

# **HANSARD**

**NOVA SCOTIA HOUSE OF ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Wednesday, January 25, 2017**

**Legislative Chamber**

**Department of Transportation and Infrastructure Renewal &  
Department of Health and Wellness  
Re: Public-Private Partnerships for Public Infrastructure**

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## **Public Accounts Committee**

Mr. Allan MacMaster, Chairman  
Mr. Iain Rankin, Vice-Chairman  
Mr. Chuck Porter  
Ms. Suzanne Lohnes-Croft  
Mr. Brendan Maguire  
Mr. Joachim Stroink  
Mr. Tim Houston  
Hon. David Wilson  
Ms. Lenore Zann

In Attendance:

Ms. Kim Langille  
Legislative Committee Clerk

Mr. Gordon Hebb  
Chief Legislative Counsel

Ms. Nicole Arsenault  
Assistant Clerk, Office of the Speaker

Mr. Terry Spicer  
Deputy Auditor General

### **WITNESSES**

#### **Department of Transportation and Infrastructure Renewal**

Mr. Paul LaFleche - Deputy Minister  
Mr. John O'Connor - Executive Director, Major Infrastructure Projects  
Ms. Diane Saurette - Executive Director, Finance and Strategic Capital Planning  
Mr. Gary Porter - Executive Director, Corporate Initiatives

#### **Department of Health and Wellness**

Ms. Denise Perret - Deputy Minister  
Ms. Tracey Barbrick - Associate Deputy Minister  
Ms. Christine Gibbons - Executive Director, Corporate Process and Quality Branch



House of Assembly  
*Nova Scotia*

**HALIFAX, WEDNESDAY, JANUARY 25, 2017**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Iain Rankin

MR. CHAIRMAN: Good morning everyone, I call this meeting of the Public Accounts Committee to order. This morning we have with us both the Department of Transportation and Infrastructure Renewal, and the Department of Health and Wellness. We'll be discussing public-private partnerships for public infrastructure.

I'd like to remind everyone to make sure their cellphone is placed on silent. We will begin with introductions, starting with Mr. Maguire.

[The committee members, staff, and witnesses introduced themselves.]

MR. CHAIRMAN: Thank you everyone. We'll start with opening comments. I'm not sure who wishes to go first - Mr. LaFleche?

MR. PAUL LAFLECHE: You've already done my first page - did you have it in advance?

MR. CHAIRMAN: No.

MR. LAFLECHE: Thanks for the invitation to talk about P3 health delivery arrangements infrastructure. We believe P3 models are largely misunderstood and often misrepresented in public discussion so we welcome an opportunity, as civil servants, to offer some explanation as to what they are and under what circumstances government might consider a project suitable for a P3 arrangement.

Having said that, my remarks are not meant to persuade or dissuade you on the merits of P3 but I do want to explain why governments might consider these types of arrangements for large infrastructure projects, especially when it is in the best interests of taxpayers - in fact, I might say only when it is in the best interests.

Nova Scotia Governments past and present and all political Parties represented here today have engaged in P3 arrangements, some of which you will recognize, such as the Cobequid Pass toll highway, the Halifax Convention Centre, and schools. Others will be less well-known, as in the case of leased office space, which we do quite a bit of - in fact, all the Parties are in leased office space - or the Central Nova Scotia Correctional Facility located in Burnside, which is a P3.

If the business case supports it, there can be mutual benefits for all partners involved in public-private partnerships. P3s - or 3Ps, or PPPs - are everywhere. Across the country and around the world, P3s are defined at a high level as a long-term, performance-based approach to procuring public infrastructure. We're talking about infrastructure here, not the services side.

The private sector assumes a major share of the risks in P3s in terms of financing and construction, and typically ensures effective performance of the infrastructure from design and planning to long-term maintenance over its life. The public sector specifies what it wants and leaves as much scope as possible to the private sector to find solutions to deliver the best results that are in the taxpayers' interests.

P3s can be a way to deliver large infrastructure projects that speeds up the delivery of the project and transfers the day-to-day operating risk to the private partner - such as building upkeep and operational costs - while allowing the government partner to do what it does best in terms of operating its services to the public.

P3s can also encourage efficiency and innovation with respect to design, construction, financing, operation, and ongoing maintenance of the facilities. A quick Internet search - which your clerk here did and produced 547 pages for you - will give you a sense of how commonly P3s are used to support everything from health care infrastructure to roads, transit, and schools. In some foreign jurisdictions, they are also used to advance social services such as housing developments, irrigation, or power supply.

Not all risk can be effectively transferred to the private sector, and not every project is suitable for a P3 delivery arrangement. In some cases where projects don't have high construction costs or where the development is largely renovation versus new construction, the market may be less interested or unwilling to assume the risk.

There are perception issues, however, that seem to be born from a lack of shared understanding of what a P3 is, which also contributes to the complexity of evaluating P3 projects and in determining whether they have been successful or not. P3s are not a one-size-fits-all model, and each must be considered within a local context. As well, ongoing and diligent monitoring to ensure each party is receiving the best value for money is key to any P3 arrangement.

That's why careful consideration of the business case at the front end is critical. This is a vital point that we need to emphasize and keep in mind. As I've mentioned, I'm not trying to make a case for P3s. Rather, as custodians of the public purse, we are obliged to explore all possible options to move major public infrastructure projects forward.

The invitation to appear before the Public Accounts Committee today included an invitation for the Department of Health and Wellness. Before moving on, I want to point out that there are currently no P3 hospitals in Nova Scotia. However, the province does have a public-private arrangement to support the 811 system and ambulance service.

As you are aware, government has embarked upon a multi-year project to redevelop the QEII Health Sciences Centre. The project includes the demolition of the Centennial and Victoria Buildings at the VG site, redistribution of outpatient services outside the downtown core, expansion of the cancer centre, an operating room addition at Hants Community Hospital, renovations and additions at the Dartmouth General Hospital, and a new hospice care facility. Suffice to say that while we don't yet have a full price tag, it will be a costly endeavour. Work at the Dartmouth General Hospital alone is in the range of \$130 million to \$140 million. For some of the remaining parts of the project, we will be exploring suitability for a P3 arrangement.

