

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, September 24, 2014

LEGISLATIVE CHAMBER

Mr. David Darrow
Re: *Bluenose II* Restoration Project

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Public Accounts Committee

Mr. Allan MacMaster, Chairman

Mr. Iain Rankin, Vice-Chairman

Ms. Margaret Miller

Ms. Suzanne Lohnes-Croft

Mr. Brendan Maguire

Mr. Joachim Stroink

Mr. Tim Houston

Hon. Maureen MacDonald

Hon. David Wilson

[Mr. Brendan Maguire was replaced by Mr. Stephen Gough.]

In Attendance:

Mrs. Darlene Henry
Legislative Committee Clerk

Mr. Gordon Hebb
Chief Legislative Counsel

Mr. Michael Pickup
Auditor General

Mr. Terry Spicer
Assistant Auditor General

WITNESSES

Mr. David Darrow,
Deputy Minister to the Premier



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, SEPTEMBER 24, 2014

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Iain Rankin

MR. CHAIRMAN: Good morning everyone, we will now begin the meeting. Today we have on the agenda the *Bluenose II* restoration project and we have with us Mr. Dave Darrow, Deputy Minister to the Premier. Mr. Darrow is not opening with comments, so we will go right to questioning. That being the case we will begin with Mr. Houston for 20 minutes - I'm sorry, we should do introductions.

[The committee members and witness introduced themselves.]

MR. CHAIRMAN: Thank you. As I said, we will begin questioning with Mr. Houston.

MR. TIM HOUSTON: Good morning, Mr. Darrow, and thank you for appearing today - I guess, for finally appearing today. It's nice to have you here to talk about *Bluenose II*. I'm just wondering, in preparation for today's meeting, did you meet or talk to the Premier in regard to today's committee meeting?

MR. DAVID DARROW: Yes, indeed, I have talked to the Premier about today's meeting and the preparations that I've made for today's meeting. I talk very frequently with the Premier about this project, some days on multiple occasions. Rarely very many days go by when we haven't had a conversation about this project and what's happening with the project.

MR. HOUSTON: Can you tell us a little bit about which direction the Premier might have given you for today's committee meeting?

MR. DARROW: He didn't give me any direction for today's committee meeting. I accepted that I had been around this system long enough to know the routine, so he didn't give me any particular direction in terms of what I could say or what information I might convey.

MR. HOUSTON: And what about the rest of the Premier's staff? Did anyone else in the Premier's staff meet with you specifically about today's committee meeting?

MR. DARROW: I've talked with staff about this project frequently and we've had conversations about the committee meeting, and again it's more at my initiation to let them know what I will have to say about certain aspects of the project.

MR. HOUSTON: So did the communications staff from any department sit down with you and provide you any direction for today's meeting?

MR. DARROW: I met with communications staff and received some advice on how to conduct myself during this hearing. I didn't need anyone to tell me what to say; I'm pretty clear in my own mind what to say. They offered advice more in terms of how I conduct myself and how I respond.

MR. HOUSTON: Are there any specific areas of questioning that communications staff were particularly interested in preparing you to respond to?

MR. DARROW: No, as I say, I prepared for this on my own. In my preparations, I've focused on the work that I've done in the last four months. I'm sure that there's probably some interest in what happened prior to my taking on responsibility for the project.

MR. HOUSTON: Okay, that's fine, I appreciate that. I'm just wondering how you found out Minister Ince was being stripped of the *Bluenose II* file.

MR. DARROW: I was asked to come up to the Premier's office on May 28th. The Premier asked me if I would be willing to take on responsibility for the file, and I said that yes, I would.

MR. HOUSTON: In those discussions did the Premier indicate that he had lost confidence in Minister Ince's handling of the file?

MR. DARROW: No, he did not.

MR. HOUSTON: Can you tell me a little bit about the conversation? What was his rationale for taking it away from Minister Ince and putting it with you?

MR. DARROW: I received no rationale. I was asked if I would take responsibility for the project, I said I would, and that was the end of that conversation.

MR. HOUSTON: You never talked about why he was moving responsibility from one area to the other? Did he seem frustrated with the handling of the file?

MR. DARROW: It was a pretty matter-of-fact conversation, as I recall it, and so I really can't say.

MR. HOUSTON: Okay. So he just kind of called you to the office and said I have some news for you, I want you to assume responsibility of the *Bluenose II* file, and essentially, "Have a great day." And that was that?

MR. DARROW: That's it.

MR. HOUSTON: Okay. Do you have any personal opinions on why that transition might have happened? Can you think of a reason why the Premier would move a file away from a minister?

MR. DARROW: No, I really don't have an opinion on that. Again, I haven't spent a lot of time delving into the history of this project, so I'm not really in a position to comment on the performance of the previous minister - or previous ministers for that matter.

MR. HOUSTON: I'm just wondering, if somebody brings you in and asks you to take over responsibility for a project, in preparing yourself for taking that project over, it would be incumbent on you to learn some of the background as to what the issues may or may not be.

In most political circles, I guess, right now you're considered to be a pretty close confidant of the Premier - certainly somebody people see as being a person in his inner circle. So when he comes to you and asks you to take over a project of this magnitude, in preparing yourself for doing that and doing that project to the best of your abilities, did you not ask why - why, Mr. Premier, are we moving this away from an elected minister to myself?

MR. DARROW: No, I did not. As I said, he asked me if I would take responsibility for the project. I said I would. I left his office and I began a bit of a fact-finding mission on the project, more focused on the steering problem, quite frankly, because that was the outstanding deficiency that was preventing the vessel from sailing.

MR. HOUSTON: Okay, I'm sure there will be numerous questions about the steering issue when we get there. I'm just trying to make sure I orientate myself as to the overall management of the file.

It's troubling to me - and I think it's probably troubling to most Nova Scotians - that the Premier has 15 other Cabinet Ministers in his Cabinet and he has a project on his hands that he's not happy with the control over, I guess, or the management of. He looks around his Cabinet Table and he passed over every single other minister and came straight to you to take this project. I guess I'm a little surprised that there was no discussion about that between you and him.

MR. DARROW: No, there wasn't. You'll have to ask him what his rationale was.

MR. HOUSTON: Are you suggesting we should ask the Premier to appear before this committee?

MR. DARROW: No, I'm not suggesting that at all.

MR. HOUSTON: Do you think it might be useful for the Premier to appear before this committee?

MR. DARROW: I'll leave that up to you. You're in a better position to decide that than I am.

MR. HOUSTON: Okay. Is it troubling to you that the Premier showed such little faith in the rest of the Cabinet, that he didn't appoint an elected member to be the political face of this project?

MR. DARROW: No, it's not troubling to me.

MR. HOUSTON: Are you comfortable being the political face of this file?

MR. DARROW: I'm not the political face of this file - the Premier is the political lead on this file. I report to the Premier.

MR. HOUSTON: So the Premier has made you accountable for *Bluenose II* and, with all due respect, you're not an elected member of the government or a Cabinet Minister. So since you're in charge of the file, if the Opposition members have questions about this file when the House is sitting, who on the House of Assembly floor should they address their questions to, in your opinion?

MR. DARROW: The Premier.

MR. HOUSTON: So I guess maybe if the Premier has the answers, maybe he should be the one appearing before this committee next time.

