much. The other set of questions that I have has to do with what we anticipate the department being involved with in terms of new hospitals or major renovations in the coming years. I understood from the comments of Mr. Darrell that there may be as many as 30 projects going on right now. I don't think it was clear to me how many of those were at the \$20 million level. Maybe we could start with that.

MR. DARRELL: Exceeding the \$20 million level at this moment, we don't have any - oh, I'm lying to you; we actually have one. I told you I was lying so I'm not lying. (Laughter) We actually have one down in the Queens area. That's the only one that would be in excess of \$20 million at this time.

MR. EPSTEIN: And of course the completion of the Colchester Hospital.

MR. DARRELL: That's correct.

MR. EPSTEIN: So the others are all under that, which means that transportation is not involved in it.

MR. DARRELL: That is correct.

MR. EPSTEIN: I think I heard you give some examples before of those projects that are going on right now. You mentioned one in Inverness, for example.

MR. DARRELL: Yes.

MR. EPSTEIN: What I'm wondering about though is looking forward. I'm wondering what the department anticipates in terms of proposals or demand for major

re-buildings or replacement of hospitals. It's not clear to me, for example, just what the life expectancy is of some of the hospitals that we have in place. I'm not sure what 'old' means in terms of the hospitals that we have in the province right now. I'm wondering if you can tell us what you're anticipating in the next few years in terms of either the need for replacement or major renovations or demands for them.

MR. MCNAMARA: The obvious one that we have to deal with over the next few years is the Victoria General Hospital. I think everyone knows it's fairly old, fairly antiquated and there are a number of issues with it and have been. That's probably the biggest one that we will be facing. We just have to figure out how we're going to do it and how we're going to fund it. At some point, it has to be done; otherwise I think we'll be spending good money after bad and trying to keep it up to a standard to be able to look after patients.

MR. EPSTEIN: Do you know when the department will have to come to grips with that?

MR. MCNAMARA: We'll be working with Capital Health in the initial stages, looking at what is required and what the master plan is. That will be our first step.

MR. EPSTEIN: At some point in the questioning - I apologize for having missed the details of this - there was a reference to a project in New Glasgow. Did I mis-hear? Can you tell me what that is?

MR. MCNAMARA: The first stage that has been approved in New Glasgow is to do the master plan or the functional plan to redo the emergency department. The emergency department in the hospital there is not to a standard and it doesn't allow for good access and flow of patients, so it has to be redesigned. As was mentioned by Mr. MacKinnon, the community has been very active in providing funds to move it forward and that has been helpful in making the decision easier.

If I can also go back to the project that Mr. Darrell mentioned about the Queens project, which is just slightly over \$20 million. To be fair, that is one where the department's dollars is only \$3 million. The rest of the money has been raised by the community and that's why that project is proceeding, so the community has done a tremendous job through individuals and the foundation to move that. There is a very minimal operating cost increase and so I think the community has to be commended for taking strong leadership in moving that forward.

MR. EPSTEIN: Just to go back to the Victoria General Hospital, now that you've put it on the table as something we should be thinking about. In asking this question, I'm mindful of what you said before about giving dollar amounts publicly and to the potential benefit of bidders. I'm wondering if you can give us even a remote number for what it is that we might be looking at, in terms of the potential costs.

MR. MCNAMARA: I can't at this time but I know it is not going to be cheap.

MADAM CHAIRMAN: Would that be a request you'd like to add, Mr. Epstein?

MR. MCNAMARA: I don't know that I would provide that anyway, because of the public information.

MR. EPSTEIN: Yes, I'm really asking in terms of order of magnitude. I assume we're not talking \$10 million or \$20 million or \$30 million but that we're talking hundreds of millions of dollars, would that be fair to say?

MR. MCNAMARA: That is fair to say.

MR. EPSTEIN: Okay, thank you, that's really all. Thank you, no more questions.

MADAM CHAIRMAN: Thank you. That's pretty well the time; there's about 20 seconds at most. Thank you very much, Mr. Epstein.

We have quite a long list of requests for information from the department. I know that our Committee Clerk, Darlene Henry, has been keeping a list of that and can make that available to you, Mr. McNamara, so that you'll be able to answer those questions.

I also wanted to make just a couple of questions myself, maybe a request for information. In reviewing the document, there are a couple of very troubling things that the Auditor General has pointed out. One of them is that the space requirement actually ended up being more than Cabinet had approved. It mentions on Page 68 by 44,000 square feet higher than it should have been, even though there had been measures to make it smaller. It seems to me that that is really a lack of respect for the Cabinet approval they had been given, and something went wrong to allow that.

I wonder if, in writing, you could talk a bit about the liberties that were taken that went beyond the Order in Council that had been given authority. I think that's somewhat what the committee had been asking today about, but we didn't talk about space in particular.

MR. MCNAMARA: I referenced that when I said that the district had done some things on its own.

MADAM CHAIRMAN: You did and I just think it is an important question for us to look at. Our job here is to try and look at what the Auditor General has signalled and to try and take it a step further and just ensure that there's a level of respect for the processes that are in place. I think we are a province with good processes in place; we just have to make sure that everybody follows them and abides by it. I think this is a good example that if we look carefully at this, then perhaps every other project from every other department

will be followed better as we go forward as well. I would like to ask if you could just give us something in writing about that.

Also, the fact that the inflation factor was taken out of the original estimate really was manipulative, even though it said in the documents to Cabinet, we are told that Cabinet was told there was no inflation factor. I wonder if you could just give us an answer in writing later, about whether or not staff at the Department of Health were involved in changing the estimates that would have gone to Cabinet. The document the Auditor General gives us says that it was the DHA and the Department of Health that took out contingencies and took out inflation factors.

I think we need to have a look at that and if you could provide that in writing, that will go to all members. Is that fine? Thank you.

With that, if you have any final comments.

MR. MCNAMARA: Just a couple. I'd like to thank you for the opportunity to address this important issue. I hope that our answers will reassure you, particularly the public, that as we move forward, any money being invested is being more carefully monitored.

The audit of the regional hospital in Colchester reminds us that every dollar spent in these fiscal times must withstand the scrutiny of the public. Like you, we want to see proper oversight of major projects and I do believe we have those in place.

I also believe that the new agreement we have signed with the Department of Transportation and Infrastructure Renewal will be a major benefit as we move forward. No one wants to see another infrastructure project go so far over the projection. We have put measures in place to prevent that from happening.

I also want to say that although there's been - I talked about expertise, there was a lot of good people involved in these projects and a lot of good people with good intentions, regardless of what the outcome was that happened. We also have to remember that the people in Colchester-East Hants are eager to have their new hospital open soon and should expect the very best care. Thank you very much.

MADAM CHAIRMAN: Thank you very much, Mr. McNamara. We really do appreciate the comments you've given us that are directly telling us where you are going in the future and how you are going to improve this and thank you very much.

With that, if we can have a motion to adjourn.

MR. MACKINNON: So moved.

MADAM CHAIRMAN: Thank you very much, we are adjourned, right on time.

[The committee adjourned at 10:59 a.m.]