The QEII redevelopment project is a little different than some of the projects we've looked at in other provinces on the health side in that it's a combination of new construction, additions, and renovations. I mentioned earlier that that might make it less attractive to the private sector and to us for a P3 arrangement. Some of the project may be suitable and some not. But it also has to be a large enough scale so that when you break the project down into components, some of those components which might be suitable for P3 might not have the scale to be suitable anymore.

Many large hospital projects across Canada have been successfully delivered using a P3 model, and we are working with our provincial and territorial counterparts to learn from their experiences. In Ontario, they have only built large hospitals with P3 arrangements in the last decade. Any decision to pursue a P3 delivery would only be made

after full evaluation of our specific project and its individual attributes, using industry-recognized processes for evaluating the business case.

I want to point out that if a P3 were to move forward, it would be about the infrastructure, the building, not about health care delivery. John O'Connor is leading the QEII redevelopment project. He's a 35-year veteran of the department. He has been involved in virtually every major health care infrastructure build since he joined government 35 years ago. He has a great deal of experience leading these projects, and all of them have been conventional builds.

He also has a great deal of knowledge about P3 delivery models. He was our chief engineer on the public works side, until this Spring. However, he would be the first one to tell you - and he can tell you if you question him - that he's not an expert. In fact, we don't believe there are any experts, because every situation is really different and we have to look at the circumstances.

Different types of P3s appear in a continuum and they are extensively used in Canada. In fact, I mentioned that leases could be considered a P3 and we've done leases for decades in Nova Scotia. In fact, the federal government has demonstrated their commitment to exploring P3 delivery by establishing PPP Canada, a Crown Corporation responsible for considering business cases appropriate for public-private partnerships.

The bottom line is that exploring a public-private partnership is just that: it's an option. As civil servants, we are required to bring all options to government whether they like it or not - they can turn them down. In fact, we bring options ranging from do nothing to do everything, it's our job. The fact that we bring an option to government doesn't mean they support it. It just means we're doing our due diligence as civil servants, and bringing P3s to government is part of our due diligence.

To ensure that we consider a P3 option for our redevelopment of the QEII Health Sciences Centre, today we're issuing a request for supplier qualifications for P3 advisory services for the QEII redevelopment project. Now we could have issued it yesterday, which we were actually going to do originally before this meeting was called, but we decided we'd issue it today so poor Jean and his colleagues have to wait an extra day. The good news is that Teresa and Heather are standing outside so if they want to run up from the media room, they will have copies of the RFSQ for them.

The advisory service will assess the P3 delivery services option through a business case analysis. From there, government will determine an approach that is in the best interest of Nova Scotians. I'm going to table this particular document here today. I've got to dig it out from among the 547 pages that Kim produced, so give me a couple of minutes here - here we go, I found it.

MR. CHAIRMAN: Mr. LaFleche, we typically allow about four or five minutes for an introduction, and I've been generous this morning. As you know, it can reduce the amount of time for questions and I know you wouldn't want to do that to the committee. I would ask if you could try to wrap it up here in the next minute or so.

MR. LAFLECHE: You cut me off before I was going to say thank you, we're happy to take your questions, so you actually wasted 30 seconds. (Laughter)

MR. CHAIRMAN: My apologies, my error.

MR. LAFLECHE: I could have given you the speech beforehand so you knew that. Okay, we're done.

Can I just say, though, that I am under the weather today and I may have to take a break but I'm sure that Ms. Barbrick can do an ample job of talking while I'm not.

MR. CHAIRMAN: That's fine, sure. Ms. Perret, would you like to provide an introduction?

MS. DENISE PERRET: I'll help you make up some time here. Thank you very much for the invitation to attend the Public Accounts Committee. The question of how to provide health care services that best serve the public interest is a challenge that all provinces and territories are grappling with. They're complex matters that require careful consideration.

I want to say that I appreciate how important the work of the Public Accounts Committee is. I think it's essential that there's a test and challenge function worked into the provision of services, particularly in the health care sector.

I do have to say that this is week two for me on the job, I'm a new hire, so I'm probably not briefed on all the matters that you're interested in. But I'll do my best to answer your questions, and I know I have the support of my colleagues here. Again, thank you for the invitation, and I look forward to your questions.

MR. CHAIRMAN: Thank you, Ms. Perret, for being with us this morning. We do know that you have just come on and that's understandable, but we appreciate the respect you've shown for the committee to be here. I think that sends a good message from the Department of Health and Wellness and from government.

We'll now begin with questions. We'll start with Mr. Houston of the PC caucus, for 20 minutes.

MR. TIM HOUSTON: Thank you for appearing this morning. The P3 model can absolutely be the right solution when the benefits exceed the costs, and Deputy LaFleche alluded to that numerous times in his opening statement. He made statements like the P3 model is misunderstood, but evaluating whether it's successful or not is the key.

I would like to ask Deputy LaFleche, has your department gone back and analyzed the P3 deals - let's talk about the schools specifically that are on the table right now, coming due, and the Cobequid Pass. Has your department backward-analyzed those deals to see if they were good deals for Nova Scotians?

MR. LAFLECHE: I'll ask Ms. Saurette to talk about the Cobequid Pass. Unfortunately, we're not able to talk about the schools; those were deals done in the mid-1990s. John O'Connor will have a short statement on the schools.

MR. HOUSTON: No, the specific question is not who did them, not when they happened, not what department is responsible for them. Has your department, as the Department of Transportation and Infrastructure Renewal, backward-analyzed the deals that the province previously did to see if they were good deals or bad deals?

MR. LAFLECHE: John O'Connor will answer that question.

MR. JOHN O'CONNOR: The short answer is no; we have not gone back through a backward-analysis of all the deals for the P3 schools. We have read all the reviews that were done by others. I've read the KPMG reports from 1999 that were in the package we received, I've read the Auditor General's Reports, and we've read all the materials that other people have provided. That information, along with all the best practices and lessons learned that we get from others across Canada, will be part of what we're going to be considering as we assess whether our projects are well suited for a P3.