MR. DARROW: Well, the Premier relies on staff to provide advice and assistance, and that's precisely what I will do, and I have done. I've looked at this project and become familiar with it to the extent that I could in the time that I've had. I will make recommendations to the Premier, and the Premier will decide to accept my recommendations or not. It's not as though he's making recommendations to me. The way the system works is the bureaucracy is charged with the responsibility for overseeing and managing projects and that's precisely what's happening here.

MR. HOUSTON: And the Cabinet Ministers are responsible for overseeing the way the bureaucracy works. In this case, the Premier has decided that there is no Cabinet Minister that he wants to be responsible for overseeing this project; he would rather have you responsible for it and report directly to him. That's an interesting statement from . . .

MR. DARROW: I really can't speak to what faith the Premier has in his ministers. What I know is that he has asked me to take over responsibility for the project and that's what I've done.

MR. HOUSTON: I think that makes the statement about the faith the Premier may have in the ministers to handle this project possibly then. In the June 18th *Chronicle Herald* story, it was noted that "The Liberals would not make Ince available for an interview Wednesday, saying Darrow is ultimately responsible for the project . . ." Do you worry about the precedent being set by that?

MR. DARROW: I haven't really given it much thought. Again, I was the one that was asked to take on responsibility for the project. I don't think it's unusual or would be anything out of line for me to be asked to speak to the media, but quite frankly I haven't really thought about it.

MR. HOUSTON: Do you have any idea whose idea it was for you to do media interviews exclusively?

MR. DARROW: My suggestion was that I would handle those interviews because I was most directly involved in the project. It just seemed a logical thing for me to do to speak to the media because I would be better positioned to answer questions that might arise, given my intimate knowledge of the project and what has transpired since May 28th.

MR. HOUSTON: So it was your suggestion that you handle all the media on this file. I guess that's a suggestion that you made to the Premier and he agreed with it?

MR. DARROW: Yes, exactly. The Premier is fine with me dealing with the media on this file. He has never indicated to me that he has any objection to that.

MR. HOUSTON: Would you agree that that's unusual? I think the normal practice would be for the minister to handle the media interviews, so would you agree that this is unusual?

MR. DARROW: I would say that it is normal, I guess you could say, for ministers to speak to files, but it is certainly not unusual when you're dealing with a complex file, which requires knowledge of things like project management and engineering and those kinds of things. It's certainly not unusual for a deputy minister or someone else within government at the bureaucratic level to speak to the media. Again, it's that person who is most intimately involved in the project and is best positioned to answer the questions.

MR. HOUSTON: I think the elected officials are ultimately generally accountable for the files they manage.

MR. DARROW: That is certainly the case here.

MR. HOUSTON: So does anyone brief you for the media interviews?

MR. DARROW: In what . . .

MR. HOUSTON: Like somebody maybe from staff to sit down and give you some speaking notes for media interviews.

MR. DARROW: I prepare my own speaking notes. I have received media training but I don't rely on others to prepare my speaking notes.

MR. HOUSTON: That makes sense. How often do you meet with Minister Ince about the status of *Bluenose II*?

MR. DARROW: I've met with Minister Ince on three or four occasions, just to keep him up to speed and just to provide a progress report to him on the process.

MR. HOUSTON: So three or four occasions.

MR. DARROW: Since I took responsibility for the project.

MR. HOUSTON: So pretty infrequently then. When is the last time you met with Minister Ince?

MR. DARROW: Last week.

MR. HOUSTON: Last week, okay. You mentioned that you brief the Premier daily, sometimes a couple of times daily on this file but the minister once a month, pretty much I guess.

MR. DARROW: Well I don't think that would be unreasonable, given that the Premier is the one who is answering for this project at this stage of the game.

MR. HOUSTON: When did you last speak with the Premier about the file? Would it be just yesterday then, since you meet daily?

MR. DARROW: I spoke with the Premier yesterday about the file, yes. I should say I didn't say that I meet or discuss with the Premier daily - I said I speak with the Premier frequently. There's rarely very many days that go by that I don't speak with the Premier and there are days when I speak with him on multiple occasions. It's really dependent on what is happening with the project, what's going on. When there's some activity on the project, decisions being made, I am fully engaged and the Premier is fully engaged with the project.

MR. HOUSTON: Would appearing before this committee qualify as some action on the file? Would you have met with him multiple times over the last few days?

MR. DARROW: I haven't met with him multiple times over the last few days. I have met with him and I have discussed this project with him. I don't see this as anything particularly noteworthy in terms of having to go to him and get his direction on it. He has given me responsibility for the project and it's my responsibility to answer for the project. He is ultimately accountable. If he doesn't think I'm doing a good enough job, then he'll decide what to do next. Again, that's the way this system works that we work in, and I don't see anything unusual about it at all.

MR. HOUSTON: Have you had any discussions at all? I know we talked about around the time that you were brought into this project but have you had any discussions over the time that you have been involved in the project now with the Premier about Minister Ince's involvement?

MR. DARROW: No.

MR. HOUSTON: Was there ever a time when you gave the Premier an update and he says you should go and make sure that Minister Ince understands that or hears about that. Is there any kind of that kind of a direction?

MR. DARROW: I recall the Premier asking me to keep Minister Ince abreast on what's happening on the file as a courtesy, yes.

MR. HOUSTON: Do you provide written updates to the Premier, different status briefs?

MR. DARROW: No, most of - well all of my updates to the Premier are really either face to face or otherwise, by electronic means.

MR. HOUSTON: So if you were sending an email to the Premier on this file, would you copy Minister Ince or that wouldn't be necessary?

MR. DARROW: No.

MR. HOUSTON: So he really does have no involvement in this file anymore, other than periodic updates from you.

MR. DARROW: He has an interest in the file and . . .

MR. HOUSTON: As do all Nova Scotians, right?

MR. DARROW: Yes. He's following it closely and he wants the file to be successful so that's why I'm keeping him up to speed.

MR. HOUSTON: I appreciate that. I just want to talk about the sea trial. Back in July you were asked by reporters how much it would cost taxpayers to do the extra work associated with the new hydraulic system. You said somewhere between \$10,000 and \$1 million. I think Nova Scotians find that type of a range estimate from the person who I guess is overseeing the project to be somewhat offensive. With all due respect, it seems to me that it's the type of flippant comment, at the very least to provide Nova Scotians with that broad range of an estimate, it shows a disregard for taxpayer money. I just know myself if I was in the garage getting a car fixed and they said it was going to be somewhere between \$20 and \$5,000, I'd be a little concerned.

With that quote in mind, was there ever a time when you were told to just get the boat done, just get the project finished - and that kind of was a precursor to, well, it's \$10,000, \$2 million, it is what it is?

MR. DARROW: No, in hindsight it was a flippant remark and I've apologized to the Premier for that. It was not an example of good judgment on my part. If you would, just afford me an opportunity to give you a little bit of context for that.

I had been asked for a cost estimate on the project on a number of occasions. Up until recently, there were still quite a few moving parts on the project and I didn't believe it would be in anyone's best interest for me to put out an early cost estimate only to find that the final cost was going to be considerably higher. We've seen that happen a number of times on this project, and I didn't think it would be particularly useful for me to put out a premature cost estimate and find out later that it was going to be more costly than that, thus adding to the controversy around the project and doing further damage to the reputation of the vessel and to the people who have been involved in the project.

MR. CHAIRMAN: Order. I'm sorry, Mr. Darrow, but the time has expired for the PC caucus. Perhaps you can continue that response later.