MR. HOUSTON: From the review that has been done, whether it's detailed or not - it doesn't sound like it's very detailed - were the deals that the province entered into good deals or bad deals in your assessment? Talking about the schools specifically.

MR. O'CONNOR: I can speak to the buildings. Our department, the Department of Transportation and Infrastructure Renewal, is involved in the schools from creating the output specifications for the buildings themselves, so the design requirement standards. Then we had a role in overseeing the design and overseeing the construction. From that perspective, I can say that, yes, those buildings were good buildings. They were designed and built to a similar standard that we were using for our own buildings.



MR. HOUSTON: Well, let's put that to the side, assuming whoever built the buildings would have done a good job, especially if you guys were involved.

I guess I'll go back to the deputy, because the deputy is going to play a key role in this, and ask a very specific question. Were the deals that were entered into good for the taxpayers of this province or not from an economic sense? Do you know?

MR. LAFLECHE: You would have to ask the Deputy Minister of Education and Early Childhood Development that question.

MR. HOUSTON: Unfortunately, you're the Department of Transportation and Infrastructure Renewal. You're the person responsible for the buildings in the province. All provincial buildings in this province fall under your mandate, so unfortunately that's kind of on your shoulders.

As we look at building things going forward, you mentioned quite enthusiastically in your opening comments that you were evaluating deals in other parts of the country, talking to people across the country that had done deals. I guess what that triggered in my mind is, have you looked at the deals that we've done in Nova Scotia to see if there are lessons to be learned in an economic sense, and I guess the answer is no. Is that a fair statement?

MR. LAFLECHE: I think John said we have looked at all that information, and we're incorporating it as we go forward. We do not have responsibility for those schools. We do have responsibility, as a service transfer on April 1, 2015, for all schools going forward. We are now building schools. There is no initiative to build a P3 school right now. If we do build P3 schools, we'll let you know and we'll do a proper evaluation of them.

MR. HOUSTON: In terms of the schools specifically, and then we'll talk about the other ones - I think it's important to look at the history here. You've mentioned that people are leery of P3 - "misunderstood" was the word you used. I think if we're going to do a service to the taxpayers of Nova Scotia, we should help them understand where we're at and why we got here. I think the most fundamental thing you can do to help them understand is look at the deals we've done and have an honest assessment of them.

In terms of the schools, we have 39 P3 schools. Do you have an understanding of how much those schools have cost the taxpayers to date, from capital, from the ones that have been purchased? Do you know roughly how much the taxpayers have spent on those 39 schools?

MR. LAFLECHE: No, that's not our jurisdiction. You'll have to ask the Deputy Minister of Education and Early Childhood Development.

MR. HOUSTON: Would it surprise you that the taxpayers of Nova Scotia have spent \$878 million on those schools . . .

MR. LAFLECHE: I can't comment on that.

MR. HOUSTON: . . . and that's an average of, I guess it's almost \$35 million per school. Now there were recently two schools - I think the Premier is eyeing a school in his constituency that I believe was in the \$26 million to \$28 million range for a brand-new school, the same with the Minister of Education and Early Childhood Development. I think that today we'll hear there might be some other schools. Maybe they will be in non-government-held constituencies. We'll have to see later today.

That's just a back-of-the-cigarette-package analysis, \$30 million to \$35 million for schools under the P3 model. It seems like it's a bit more. I'm just wondering if you've looked at that and I guess that as a department, you haven't looked at that. You've looked at other places in the country but maybe not had a Nova Scotian experience. Is that a fair summary or not?

MR. LAFLECHE: We have people in government who looked at that, and they're not here today. You didn't ask them to be here, you wanted to talk about health infrastructure so you probably should have asked the Deputy Minister of Education and Early Childhood Development.

MR. HOUSTON: Okay, thank you for the advice on witness scheduling. I guess what I would ask you, as the Deputy Minister of Transportation and Infrastructure Renewal, can you please provide to the committee - not today, but at some point at your leisure over the next little while - the analysis that the people who work for you in your department have done on the P3s?

Maybe, Mr. Chairman, that's an analysis that we can see, as a committee, as to the backward analysis of what the taxpayers have experienced in terms of a P3 model which is in the news, which is the schools. Maybe we can get that analysis.

The reason I'm asking is I think if we cut to the chase and talk about what people are concerned about with the P3 model - and the concerns that I hear are not ideological concerns with P3 - people want the best bang for their tax dollars. I don't find, and maybe we'll hear from some of my colleagues today, but I don't believe that most Nova Scotians are ideologically opposed to the model. What they're opposed to is getting a bad deal.

The history of P3 models in many places, and some of them certainly in this province, is quite simply that the government has been outclassed or outmanoeuvred - or something - on negotiations, of how it works. I'll talk about some of the specific things in the schools because I think it's clear that from the outset the government people who negotiated it didn't think of a number of details.

If the real concern of taxpayers is that they're going to get a bad deal, have you thought about how you're going to mitigate that when you approach them? How are you going to mitigate the risk to taxpayers that they get a bad deal on a transaction?

MR. LAFLECHE: I actually think you're quite right in terms of there's always a danger of getting a bad deal. When we negotiate with the private sector they know certain things we don't know, particularly about permitting, construction costs, and financing, so we've got to have an advantage, we've got to gain some leverage on them.

I can't comment on the deals that were done in 1996 by different people in a different era which we have not had responsibility for, under a different accounting system. But I can comment that going forward and the deals we've done in recent years, we do ensure that we have maximum leverage or we'll not be entering a deal. If we don't know what we're talking about, we're not going to go and invent deals for nothing. We want to make sure the taxpayers' interests are protected.

I can ask John to talk about some of the . . .

MR. HOUSTON: That's fine. I guess specifically . . .

MR. LAFLECHE: No, that's not fine, because you asked the question so let us answer it. John.

MR. HOUSTON: Mr. Chairman, with all due respect, the question I asked was very specific in how the government is going to mitigate the risk so that they don't get out-negotiated.