We'll now move to the NDP caucus and Ms. MacDonald.

HON. MAUREEN MACDONALD: Thank you very much. Mr. Darrow, I'm not going to go over a lot of the ground that you've just been over, but I do want a little bit of clarity. If you would tell us how long you've had the file and precisely the date on which you got this file - whether or not before that you had any involvement in the file and if before that you did, what that involvement was; what discussions you may have had.

MR. DARROW: The Premier asked me to take responsibility for the file on May 28th and his instructions to me were to get the vessel sailing as soon as possible. I've had limited exposure to the project over the years. My first exposure to the project actually began when I was deputy minister at the Department of Transportation and Infrastructure Renewal. At that time, I was involved in putting together the province's submission for funding under the infrastructure stimulus program that the federal government had announced back in early 2009.

At that time departments were canvassed for projects, and the then-Department of Tourism, Culture and Heritage came forward with an application or proposal regarding *Bluenose II*. So I had some involvement because I was the lead on the negotiations with the federal government on infrastructure projects that would be funded under the stimulus program. I had some knowledge of the project - very limited knowledge. It was a project description that was prepared by TCH with a cost estimate that was used in the application for the funding for the project.

Between then and May 28th of this year, I've had limited exposure to the project. There have been occasions when deputy ministers called me for an opinion on a particular issue and I've offered an opinion. Of course, this has come to Treasury Board on a number of occasions since I've been deputy minister in the Premier's Office and Clerk of Executive Council, so I would have had some exposure - if I can put it that way - to the project. I wouldn't say I had an intimate knowledge of it, but some limited exposure to it along the way.

MS. MACDONALD: So when the file was moved to you on May 28th, the objective or the expectations that were communicated to you were about getting the boat in the water, moving forward and concluding the project rather than doing any sort of review?

MR. DARROW: The primary objective was to get the vessel sailing again and that has been the focus of my efforts. It has been a preoccupation of mine since May 28th. I have not spent a lot of time delving into the history in terms of how we got to this point where the project is \$5 million over budget and two or more years late in being delivered. I have not done that for a couple of reasons. One is that there is an investigation that's underway by the Auditor General, and to me it didn't make a lot of sense for me to devote a lot of time to try to figure out what happened. It's a very complex process, a very complex project. There are a lot of twists and turns along the way.

I felt it would be better for me to leave that responsibility up to the Auditor General and that my time would be better spent focusing on the immediate problem at hand, which at the time was the steering problem and getting the vessel sailing again.

MS. MACDONALD: You're aware of course that back in June we had Ms. Kelliann Dean and other officials from her department here at Public Accounts to discuss this particular file. I'm wondering if you could tell us whether or not the officials in the Department of Communities, Culture and Heritage, who have been the officials on this file for a considerable period of time, continue to be the officials on this file.

MR. DARROW: I'm still relying on staff from Communities, Culture and Heritage to do certain things on this file. They include managing the contracts with the project manager and the project designer, overseeing work being done on the deficiencies - other than the steering system, and processing payments for work being done. They're involved in the dispute resolution process around outstanding claims, expenditure tracking, and interactions with ABS - those kinds of things.

So they are actively involved in the project and I must say I have found them to be a very conscientious group of staff - hard-working. I have some thoughts on how the project got off track in the first place. I don't think TCH was particularly well positioned - qualified, quite frankly - to undertake this project, but that does not, in my view, reflect poorly on the people who have worked on it from CCH. They've worked hard and they've done the best that they could with the resources that they've had to do the project.

MS. MACDONALD: So based on what you've just said, pretty much all of the work on moving this project forward continues to be managed out of that department. What would you see that's no longer managed out of that department that would have been managed out of that department had the file not been moved to you?

MR. DARROW: The bulk of the work being done on this project today is getting the steering system problem resolved. I have been responsible for that, I have been leading that. As you know, I established my own project team to advise me on that and to support me on that so that is the bulk of what is happening these days with the project.

As I say, the department is still involved, in terms of more of the administrative support, I would describe it. I don't know whether I mentioned this before but the department is also involved in preparing our case to put forward in the process for resolving outstanding delay claims and project change orders. So absolutely, I didn't see the need to replicate that capacity in my office. It would really be a waste of taxpayers' dollars for me to do that so I've used them.

Kelliann reports to me - those staff report to Kelliann and ultimately, as I say, they're responsible to me for the work they are doing. If I have issues and concerns with the quality of that work, then I will deal with it.

MS. MACDONALD: Can you tell us where the budget resides for the ongoing work? Does it still reside in the Department of Communities, Culture and Heritage? Where does the budget, for example, for your team and any additional work going forward, where does that reside?

MR. DARROW: The budget for the overall project, with the exception of the new steering system, resides with CCH, and Ms. Dean reported on that during her appearance here. The budget for the work being done on the steering system resides at TIR - Transportation and Infrastructure Renewal.

MS. MACDONALD: You said that you regret having given that clip around the range of what the additional costs might be with respect to the steering but I think you also said that you now have a better cost estimate. Can you tell us what the cost estimate is now for resolving the steering problem?

MR. DARROW: My best estimate of what it will cost to fix the steering problem is between \$300,000 and \$350,000.

MS. MACDONALD: And you feel very confident in that?

MR. DARROW: Inasmuch as you can be confident about anything related to this project. I've discovered that around many corners there can be a surprise on the project but I think we've been very vigilant and very thorough in the design of this project and the procurement of the project so I'm pretty comfortable with that, yes.

MS. MACDONALD: You've indicated that you've met probably monthly with Minister Ince on this file since you've taken it over. Can you tell us what the nature of those meetings would be about, given that the minister has been removed from responsibility for the file?

MR. DARROW: Those meetings are really a courtesy. As I just mentioned, his staff are still doing work on this file for me. I felt it was a courtesy to keep him abreast of what is going on in the file so it's really just an opportunity to provide an update on where things stand. He has a keen interest in seeing this file move forward and a successful resolution of the steering problem. He's following it closely, and I think it's a courtesy to take the time to keep him abreast of what's happening.

MS. MACDONALD: So you've assembled a team; you have an estimate and a plan for resolving the steering problem. What, specifically, is happening now to advance that plan? Where are we today? What's happening today?

MR. DARROW: Okay. Where we are today is that all of the equipment that will go into making up the new steering system has arrived, with the exception of one small piece which should be here any day now. There is a stainless steel plate that has to be fabricated

to serve as the base for the system. You will appreciate that with the stresses that these cylinders will put on the vessel's deck, it needs to be reinforced with a steel plate; that plate is now being fabricated. I'm expecting that the actual implementation of the equipment will get underway within the next 10 days to two weeks. So it's progressing and, again, things are unfolding pretty much as we had planned. If you go down there today, you might see some things happening there.

We had to build a mock-up of that steel plate I just mentioned and that was done a couple of weeks ago, so up until the weekend there was a small tent on the back of the - the aft - I'm not a sailor - on the rear of the vessel there was a small tent covering the area where this new steering system will be installed. There are people in there taking measurements and determining where the equipment will be specifically placed when we begin the process of installation. By the way, if anybody's interested, that tent has been removed temporarily because the crew is also on the vessel and doing work that needs to be done before the vessel can sail again, one of which is to put the sails on the vessel and hoist them, and make sure that everything fits so that when spring comes around next year, we'll be able to hit the water sailing, if you will.

MS. MACDONALD: Can you tell me why, when you assembled your team - well, first of all, who's on the team that you assembled to deal with the steering problem?

MR. DARROW: Okay, I've hired Wilson Fitt as my lead advisor, if you will, and project manager on the project. We have Iain Tulloch who is a naval architect who is involved in the design of the project. Wilson Fitt has a long list of experience on projects, in managing projects. He is highly recognized in the field of project management. He has been engaged in a wide variety of assignments over the course of his career and, just so you know what his credentials are, he has a Master of Public Administration, a Bachelor of Law from Dalhousie University and a Bachelor of Science. He is an experienced sailor and is very familiar with the restoration project.

Iain Tulloch is the lead designer with regard to the new steering system. Iain is a naval architect graduate of Heriot-Watt University in Edinburgh and a Royal College of Science and Technology in Glasgow. He's a professional engineer, he's an experienced ship designer and a certified boat builder and surveyor and he has been technical advisor to the Nova Scotia Boatbuilders Association. There have been a couple of others, but those will be the two key members of the team.

We have Corey Smith, from Solutionsmith Engineering. Corey is a mechanical and industrial engineer, specializing in machine design and project management and quality assurance and has been involved in one particular aspect of the project related to how the new steering system gets attached to the new rudder stock.

We also have a final member of our team, Laurie McGowan. Laurie is a marine designer, he's a graduate of Westlawn Institute of Marine Technology. He has assisted

with the identification and evaluation of the solutions to the steering problem and he has done conceptual planning for one option that has been put forward, which would be to add buoyancy to the rudder.

So those are the four key members of my team: Wilson Fitt, Iain Tulloch, Corey Smith, Laurie McGowan.

MR. CHAIRMAN: Thank you Mr. Darrow, we'll now move to the Liberal caucus and Ms. Lohnes-Croft.

MS. SUZANNE LOHNES-CROFT: Thank you, Mr. Darrow, for being here today. Being the member for Lunenburg, the *Bluenose II* file is a busy and active one in my constituency office. I must say, having *Bluenose II* moved from the foundry wharf to the museum has been a big boost for Lunenburg this summer and I think it took some of the stress off local politicians and gave a festive air to the waterfront in Lunenburg. Speaking of the waterfront in Lunenburg, I've been there a great deal in the last few months and many of my questions come from what I've heard on the Lunenburg waterfront.

So, why did you decide to establish a separate project team for the steering project?

MR. DARROW: Well, immediately upon being asked to take on responsibility for the *Bluenose II* project back on May 28th, I embarked on - I guess the best way to describe it would be a fact-finding mission. I wasn't intimately familiar with the project at that time and what was going on with the project at that time.

What I found out first of all, within the first 24 hours, was that there was no way that vessel could be placed back into service with the steering the way it was. All I had to do to make that determination was attempt to turn the wheel of the vessel, which I did. I found it very challenging to get the wheel turned all the way over and that's with the vessel sitting at the dock. So I couldn't imagine the long-awaited sea trial would arrive at any other conclusion than what it did arrive at - that the steering system was not acceptable the way it functioned.

The second thing I found out in my first 24 hours was there was not a lot of consensus among the players or the parties involved in the project, as to number one, whether there was a problem with the steering, and number two, what the solution to that problem might be. In fact, there were some disagreements among the various players - and when I say various players, I'm talking about the builder, the designer, the project manager and ABS, principally.

The third thing I discovered in that period of time was that relationships among the various parties involved in the project at that time were very strained. There was a lot of finger-pointing going on as to who should be held responsible for the problems that we have encountered with the steering issue. All those findings didn't speak to me of a process

that would be amenable to getting this problem fixed in a timely fashion. In fact, I was concerned that all of those dynamics might mitigate against getting the steering system fixed in a timely manner.

So quite frankly, I concluded that if I was to have any hope of being able to get the steering problem fixed and the vessel sailing in the current sailing season, I would have to quickly mobilize a team of competent, motivated, highly-focused people to undertake the process of determining what the problem was and what had to be done to fix it and actually implementing that.

I have absolutely no hesitation in saying that had we not opted to establish a separate team to do that, we would not be anywhere near where we are today in the effort to get *Bluenose II* sailing again. That team has performed exceptionally well over the course of the past four months. They've been very focused and not distracted by what has happened in the past and who is responsible for it. They have been very focused on getting the problems solved.

MS. LOHNES-CROFT: It was mentioned earlier that Wilson Fitt was hired as the project manager. Was he not on the project at an earlier phase?

MR. DARROW: Yes, Wilson was, for a period of time, the project manager for the Lunenburg Shipyard Alliance.

MS. LOHNES-CROFT: And you didn't see that as a conflict?

MR. DARROW: No. After my first 24 hours on the project, when I concluded that I needed to put together a team - if I could kind of say what my ideal specifications might be for a team, I would want it led by somebody who had a track record for being able to get projects done; a track record for excellence. I would benefit from certainly having somebody that's familiar with sailboats because there are a lot of project managers around the province, but there aren't a lot of project managers who have had experience with sailboats.

Wilson Fitt is a mariner. Apart from his involvement in the *Bluenose II* project, he has been a long-time mariner and is very familiar with sailboats and sailing. His involvement in the *Bluenose II* project, I think, gave him a great deal of knowledge and I think that has, quite frankly, served us well. It has enabled us to hit the road running. If I had hired another project manager that had no involvement in *Bluenose II*, there would have been a number of weeks before we had that person up to speed on the project. Again, I think that had I not been able to retain Wilson to do this project and I had to hire another project manager, we would not be where we are today.

Now, some have suggested that hiring Wilson to work on the project might constitute a conflict of interest. I asked myself if he is in any way responsible for the project

or the situation that we find ourselves in today? What I was able to determine is that the rudder for the vessel - or the decision, first of all, to install a steel rudder - was not LSA's but given that that was the decision that was made, Wilson would have been responsible for part of the team that would have been responsible for fabricating and installing that rudder.

When I did my fact-finding mission I had no reason to believe that the problem with the rudder was workmanship-related, so consequently I had no reason to believe that Wilson might have a vested interest in the outcome of our deliberations regarding the steering problem or that he would be unable to be objective in providing advice and assistance to me regarding the identification and implementation of the problem.

There were a number of factors that I weighed. Again, I appreciate that there may be some who would want to characterize that as a conflict of interest. In the final analysis I made a judgment, I felt the contribution that Wilson could make to getting this job done as quickly as possible outweighed any - and I would say unknown because I'm not aware of any conflict of interest that he has on this project.

Again, I would say that I have absolutely no hesitation in saying that were it not for his leadership, his knowledge, his experience and his vigilance, we would not be anywhere near where we are today in the effort to get the *Bluenose II* sailing again. I have absolutely no regrets about hiring Wilson Fitt as my adviser on this project and, quite frankly, I believe that Nova Scotians have been served well by that decision.

MS. LOHNES-CROFT: Thank you. I have a lot more questions that I would like to ask, but I am told I have to share with my colleagues so I'll pass the mike over.

MR. CHAIRMAN: Thank you, Ms. Lohnes-Croft. We'll move to Mr. Stroink.

MR. JOACHIM STROINK: Thank you very much for coming today. I want to go back to how we got to this situation. For me, why does the vessel need to be an ABS standard because that seems to be the issue of where this all started from with the steering?