MR. LAFLECHE: And Mr. O'Connor will go over that.

MR. HOUSTON: Mr. Chairman, I don't want this to disintegrate into this thing that happens sometimes. I have a limited amount of time. I'm trying to ask very specific questions. I'm trying to ask questions that can be answered by one person. If we're going to have a situation where one person is not going to answer it and multiple people are going to answer it, let's just go right to the person who's going to answer it immediately instead of kind of burning up the clock on me.

What I'm asking - maybe I'll rephrase my question. If the government . . .

MR. CHAIRMAN: Mr. Houston, please direct to somebody specifically if you wish.

MR. HOUSTON: Sure, I'm going to stick with the deputy as the person responsible for the department. Has the government, as they look forward to P3s, considered bringing in consultants from industry to help on their side with negotiations? Or do you anticipate that negotiations would always be done by the internal staff?

MR. LAFLECHE: We have already spoken to many, many consulting groups on P3s. In fact, they're contacting us because they know the potential here, and they know the potential in other provinces. We've had a lot of meetings with them. They've set up meetings with us and other provinces. There are any number of people who have worked on the government side as consultants to governments who we could engage. We've used them in the past. If appropriate, we will use them in the future. We're not . . .

MR. HOUSTON: Okay, thank you.

MR. LAFLECHE: Wait a minute. I'm not finished. We're not going to hire consultants just to pay consultants, though. We're going to hire consultants when they add value to the process. We feel they do add value. We feel they do help us protect the taxpayers' interest. In all probability, we will be using them.

MR. HOUSTON: In terms of the Yarmouth ferry contract that the province entered into, was that negotiated by internal staff, or were there consultants who helped with those negotiations from the government side? Just yes or no would be fine on that contract. Was it negotiated by internal staff exclusively, or did you use consultants to help negotiate that contract?

MR. LAFLECHE: We used both.

MR. HOUSTON: Internal staff and consultants?

MR. LAFLECHE: Yes.

MR. HOUSTON: You mentioned people are coming forward to help you negotiate contracts, consultants are reaching out to you in anticipation of some P3 projects in this province. Have you had discussions with any of the vendors? Are people approaching you saying, hey, we would like to do a P3 road project in Nova Scotia, or we would like to do a P3 hospital project? Are people reaching out to you? Are you in discussions with any of those people to build a P3 project?

MR. LAFLECHE: A lot of the people who currently build public buildings - whether they be hospital facilities, schools, museums, or office buildings - or renovate them for us are in the P3 business in other provinces, not here yet. They have approached us. At my level, we would only be little more than a telephone call. There have been educational meetings, but that's about it . . .

MR. HOUSTON: Okay, thank you. Has anyone submitted a proposal to you for any new P3 project? Let's talk about the VG and roads specifically. Has any party gone so far as to give you a proposal?

MR. LAFLECHE: A formal proposal? No.

MR. HOUSTON: An informal proposal?

MR. LAFLECHE: We get informal proposals on everything every day, unsolicited proposals. But none of them are of the quality that would be considered a proposal.

MR. HOUSTON: But people put numbers down on a piece of paper and say, if you want us to build the VG under a P3 model . . .

MR. LAFLECHE: No, we rarely get numbers. What we would get is: we can do this, here's our expertise, here's what we've done before. But no, they're not specific to any proposal.

MR. HOUSTON: How many such proposals would you say you've received roughly?

MR. LAFLECHE: On P3s specifically or on anything?

MR. HOUSTON: On VG and road project P3s specifically going forward.

MR. LAFLECHE: I would say none.

MR. HOUSTON: You haven't received any?

MR. LAFLECHE: Not that I know of, no. That doesn't mean that someone somewhere, an MLA - maybe Brendan Maguire got a proposal. I have no idea. Maybe Brendan knows.

We don't do that. We have a specific process. That's why we're going through that RFSQ today. There's a procurement procedure we have to follow. That doesn't mean someone can't call us up and if they do, we will certainly listen to them like we listen to everybody.

MR. HOUSTON: I do want to talk specifically about the VG. The Prime Minister was here last week or the week before - a couple of weeks ago, I can't remember when it was - and he was asked a very specific question about the VG. His answer was that the province should decide what their own priorities are. It was clear from his answer that he didn't know if the VG was a priority for this province and that our officials should find out.

I'd like to ask you, is the VG a priority? Have you talked to federal people about money for it?

MR. LAFLECHE: The VG is very much a priority for this province - I call it the QEII redevelopment. Prior to the current government, under the last government - the NDP Government of which I believe Mr. Wilson was Health and Wellness Minister - Mr. Wilson knows that I, myself, went to Ottawa under the Harper Government at the time when they were looking at New Building Canada. I think Mr. Wilson was very interested in possibly having eligibility for health facilities or what we called "major regional health facilities" under the New Building Canada envelope, which at that time the Harper Government was doing consultations on . . .

MR. HOUSTON: So would it be . . .

MR. LAFLECHE: Can I finish? You asked the question, but you never seem to want . . .

MR. HOUSTON: I'm satisfied with it.

MR. CHAIRMAN: Order, order. We'll allow Mr. LaFleche to wrap it up here.

MR. LAFLECHE: There's a whole history here. (Interruption)

MR. CHAIRMAN: Mr. Houston, proceed, your mike is not on.

MR. HOUSTON: I guess the question was, is it a priority? You said it is a priority, you said you've been to Ottawa to talk about it. Maybe the Prime Minister doesn't know about it but I guess you would say people in this department should know that it's a priority. That was the only question. It doesn't require a bunch of history. It's just a question - is it a priority? - that's all.

In terms of the QEII redevelopment, obviously P3 is an option you're thinking about. How many other options are there that you're thinking about to cover the cost of that?

MR. LAFLECHE: The QEII is a very multi-faceted project. You see we're involving Dartmouth, we're involving Hants, we're probably involving an ambulatory building which is not in a downtown core, we're involving the Halifax Infirmary, and before we get to the end of it we'll probably involve some of the rural regional hospitals.