MR. DARROW: I don't think it would be fair to say that the vessel has to be. I don't think there was ever a time when anybody said it has to be. I personally don't have any issue with the decision to have the vessel brought into class by ABS. We have a much safer vessel today and Nova Scotians have a much safer vessel today. The people who will sail this vessel have a much safer vessel because of that decision.

The difficulty I have with the decision really is around the timing of it. The project was - I believe I'm correct in saying this - we were about two years into the project before that decision was made to bring the vessel into class.

MR. STROINK: What was the date of that decision being made?

MR. DARROW: Let me see if I can find that in my notes here. It was the Fall of 2010, so it would have been a year and a half from the time that the funding was announced for the project that that decision was made.

MR. STROINK: Were there other certification options that could have been considered, that might not have been such a huge impact on the steering column, that would still have made the vessel safe?

MR. DARROW: I believe there are. Again, I'm not an expert in these matters but I believe Lloyd's was an option as well. I understand that CCH and the project managers went through an evaluation. I understand they invited proposals from both companies and in the end decided to go with ABS. I don't know that that would have made a big difference had they gone with Lloyd's. The reality is that the design process and the approval process is much more robust when you make that decision to certify a vessel according to society.

The minimum requirement would have been to meet Transport Canada's requirement for the vessel, and as it turns out, Transport Canada has devolved that responsibility to ABS, but that wasn't the reason why ABS was hired for this project. Again, my problem with the decision to bring the vessel into class really has to do with the timing. Had we done it sooner, I think we could have avoided a lot of issues because we were having to make changes and change orders on the fly at that stage in order to accommodate this new requirement.

As I say, I believe having a certified vessel is a good thing, and for the people who will sail on *Bluenose II*, I think they can take comfort in knowing that it meets a very high standard of design and construction.

MR. STROINK: So I guess at this point it wouldn't be any point in abandoning the ABS standard and look at Lloyd's or anything else?

MR. DARROW: That was the question that I asked myself on or about May 28th. I've asked myself that since then. I can tell you what I've found in my dealings with ABS since I've taken over responsibility for the project. ABS has been very responsive. The vice-president for the Americas of ABS reached out to me when he heard that I've been given responsibility for the project. I have his phone number if there are issues in terms of the time required to get ABS approvals or issues around what might be the appropriate means of solving some of the deficiency issues we have.

We have a direct pipeline to ABS and I found them to be very responsive. I think there are some that may be inclined to blame ABS for some of the problems that we're experiencing today; I'm not one of those people. I think the decision was a good one. Again, it's the timing of that decision that I find most troubling, I guess.

MR. STROINK: Thank you. I'll turn it over to Mr. Rankin.

MR. CHAIRMAN: Mr. Rankin.

MR. IAIN RANKIN: Just going with the same theme as my colleague - I think what this committee is supposed to do is really shed some light on the administration of the project and I think for taxpayers who are watching, I believe the hardest pill to swallow would be the egregious cost overruns incurred. On the face of that, I would surmise that the contract was and is loosely structured.

You've mentioned that change orders were made on the fly, which is certainly not best practices in any project. So given that the contract was made before the selection of the building standards and its associated indicative costs, I'm just wondering if you can elaborate or speak to the seemingly large exposure that taxpayers were given when the contract was created.

Further to that, if I may, did anyone carefully analyze which government department should have had the capacity and the expertise to oversee a file of this nature - things like procurement and contract management and deficiency analysis and quality assurances? Is this something that CCH really had experience with or would it have been a better decision to go with Transportation and Infrastructure Renewal or some of the other departments?

MR. DARROW: I would first of all qualify my response by saying that the primary focus of my efforts over the past four months has been removing the obstacles that stand in the way of the vessel being placed back into service rather than attempting to determine who is responsible for the cost overruns and the project delays. I have not delved deeply into the history; again, I'm hoping the Auditor General's investigation will shed some light on all of that.

With all of that said, the fact of the matter is that this is a large project, it's a complicated project, and it's a one-off undertaking for the province. The province builds a lot of schools, a lot of hospitals, and other structures. I can't think of an example of another vessel that - I should say that probably TIR has had some involvement with vessel design with regard to the ferry services that they are responsible for providing.

I do have some views about how this project got off track; how, had we done things differently, we might not be where we are today. I say that, but also need to acknowledge that hindsight is 20/20 vision. I'll just give you a few examples of the things that I think contributed to the problem that we're experiencing today, or have put us in a place where we are today where the project is \$5 million over budget and two-plus years late in being delivered.

I personally think that the decision to have a department other than the Department of Transportation and Infrastructure Renewal be responsible for the project, I think that

was an ill-advised decision. I guess I have never found a situation where a department has undertaken a project that it has little experience doing and has had a successful result.

In the case of this project, TCH at the time would have been the department that was leading this. I don't know who made the decision; quite frankly, I don't know who decided that TCH should be the lead on the project. I can tell you that up until that point in time, and since that time quite frankly, TCH has not undertaken large capital projects.

MR. CHAIRMAN: Order. I'm sorry, Mr. Darrow, I hate to interrupt you but the time has expired. We'll now move to the PC caucus for 14 minutes. Mr. Houston.

MR. HOUSTON: So I guess where we sit today is, you have a mission just to get the vessel in the water. That's kind of the stated mission at this point. Were you told to spend whatever it takes to get that done?

MR. DARROW: No.

MR. HOUSTON: Do you believe there's any amount that would be too much, that somebody might say no, we just can't spend that at this stage?

MR. DARROW: My intent is to spend the minimum amount necessary to get the job done. As I mentioned, we evaluated a number of options, and cost played a pretty significant factor in the decisions around what the most suitable solution would be for this project.

MR. HOUSTON: I think in the September 8th article in The Chronicle Herald you were quoted as saying, "I have my fingers crossed that I may be able to pull it in at a little less . . ." than the numbers being talked about at that time. So as we sit here today, how's the finger crossing going on the budget to bring it to finality?

MR. DARROW: I'm still comfortable with that range. I should say that cost estimate includes GST, and I also have a contingency built into that, but I'm still comfortable with that. Might we find a surprise when we start the process of installing - we've been very, very careful, and very thorough in the process of designing the system.

MR. HOUSTON: I know the original budget was \$14.4 million and then when Deputy Minister Dean was here in June, she mentioned that at that time it was up to \$19 million. I'm wondering what the estimate is as we sit here today, the total cost?

MR. DARROW: Well if you take the \$19 million and add the \$300,000 to \$350,000, that is our current working cost estimate for the overall project.

MR. HOUSTON: I believe you mentioned that the crew is on the vessel, working at the moment and you mentioned that you expected to sail in the Spring, so will the vessel sail in May 2015?

MR. DARROW: That is my objective and barring unforeseen circumstances, there should be no reason why that will not happen. As I mentioned, the installation of the new steering system will get underway within the next few days. Our objective is to complete that by mid to late October and we will follow that immediately with a steering trial. We'll take the vessel out and trial-test the steering and ABS will be on board to certify that it complies with their requirements.

MR. HOUSTON: So when you do that trial - in October, I guess - is that one that you would anticipate giving the media and others advance notice of that trial?

MR. DARROW: I can't see any reason why we wouldn't do that. I appreciate that people were somewhat upset by the decision to give such short notice for the past sea trial. I'm hoping to not have to repeat that experience. The fact of the matter was that until 11 o'clock the night before the sea trial took place not all the paperwork was in place. I wasn't about to put out a notice to media.

MR. HOUSTON: So the next time it will be a little more planned and organized.

MR. DARROW: That's certainly my intention, my hope.

MR. HOUSTON: Why did the province take ownership of *Bluenose II* in July, when it would certainly appear to most Nova Scotians that all the contractual obligations had not been met?

MR. DARROW: First of all I'd like to point out that when that decision was made, with the exception of the steering problem, all deficiencies that existed at that time were deemed by the vessel's inspectors - that would be the designers and ABS - to be minor in nature. With regard to the steering I've already said it, we had no reason at that time to believe that the problem was the result of poor workmanship on the part of the builder. As far as I can determine to this point in time, the problem with the steering system is more design-related than it is workmanship-related.

I know exactly what the tender says in terms of the vessel shall be deficiency-free when it is delivered. I will say that I have never encountered a contract with that kind of a clause in it; it is rare. I have never encountered a project that hasn't been handed over to government with some deficiencies, but I certainly didn't believe that the builder should be held accountable for fixing it.

To the question of why I felt it was necessary to take delivery of the vessel, in spite of the deficiencies - for me, it was a desire to have greater control over the vessel's destiny.

The project, as you know, was already two years behind schedule and at that point in time the province was at the complete mercy of others to bring it to a conclusion. I didn't want to see another year go by to find the vessel sitting at the dock somewhere. I felt that rather than waiting for others to do something, I felt it was necessary to take control of that asset. In the course of doing so, we've taken steps to protect the province's financial and legal interests.

MR. HOUSTON: Can you tell us a bit about those steps that you've taken?

MR. DARROW: Well if you look at the contract for the addendum, to delivery and the documentation associated with that, you will find that we have - first of all, when it became apparent to me that the only way we were going to move this project forward in a timely manner it would be necessary for us to have control of it, I asked for a list of deficiencies and I received those - actually several lists. I asked and received confirmation from the vessel's inspectors that all outstanding deficiencies, with the exception of the steering system, were minor in nature. I asked for an estimate of fixing those deficiencies and the estimate that I was told was that it would be less than \$25,000.

MR. HOUSTON: For the various lists?

MR. DARROW: For the deficiencies.

MR. HOUSTON: For the various pages or lists of deficiencies.

MR. DARROW: Yes, that's right. A lot of those deficiencies have nothing to do with the builder and a lot of them are paperwork issues, but I was assured that the deficiencies for which the builder was responsible - if we had to hire somebody else to correct those deficiencies it wouldn't cost more than \$25,000. So that was the reason for holding back the \$25,000.

With that information, I asked our solicitors to draft an addendum to the builder's contract and that is the document that paved the way for us to take over the vessel, but I instructed the lawyers to, in that documentation - the handover documentation - to make a requirement or include a requirement that the builder correct all known deficiencies and any other deficiencies that might exist but we haven't become aware of within the next 12 months. I mentioned the \$25,000 hold-back until deficiencies have been corrected and . . .

MR. HOUSTON: I appreciate that. So once the lawyers drafted the addendum, who was it on behalf of the province that actually signed off to take control of the vessel?

MR. DARROW: I can't recall. What I do know is that I signed off on the agreement. I didn't actually sign the agreements, but I gave my blessing to the agreements.

MR. HOUSTON: Did the decision to take control of it at this stage - even in light of the various deficiencies, even if they're only \$25,000 - that may seem at first glance to people that that was maybe a bit rushed. Would it be correct to say that, well yes, it was rushed because you felt you could do a better job if you had more control of it by owning the vessel?

MR. DARROW: I guess I'll leave it up to others to decide whether it was rushed. I think it was a very deliberate decision and we thought it through. I believe we thought it through carefully. There were other reasons why we wanted to have control of the vessel. One of which was to enable the crew to have unfettered access to it so they could do the work that they needed to do. There was a long list of work and if you're interested I can provide it for you. There was a long list of work that the crew needed to do before the vessel could sail.

MR. HOUSTON: And you wanted to have that work done before May?

MR. DARROW: Absolutely. I wanted much of it to be completed before the end of this year because when May comes, I really want the vessel to be placed into service. My intent was to have as much done and as many of the systems tested as could be tested, including putting up the sails and all of those things.

MR. HOUSTON: So when you took ownership in July, was there a glimmer of hope that it would sail this season? Was that part of the reasoning?

MR. DARROW: Yes, I would say there was a glimmer of hope and I think that probably - again, hindsight is 20/20 vision - I certainly hoped that we could . . .

MR. HOUSTON: With the benefit of hindsight now, would you say that it might have been more wise to not accept control at that stage?

MR. DARROW: Not at all.

MR. HOUSTON: You don't feel like you let anyone off the hook?

MR. DARROW: Not at all. If you look at the addendum, you will see that not only is the builder responsible for correcting deficiencies, the builder is also liable for any costs that the province incurs by not having those deficiencies corrected.

MR. HOUSTON: So around that time, the Premier was quoted as saying, "We couldn't say no" to assuming control of *Bluenose II*. It sounds like maybe the province created a situation where it couldn't say no. Because when he made the statement "We couldn't say no", I think Nova Scotians assumed - well, we just couldn't say no - we had to take it. It sounds like the province could have said no, but created an environment where they didn't want to say no.

MR. DARROW: I can't speak for the Premier. My advice to the Premier was that we had to take control of this vessel.

MR. HOUSTON: To get it done on time.

MR. DARROW: To get it done. The Premier is quoted as having said we had to take control of the vessel - my guess is that he said that because I said that we had to take control of the vessel if we wanted to get it done in time.

MR. HOUSTON: In the first Speech from the Throne from the Liberal Government last year, they stated that *Bluenose II* would be sailing in the Spring of 2014 and obviously it wasn't. I just wonder, is it something that we'll hear about in the Speech from the Throne tomorrow about May 2015? Have you had any discussions around that?

MR. DARROW: Far be it from me to speculate what's going to be in the Speech from the Throne. I wouldn't want to hazard a guess. What I can tell you is that we're doing everything we can to ensure that the vessel is in a position to being placed in service at the beginning of next year's sailing season.

MR. CHAIRMAN: Order. The time has expired. We will now move to the NDP caucus and Ms. MacDonald.

MS. MACDONALD: I just want to go back a bit and explore your thoughts around the timing of adopting the ABS - the different standard. Do you have any explanation for why this came a year and a half into the project rather than at the beginning of the project? Why did that take that period of time?

MR. DARROW: I have not delved into the history of this project far enough to even be able to speculate why that was the case.

MS. MACDONALD: But if I'm following what you're saying, you basically are saying that you understand why these standards would make sense - they will certainly ensure that there's greater safety for *Bluenose II* and for its crew and what have you. For you, the question isn't about the standards, it's really about the timing of those? Is that what I hear?

MR. DARROW: Yes, it is and if I could just maybe elaborate on that a little bit. The project got underway and consultants were hired and design work was underway, well advanced, by the time that decision was made. Once that decision gets made, that has implications for the design so there is a need to kind of go back and revisit the design to see if it's consistent with the ABS standards and there are decisions that have to be made, that have to be revisited, and there may even have been some things that had been done by that point that needed to be undone. The better way is to make that decision at the beginning so

you know the rules of the game from day one. Unfortunately, that did not happen in this case.

MS. MACDONALD: Do you think that things might have been different - does that also kind of inform your view about it being more appropriately situated in TIR than in the Department of Communities, Culture and Heritage?