The P3 opportunity, in our mind, has to be of a certain scale. Probably \$100 million or more is what would interest the private sector. They were most interested in a new build. The Halifax Infirmary job would be an addition to the existing Infirmary, it would be an add-on. It might be interesting, it might be large enough, or we could do a combined project with the ambulatory building which also might be large enough and will not be at that Halifax Infirmary site.

MR. HOUSTON: I guess my question wasn't how many projects are involved, I guess my question was the options for financing. So P3 is a financing option obviously and I'm just asking about what other options you're looking at. Would it be fair to say that it's either P3 or conventional borrow money and build? Are those the two options?

MR. LAFLECHE: Those are the only two options, unless of course something happens and the clouds open and Prime Minister Trudeau decides to make health care facilities eligible, which the second meeting I had in Ottawa, under the Liberal Government, was with Prime Minister Trudeau - I didn't get a chance to say that - not Prime Minister Trudeau but his officials, who were then consulting on their infrastructure programs.

We went back again - after Mr. Wilson sent us, Mr. Glavine sent us - and we had all those conversations and we rallied support from other provinces but we didn't get over the top. Prime Minister Trudeau did not approve that health care facilities would be eligible for either of the New Building Canada Fund or new infrastructure, but there is a possibility that he might change his mind.

MR. HOUSTON: That would be a third option.

MR. LAFLECHE: Yes.

MR. HOUSTON: We're talking about P3, we're talking about the feds cutting a cheque, or we're talking about conventional financing. Is there any other new, kind of out-of-the-box thinking? Have you reached out to Nova Scotians to say, how could we fund it? Maybe you could do a new lottery. Are there any other options you're looking at or is it just hope that the feds do something, or P3, or conventional? Is that the extent of your thought process for financing the hospital?

MR. LAFLECHE: We'd really have to have Byron Rafuse, the Deputy Minister of Finance and Treasury Board here to answer that. My job is to build the facilities; his job is to find the money for them. Now I do have a job to go and find cost-shared infrastructure money, if that exists, so that would be part of what I would do. I don't decide if we're going to have lotteries or whatever.

MR. CHAIRMAN: You have just about 30 seconds remaining.

MR. HOUSTON: That's fine, thank you.

MR. CHAIRMAN: We'll move to the NDP caucus and Mr. Wilson.

HON. DAVID WILSON: Thank you for being here. I'd like to welcome Ms. Perret for her availability here today. I believe it's probably a record for a new deputy minister to be in front of the Public Accounts Committee so quickly, but we appreciate it. I wish you

luck in your new role and I look forward to hopefully having an engagement that will benefit Nova Scotians when it comes to ideas of how to improve health care.

I want to thank the witnesses for being here. As you can imagine, this is an important issue for Nova Scotians. We're talking about how the current government and future governments are going to pay for services - hopefully improved services would be the end result in some of the decisions that are going to be made over the next few years. Of course, when we're talking about roads, we're talking about hospitals and we're talking about schools - they're very close to Nova Scotians.

First I want to talk about the comments from Deputy Minister LaFleche. He talked about all the good things that government look for in order to enter some of these P3 projects that not only Nova Scotia has done in the past, but other jurisdictions. One thing I did not hear from the deputy was, I think one of the main reasons why governments look at these projects is to keep the costs of these projects off the books of the province. I believe that's one of the main reasons why governments look at it.

Would you not agree with that, Mr. LaFleche, that that has been probably one of the key reasons past governments have looked at it - not only here in Nova Scotia but across the country - is to keep the sheer magnitude of some of these costs off the books of the province and it looks good for government not to maybe have a deficit because you need to pay \$600 million to build a hospital, for example?

MR. LAFLECHE: I'm going to start the question and Ms. Saurette, if she's okay with that, since she's the CFA she will answer the technical part, the accounting part.

I think that was a reason back in 1996 when the schools that Mr. Houston mentioned were approved, as well as the Cobequid. The driving force behind that at the time was the financial situation of the government, their ability to borrow - if they borrowed more money, what would that do to their interest rate and then their credit rating? There was a great deal of worry at the time so a great deal of the motivator to do P3 - and I'm not talking about the tolling, I'm talking about P3 - was off-book financing.

At this point in time we adopted GAAP accounting, around 2000 - I can't give you the exact date - so that type of objective is no longer achievable. Off-book financing is not what we're looking at here, but perhaps I can let Ms. Saurette talk about that.

MS. DIANE SAURETTE: I can't speak to the schools because I don't really have too much knowledge of that. With regard to the Cobequid Pass - in terms of off-book financing, the deputy did mention about the impact, if we had done it traditionally or conventionally, what it would have done to our overall costs of borrowing. I can't determine that, but it could have had an impact on that. The costs of borrowing in terms of this project were higher than what our costs of borrowing were at the time but there certainly are benefits to be achieved by that.



In terms of agreements with bondholders, having the entity non-consolidated in terms of the legislation that we have in place and in the revenue that is collected, it's used for a specific purpose. If it's a consolidated entity then it's in our general revenue fund.

In terms of the Cobequid Pass, it's owned by the province, but it's a non-consolidated entity so its assets stay on its books, its excess cash stays on its books, and it's only used for the purpose of that pass. I think it's a couple of things in terms of the impact to our costs of borrowing but also requirements from bondholders if we're trying to access certain financing.

I think the other thing that's a consideration is access to federal funding that we might not have previously accessed through, for instance, normal New Building Canada Funds. Looking at P3 funding is outside of that. That's additional federal funds that we might be able to access.

MR. DAVID WILSON: Would you agree that currently our bond rating is better than it's been in decades here in Nova Scotia - and it's interesting, the comments from Deputy LaFleche. When you see news releases put out by your department just recently on the toll highways, for example - there's a strong emphasis on the cost. To me, that indicates to the public, look at how much this is going to cost. The government of course is going to look at putting that kind of amount on the books. It's not going to be appealing to them, especially with the action of the government over the last three years.

I'm good with that. I'll kind of move into . . .

MR. LAFLECHE: Can I just say something? I want to make sure we don't leave any opinion that there's any sort of off-book financing here. The schools, which were theoretically originally off-book financing in 1996, all came on the books in the early 2000s. That didn't work because they're all considered capital leases. The convention centre is a capital lease. So even though it's a P3, it's going to be on the books. In fact, we put on the books the amount we got from other governments for it because we have to put the asset on the books.

The new toll highways, we don't know what the arrangements will be yet. But I think what people would be talking about if they were ever done would be cost savings in construction and also the fact that if you have toll revenue that links to your borrowing, the bond raters look more favourably on that if there's no revenue. That may affect our credit rating less, but that's only speculation on our part.

MR. DAVID WILSON: You mentioned the Cobequid Pass. For example, when it was built by the private sector, I think their investment was \$66 million; currently, I believe we're well over \$300 million in tolls. When those figures come out and the public finds out about some of these projects like that, what could we have done with the other \$234 million in Nova Scotia?

Now I would like to go to what the roles are of the Departments of Health and Wellness and TIR when it comes to the evaluation of the P3 model. You have examples where we're looking at redevelopment of the QEII and replacement of the Victoria and Centennial Buildings. What role does Health and Wellness have in evaluating potentially going down the road of a P3 model in Nova Scotia?

MR. CHAIRMAN: Mr. Wilson, are you directing your question to Health and Wellness?

MR. DAVID WILSON: Mr. LaFleche.

MR. LAFLECHE: One time I was here, and Bruce Fitzner was so lonely. Ms. Perret is so lonely, but I will attempt to answer the question.

MR. DAVID WILSON: Oh, I'm going to ask her a few questions. Don't worry.

MR. LAFLECHE: We don't do it on ourselves. We have a consortium of departments, and Mr. Houston was quite right to point out that we have outside expertise we bring in.

The Department of Health and Wellness is key to this - they're the client, if you will, and we're the builder. The Department of Finance and Treasury Board is very key because they will supply the financial expertise to the project. It's really a consortium of the three departments that will work together on this with any outside expertise that we need.

I do want to mention something, though, on the previous comment. I don't want to let it sit. If anybody needs to know where the so-called \$240 million went on the Cobequid Pass, we can give them a detailed breakdown of how it went into the roads, interest rates, whatever it is. But there's no \$240 million missing.

MR. DAVID WILSON: That would be great. We'd appreciate that. That's part of the problem that an Opposition Party has - that information isn't available and often is very difficult to get out of the government, so I appreciate that effort. Hopefully, that will continue through that process . . .

MR. CHAIRMAN: Mr. Wilson, Ms. Saurette has a comment related to that. Would you like to hear that?

MR. DAVID WILSON: Quickly, please.

MS. SAURETTE: The Crown does have an annual report that is published. It's on its website. In terms of any toll revenue that has been collected, I can't comment on the amount today. I can certainly get that amount for you. It all goes back into the pass and toll

revenues not just to cover the bond financing, it's covering the maintenance, the operation, repairs, capital upgrades, anything that goes into that 45-kilometre section.

If we had done it traditionally we still would have had those expenses. You would have had your capital expenses. We would have borrowed against it, but you still would have had the ongoing operating, maintenance, capital, and all that, so we're looking at two different pieces.

I think the other important thing to understand is anything that's in excess, collected on the toll, is actually sitting on the books of the corporation in its bank account. It's not in the government's general revenue bank account, so there's clear legislation in place as to what we can do. We do not have enough funds to pay off the debt entirely, but the debt will be paid off before 2026 and so . . .

MR. DAVID WILSON: I appreciate that. I know that I, too, have limited time and there's a lot of questions we can ask around many different aspects of this.

Who will ultimately negotiate on behalf of the province for, say, the hospital if this is going to move in the direction that I think it may be heading? Ultimately, who in government will negotiate it? Is it your department, Mr. LaFleche, or is there somebody else?

MR. LAFLECHE: We will have a team but it's not that we have a bunch of negotiators sitting there with holsters on or something. Maybe John could explain - we have the RFSQ that has gone out today - what would happen if we went down any road, whether it be conventional build or a P3. How would that go?

MR. O'CONNOR: Part of delivering all the infrastructure that we do at TIR is continuously assessing our capacity. This project is a large project, whether it is delivered traditionally or through a P3 model, we have similar challenges with respect to making sure we have resources and the decision making within our management structures.

As Deputy Minister LaFleche has said, it's a consortium of departments, with the Health Authority working very closely together. As we move forward we follow a similar model of governance. We bring in expertise from the private sector. This RFSQ that has been issued today will bring the first level of expertise in to help advise us, help assess whether our project is well-suited for a P3. Also, part of that service will be for them to assess our readiness to even manage a P3. They'll look at our capacity, look at risks we may have, to prepare ourselves.

There's a lot of work preparing the procurement of a P3 project. I have been involved in a number of them in the past, including some attempts we've made at bringing forward P3s in 2008. There's a very onerous amount of work up front and we're not in a position, as I said earlier, I'm certainly not an expert and we don't have the experience in our department with P3s because we haven't been delivering P3s.

MR. DAVID WILSON: With that answer you've kind of answered another question: would you bring external people in? And you said yes. We introduced legislation some time ago for a financial accountability officer in our province, which would mean bringing someone who has the expertise within government to oversee any P3 projects that the province would be considering in the future.

Wouldn't that be beneficial if you're bringing in outside consultants to look at because the expertise isn't there now - not to say that you don't have some skills in managing this - wouldn't that be an option that the government should be looking at? Have you had any discussion on having a financial accountability officer here in the province so these projects can be vetted, so that Nova Scotians can have confidence that if we go down the road, and it looks like we are, that we have people internally who we can turn to - that when the Department of Health and Wellness is looking at replacing the VG, we have a financial accountability officer who we know has expertise who can review it?

Even if not that, what role does the Auditor General's Office have when it comes to P3 models if we're not going to have a separate person in the government?