MR. DARROW: Yes, I do. I guess there are a number of reasons why I believe that TIR would be better positioned to take this project on. That is based on the experience that I've had over the years with a large number of capital projects. My experience has been that it's really, really helpful if you have subject matter expertise in-house. It's fine to say we're going to hire a project manager and put our faith in the project manager.

My experience has been, quite frankly, that you really need the capacity to manage the project manager and to do that you need to have people available who have had experience in project management. In the case of TIR, they have subject matter experts on staff. They have project managers, they have architects, they have civil engineers, they have mechanical engineers, they have electrical engineers.

I think where this often comes into play and that expertise is valuable is when something goes wrong and the players start pointing the finger at each other. Without that capacity in-house, you are at a distinct disadvantage in terms of being able to understand. You are getting several sides of the story and without that capacity in-house, you have difficulty getting to the root of what the real issue is.

I think that while TIR has had some experience in managing construction of ferries, it has not had experience in managing construction of sailing vessels but a lot of the principles are the same. Again, if you have access to those disciplines, my experience has been that your likelihood of achieving success is greater than if you don't.

An example of another project which I think follows a similar pattern to this one is the Truro hospital project. In the case of the Truro hospital project, I believe I'm right in saying that implementing authority for that project - the decision was made to make the health authority the implementing party for that project. My guess is that if you look at it, you'll find that the district health authority had never encountered a project of that magnitude and again, put all their faith in the project manager and did not have the capacity in-house to deal with issues effectively when they arose. That's not to say that everybody has to have that kind of expertise in-house. What I am saying is that we do have a department that does have that expertise in-house, I think we should have used it.

In the case of the tar ponds project which was delivered on time and within budget, we had some limited capacity in-house. To compensate for that lack of full capacity in-house, we hired an independent engineer that had that capacity and that independent

engineer reported to us directly. That is another strategy that could have been used in this case but was not used.

Again, without access to that expertise in the various engineering disciplines, in-house or available to you by way of an independent engineer, then I think you're at a very distinct disadvantage in terms of bringing a project as complicated as this in on budget and within the schedule.

MS. MACDONALD: Can we expect litigation of any kind at the end of the day around this project, initiated by any of the partners? I'm not necessarily thinking about the province but perhaps the province, do you anticipate this?

MR. DARROW: I couldn't kind of make an informed comment on that because I don't understand the history behind the project to the depth of detail that I would, in order to make that kind - or even offer an opinion. Quite frankly, I think it would be irresponsible of me to suggest that one or more parties might be responsible for this. I am anxious to see the results of the Auditor General's review as much as anyone else, and I think when we have that and have had an opportunity to review it, we'll make our decisions around what action might be appropriate to, say, recover some of the extra cost that we've incurred on the project.

MS. MACDONALD: I would think the thought must have crossed your mind, or somebody's mind - perhaps the Premier's mind - I mean, there are contracts in place with deliverables and what have you. I find it hard to believe, although I don't expect you to declare you're filing documents or anything today, but surely the thought has crossed somebody's mind.

MR. DARROW: Yes, I didn't mean to leave you with the impression that the thought hasn't crossed my mind. I think that what I want to do is see some more definitive evidence before I make that determination.

MS. MACDONALD: The Premier has said that *Bluenose II* is a boondoggle. I wasn't sure actually what a boondoggle was, I went and I looked it up. It's a waste of money and effort essentially. Is it your feeling that this was a waste of money and effort, the refurbishing of *Bluenose II*?

MR. DARROW: I haven't looked it up, so I'm not exactly sure what it means, but I think that we could have avoided some of the issues and problems that we are dealing with today had we, again, I think in the first instance, had we assigned responsibility for this project to a department that has had a wealth of experience in undertaking the project. So, yes, I mean, the project is \$5 million over budget. The project is now two and a half years late in being delivered. So, the fact of the matter is, it is over budget and is costing Nova Scotia taxpayers more than it had been budgeted for in the beginning.

Could all of those costs been avoided had we had TIR responsible for the project? I don't know, that would be pure speculation on my part. Again, I would like to emphasize that this is a one-off project and the decision to go with ABS certification added costs to the project. If that decision had been made at the beginning we could have avoided those costs. So, there is no doubt that the project has cost more than we might have otherwise had to pay had we made the decision, back in the beginning, to have a department experienced in doing these things take responsibility for the project.

Again, I want to emphasize that there is absolutely no reflection on the performance of staff at the CCH. I found them to be very conscientious, very hard-working, but they've had very little, in cases, no experience in project management. So this was an undertaking for them that was beyond what they were qualified to do, but they were asked to undertake it, and they've done the best with the resources that they've had available.

MS. MACDONALD: There is federal money, I think you indicated at the very beginning that you were involved in negotiating under the infrastructure program with the federal government. How much federal money is in this, and were there any provisions in that contract for the feds to share in any cost overruns, or was it a set amount that they would put in and end of story?

MR. DARROW: I'll give the answer to the second question first. The federal government, when it comes to cost-sharing programs for capital projects, has a hard and fast rule that they will not participate in cost sharing of cost overruns, and so we have to deal with that.

I believe at the beginning of this project the targeted contribution or the commitment that was made - I stand to be corrected now, but the commitment by the federal government was in the order of \$7 million. There was a limited window of opportunity to take advantage of that funding. If it wasn't spent before a certain date, then we would lose it. Delays at the beginning of this project resulted in us losing some of the federal funding and having to replace it with provincial funding.

I think at the end of the day, the actual federal contribution amounted to - I'm going to say, \$4.7 million, but it may not be exactly that amount, but it would be in that range.

MR. CHAIRMAN: Order. We will now move to the Liberal caucus and Mr. Rankin.

MR. RANKIN: I want to thank you for the answer to my last question surrounding which government department was looking at this and the expertise part of it. For the purposes of the committee, I still think we're struggling to find out and ascertain how the cost overruns of this project accumulated to the level that they have. I think that's what taxpayers want to hear.

You did mention, which was good - we found out that the contract did have a deficiency-free clause, but that's \$25,000. They're really interested in the \$5 million and I think that's more or less buried in the overruns in the change order request. Can you tell us, for the benefit of the committee, where do things currently stand with regard to the resolution disputes with the builder regarding delay claims and outstanding claims related to the change order request?

MR. DARROW: The builder's contract has a mechanism in it for resolving disputes and it's that provision that is governing the proceedings with respect to the outstanding delay claims and the change order claims - the disputes around change orders. That is a two-stage process. The first step involves mediation and the second step, failing mediation, there is a provision for binding arbitration to kick in.

At this stage of the game, the parties to the mediation, which are LSA and the province, are compiling documentation supporting their cases - their positions with respect to the outstanding claims. My guess is that they should have that work wrapped up within the next few weeks and that will be followed by the appointment of a mediator who will get underway with the mediation process. I really have no way of knowing how long that process might take, but my expectation is that it will get underway within the next few weeks.

MR. RANKIN: I guess more specifically - because usually I haven't seen mediation in change orders - are these all signed off on a party by the province or are some of them not signed off and they were just gone ahead and the work was done and it was kind of pay as you're told? That's something that I'm not familiar with.

MR. DARROW: There is a requirement in the contract that when there is a dispute that the contractor will complete the work and that the dispute will be settled by way of the dispute resolution provision. Those claims for the work that allegedly was done as a result of the delay claims - those claims have not been paid. I shouldn't say they haven't been paid. We've advanced \$1.3 million as a first step in that process, I guess you might say, as a step of good faith, and we will await the mediation process before we'll have a final number to work with.