MR. LAFLECHE: Well I don't know anything about the bill you introduced - I'm sorry, I didn't follow it that closely - but my colleague, Byron Rafuse at Finance and Treasury Board, would be more knowledgeable.

I do know there is a risk management group which has been set up at Finance and Treasury Board to do these types of things. I also wouldn't want at any time to not acknowledge the great service provided by my friend, Mr. Spicer, over there - after the fact, of course - and our internal auditor, Ted Doane, and his group.

We do engage in a lot of risk management in terms of projects we run, but at this stage, we don't yet know what we're going to do in terms of a P3. If we do set up P3s, if we do anything on the highway side, we don't know. Unfortunately, the first consultation got rained/iced-out last night but it will be next Monday. We will put something in place, if appropriate, for sure.

MR. DAVID WILSON: I respect that but what you mentioned is a lot of after-the-fact. I mean, we currently have models. I come from a profession and I say the profession has benefited from having an external operator - EMC, for example - and the paramedics and the ground ambulances and air ambulance in the province have benefited from it. I can see some benefits, but Nova Scotians are concerned. Why would we wait and go down the road of adding to P3 projects in the province without that?

I'll make sure you get a copy of the legislation that we introduce. We're okay if the government wants to introduce their own or just create the position. That's fine with me, good ideas come from all areas.

I'm glad you mentioned that you're going to try to work with the Department of Health and Wellness, work with other departments when it comes to potential future projects. One reason why we did, and it was our topic or one of our requests to have the Department of Health and Wellness here, that we know through a report from the previous deputy minister, Peter Vaughan, that he did in September 2014, he talked about P3 models. In his report, he said, "The premise for proceeding with P3s is typically that the private sector can do the projects more efficiently and can manage risk better."

However, the former deputy minister mentioned that auditors general across the country have pointed out many P3 projects that have actually been plagued with serious cost overruns. There are a number of projects we can look at. In Ontario, for example, a P3 hospital in Brampton cost \$200 million more than initially thought; at the University of Quebec in Montreal, the cost doubled for a project there.

I'd like to ask the deputy minister if she is aware of the former deputy's concerns around P3 models in use of especially hospitals. I'm wondering if you would associate yourself with those concerns, or do you have an opinion on those types of models for health services and health infrastructure?

MS. PERRET: Thank you for the question. I think my first response is that I'm not an expert on P3s, nor am I an expert on capital planning and infrastructure, just for clarity.

What I do appreciate, and I would reiterate the comments of my colleague Deputy Minister LaFleche - in the provision of health care services, including capital or services directly, looking at all the options is critically important and looking at them with a critical eye is important.

I appreciate that with the pressures in the health care system and the pressures of rising costs, certainly we want to have a look at all the options but with that type of diligence and, as I said, a tested challenge function that's focused on effectiveness and value.

MR. DAVID WILSON: Hopefully one of those options is to keep it internal, especially ownership of the facilities.

A quick question - I think I have only one minute. You're talking about moving services out of the Halifax core, around the Centennial Building. Has the option of the use of the Cobequid Centre, where we own the property and it was made to be built onto, come into the discussion over the last little while? Mr. LaFleche, or someone from the Department of Health and Wellness.

MR. LAFLECHE: All options will be considered. As you know, those types of collaborative care facilities - we're building one in Shelburne now, the Cobequid was one of the initial ones. There's one here in the north end of Halifax which we've recently helped restructure in terms of its infrastructure. Those are very much at the forefront, I think, of

the government's policy. Maybe Madam Barbrick is best to speak to what the future is for those.

MR. CHAIRMAN: Order. I do apologize. We're just running out of time. Perhaps you could answer that later in another round of questioning.

We'll now move to the Liberal caucus and Mr. Rankin.

MR. IAIN RANKIN: I just want to go back and start with a broad-level discussion of what a P3 actually is. I think the public understands that it is basically always some kind of partnership with the private sector, and today we're here to talk about the infrastructure piece.

Can you just walk the committee members through what different types of public-private partnerships are possible in terms of building up infrastructure, the differences between the financing, the design, design-build, or design-build-operate? I think the narrative coming from one of the Opposition Parties is that it's black and white, P3s are always bad, and we should always go with traditional builds. Maybe you could just give a cursory explanation of the different options that we have.

MR. LAFLECHE: I started by saying at the beginning that it's very complex. There's a massive breadth of P3s. One could consider a simple lease arrangement as a risk reduction, effectively a P3, when we lease office space. That's an extreme form. It goes all the way through to a government-owned, government-operated building. There's a whole bunch of options.

John O'Connor will go through some of those acronyms. Maybe, John, you could actually say it so that people know what the acronyms stand for.

MR. O'CONNOR: If we focus on hospital projects, the hospital project arrangements are typically the project company is responsible for design, construction, financing, and long-term maintenance of the facility. They call that design-build-finance-maintain, or DBFM. There's a lot of terminology being used. That's often a typical arrangement.

There are some variations to that: design-build-finance only, and maintain is not included. There have been some levels of involvement in delivering projects like that in Ontario, I think, but they found that it's much better to have the maintenance in, so you have the full life cycle responsibilities. Then there's a good balance struck between the decisions made during design and construction and the responsibilities for long-term maintenance. That's very important, from what we see, for best practice across the country. Design-build-finance-maintain is the optimum model.

Then it's a matter of what you maintain. Obviously the building itself, and then there's some range of whether certain services are kept in or not, like snow removal, housekeeping, waste removal, and things of that nature.

Then from traditional delivery, we also have design-build. We have design-bid-build. It's important to know that even if we're delivering traditionally, there's a lot of private sector involvement. Many, many infrastructure projects delivered here in Nova Scotia and elsewhere involve the private sector extensively in the overall delivery. The design of all large projects is typically managed by the public sector, but the design is delivered by the private sector. The construction is almost always delivered by the private sector, so general contractors, subcontractors, and suppliers. All of that is private sector.

Maintenance and operation in Nova Scotia is a mix. There's often some in-house maintenance that's done, and there's outsourced maintenance. But within TIR, we outsource a lot of our maintenance and repair to buildings, including this building. If it needs a new roof, that's outsourced and done by an outside contractor managed by us.