MR. RANKIN: Okay, I think I'll get better answers when the report is out from the Auditor General because I do want to see the specifics in that. Could you just say broadly, has the change in management direction since you've taken the file assisted in minimizing costs? I know you mentioned the steering team was developed, you didn't really mention specifically when it comes to costs that that steering team has helped to mitigate the cost overruns. Has the control now been in place that we can rely on better provisions in the procedures of how we're going forward?

MR. DARROW: Again, the team that I've put together has focused exclusively on the issue of the steering - I may have asked them for an opinion or two along the way

because they are credentialed naval architects. So I may have asked them for an opinion along the way, but they have not been involved in that process.

I guess the other point I would make is that the work on this project was about 95 per cent complete when Minister Ince took responsibility for this file on October 22nd. The die had been cast, I believe, for a lot of the issues that we're dealing with today, in terms of the overall costs of the project. The die had been cast long before this government took on responsibility for the project.

MR. RANKIN: Thanks very much.

MR. CHAIRMAN: Ms. Miller.

MS. MARGARET MILLER: Thank you for coming in today. I really appreciate hearing you speak, and the more that I hear you speak, I realize that the Premier chose very wisely and I have full confidence in your ability to see this project through to the satisfaction of all Nova Scotians.

I'm going to go back to the very basic question that a lot of taxpayers are asking: who is responsible for these cost overruns on this project?

MR. DARROW: I've spoken to what I believe to be some of the "whats" - what was responsible? I have really not formed an opinion on the basis of who is responsible. I suppose when the Premier asked me to take on this project back on May 29th, I could have spent a lot of time kind of delving into that, it is very complex. To me it didn't make sense for me to do that, for a couple of reasons. One of which, as somebody who had a vested interest in the project being successful, doing an investigation, my guess is there would have been questions about my credibility in doing that. That's why I think it was so appropriate for the Premier to ask the Auditor General.

I know the Auditor General and his staff have been working very diligently on this. My hope is that they will shed some light on that. Had I spent time on that, it would have been time that I could have been spending on getting the problem with the steering system fixed.

Yes, I'm as interested in seeing the results of the Auditor General's investigation, and as I said before, when we see those results we'll make a determination on what our next steps should be. The Premier said that Nova Scotians deserve answers and I think his decision to invite the Auditor General to look into this was the right decision and we'll wait and see what comes out of that.

MR. CHAIRMAN: Ms. Lohnes-Croft.

MS. LOHNES-CROFT: So are MHPM still engaged in this project?

MR. DARROW: MHPM are still engaged in the project. They are helping, as any project management company would be, with the close-out activities. They are helping to advise on the processing of claims. They're providing input into the province's case around the delay claims, what our position should be on the delay claims. With that said, I would say their involvement in the project has diminished very dramatically since I took responsibility for the project.

MS. LOHNES-CROFT: I'm going to ask a question about the rudder. Why didn't you decide to have a new rudder installed?

MR. DARROW: Well, let me just, if you would, share with you very quickly kind of the process that we went through. When I became engaged in the project, and this was within a matter of a few days - first of all, I can't speak to why a steel rudder was installed in the first place. I don't have the history of the project. What I was faced with on May 28th was a vessel that had a 6,000 to 7,000 pound piece of steel in the shape of a rudder hanging off the back of the vessel.

The first thing that we did was we arranged to perform some buoyancy tests on the rudder to get a better understanding of what was happening. Is this a problem with something jamming, or is it a problem with the rudder being too heavy. As I said, the rudder is 7,000 pounds and it's sitting at an angle off the back of the vessel. When you're turning the rudder, you're actually lifting it, so you're effectively lifting 7,000 pounds. You have a gear in there to help you do that but you're lifting that weight while you're turning it.

We conducted, at the beginning again, research on similar-sized vessels to see what they had for rudders, what they had for steering systems and then we conducted a half day brainstorming session, I'll call it, involving credential naval architects, boat builders, as well as the captain and some members of the crew.

We identified three options for dealing with this problem: altering the existing rudder was one of the options we identified, with the objective of making it lighter; designing and installing a new rudder was an option we considered; and adding mechanical advantage was the third option we considered with the hydraulic system being what we decided on to add mechanical advantage to the system.

We used a number of criteria in evaluating those options. We looked at practicality and ease of implementation; we looked at how likely this solution is to be successful; we looked at what difficulties we might encounter in seeking ABS approval for a new rudder or for each of the options; we looked at scheduling - how long it is going to take; and the probable cost.

So, we evaluated each of those options against those criteria. To your specific question of why didn't we install a new rudder, we could very well have installed a new

rudder but the main factors mitigating against that decision at the time was an unknown cost - and it's not just the rudder, it's the rudder stock you have to be concerned about as well. You could have put a wooden rudder on the vessel in order, but the stock for a wooden rudder that would meet the strength standard of ABS would have to be at least 21 inches in diameter; it was just not practical to do that. Are there other materials that could be used? Absolutely there are other materials. At the end of the day, it was impossible to estimate the cost of changing the rudder. It was impossible to estimate how much time would be required, but because we don't know whether it's just the rudder, whether it's the rudder stock - you're into big cost items if you have to make changes to the rudder stock.

The consensus among the evaluation team was that it will be more costly and take longer to install a new rudder. It's for that reason and a variety of other reasons that we had - with the hydraulic solution, it's a proven technology. It's used, I understand, on over half of sailing vessels the size of *Bluenose II* - they have hydraulic steering systems installed, and people were familiar with those kinds of things. So there were much fewer unknowns when it came to the alternative of installing a hydraulic system for the steering system.

MR. CHAIRMAN: Order. The time for questions has expired. Mr. Darrow, I know that you weren't planning to give closing comments. Did you wish to provide closing comments though?

MR. DARROW: Only to say that I hope the answers I've given here this morning are helpful in people being able to understand what's happening with the project. I never did get to explain the reason why I apologized for making what certainly appeared to be a flippant statement. I did learn a lesson along the way, which was when you're in a media scrum you need to be thinking two or three steps ahead.

What happened at that time, there was a reporter that asked me what it was going to cost to fix the rudder. I said there are too many moving parts for me to put a stake in the ground on that now, I wouldn't be comfortable doing that. A reporter on my left said, well, is it \$10,000? And before he got that out of his mouth, there was a reporter on my right who said, will it be \$1 million? I quite ill-advisedly said it's going to be between \$10,000 and \$1 million dollars. It wasn't my intent to sound smart or anything like that, but I got caught up in the moment and I regret having done that.

I do thank you for your questions and thank you for the opportunity to answer and hopefully provide some more insight into what's happening with the project today.

MR. CHAIRMAN: Thank you, Mr. Darrow. Our next meeting will be on October 8th with Communications Nova Scotia. That will be about advertising, procurement and performance, which is Chapter 3 of the May 2014 Auditor General's Report.

We will be having an in camera briefing with the Auditor General at 11:00 a.m. We may start that a little bit earlier if we can. I would ask that if you do leave the room, just

keep your eye on the room. I know that people may be doing interviews and whatnot afterwards, but if we can start a little before 11:00 a.m., we can keep moving the day along.

With that, the meeting is adjourned.

[The committee adjourned at 10:48 a.m.]