There's a full range of options there, whether it's P3 or traditional delivery. It's combining all those different aspects of a project and just how you decide to assemble those.

MR. RANKIN: I think the biggest myth that I wanted to get out there is that it's rare not to have private sector involvement in a project. You mentioned leasing as being probably more limited involvement from the private sector. For the purpose of today, we're talking about hospitals, and I heard you mention an ambulatory building that may or may not be outside of the city core or an outpatient clinic. If just that part of the project involved the lease of an existing building - and people should know that the private sector owns a lot more real estate and buildings that are available for those types of things - that would basically be considered a private partnership, or a so-called P3, as part of our project, if we just looked at leasing out a building. Am I correct in assuming that?

MR. O'CONNOR: That's correct. We go all the way from leasing to responsibilities for design and construction and maintenance. Even in a leased property - we lease a lot of space for the Department of Health and Wellness, for example, since they are here - all of the work to fit up that space, design it, and maintain it is done by the private sector.

MR. RANKIN: If we were to look at the design-build-operate-maintain option, in the analysis does government provide a type of ghost bid internally that can be analyzed against the bids that come from the private sector? We have an option here to do it in-house, and we have another option. What is the best value for money?

MR. O'CONNOR: The most significant component of the work that we're undertaking with this RFSQ that has just been issued, that is referred to today, is the value for money. The value-for-money exercise values the cost of delivering a project using a

traditional delivery and also values the costs of delivery using a P3. The costing that's provided there is comparing the different costs of design and construction and financing, and the risks that we transfer if we have a P3 arrangement. Those risks are also costs. All that costing is included in that value-for-money assessment. Yes, that then forms a model of costing for the particular project. That would serve as the guide and the benchmark as we move ahead with a P3 delivery.

MR. RANKIN: It seems to me that risk transfer is an important part. Obviously, we have many examples of government trying to manage projects. I can't really think of any one large-scale project that didn't have cost overruns in government. We think of the Truro hospital, and we think of right here in HRM, the Washmill Overpass with cost overruns, so I think the risk component is important.

When you give that management side over to the operator, is someone in government there to oversee and manage the project to make sure that everything that is negotiated within that contract is being adhered to? Would that be you, John?

MR. O'CONNOR: As we said earlier, we will have to assess our resources and our capacity to manage contracts. There will be a lot of people involved.

I am currently the lead person on the convention centre project and yes, I am involved in the day-to-day management of that project. I have been involved all the way through as the agreements were put in place, so I know the agreements very well. I know all the requirements that are to be provided as part of that agreement. That would be the same type of approach that we would be taking on any future P3 arrangement. There's a continuous need to monitor during delivery of the project.

This is the part that's really important: there's a need for ongoing monitoring of these contracts for the whole concession period, which is a 25-year or 30-year period. Most of the health projects have numerous clauses built into the contracts for performance and performance indicators around off-times for rooms. If there's any failure on the part of the project co. to deliver on anything, there are penalties built in and so on. There's a great deal of monitoring required over the period of the contact.

MR. RANKIN: With a P3 build, who would bear the burden of those cost overruns?

MR. O'CONNOR: During a P3 build, once the contract is put in place, the responsibility and the risk for construction costs is with the project co. We call it the project co., which is a term they use in P3s for the consortium that's created, so all the risks around construction and the management of the design and the construction is with the project co.

MR. RANKIN: Would it be fair to say that there's a higher incentive for the quality of the build to be there when the private sector is bearing that burden than there would be if they were just handling the contract with a traditional build for government?



MR. O'CONNOR: Yes, it's fair to say. As I mentioned a bit earlier, when responsibility for design and construction and long-term maintenance is all lumped together under one contract, there are two advantages. One is that you know your costs up front. You know your full cost of that infrastructure for a 25- or 30-year period. It also allows the proper balance between investing in capital versus maintenance. The more decisions you make as you're building your building and designing the building around product selection and longevity of products and systems in the building will pay dividends throughout the concession period. When it's all tied together in one arrangement, the team is then able to balance quality and longevity against long-term maintenance.

MR. RANKIN: I'm just wondering, from a Canadian perspective - you mentioned another province. I think you said over \$100 million, everything is P3. Is this typical across the country for other provinces? Do you know of other provinces that limit the P3 involvement in their infrastructure? I'm just wondering because you said that that value of scale has an impact on it when you get into massive projects. Obviously the QEII redevelopment takes a lot of different competencies that may not be available within a government department. Two questions, really, into one: what are other provinces doing, and does scale have a part to play in whether or not some components are going P3 and some aren't?

MR. O'CONNOR: We work closely with all the jurisdictions across Canada. We have a number of different groups that meet on a regular basis. There's a deputy ministers of public works forum that meets once a year. We have good insights into policies and practices around the country in the area of business that we're involved in.

I'm aware that in Ontario, British Columbia, and maybe Manitoba, they have policies around P3 projects, infrastructure; they set thresholds. Public works at the federal government - it used to be Public Works and Government Services Canada, I can't recall the new name now - they also have a policy and they have thresholds. At one point, they were somewhere around \$50 million, but a lot of them are around \$100 million now, largely because of the up-front costs of preparing bids, from the government end in preparing the documents for procurement and on the consortium end, there's a lot of work and costs for them to respond to bids.

The project has to be substantial before it's considered or there's interest enough across the country and interest from the financing folks to invest. It has to be a large enough investment for a long enough period of time to get the interest.

MR. RANKIN: The other provinces, are they open to allowing you to look at those contracts and go through them and evaluate them and see if we can learn from the best practices from virtually all the P3 projects that happen across the country?

MR. O'CONNOR: Yes, they are. We've already been meeting with some of them. We've met with Infrastructure Ontario in person. They have been very forthcoming to provide us copies of RFPs that they have recently used for health care projects. We found

some that are very, very similar - renovation/addition projects that are very similar to what we're contemplating here at the Halifax Infirmary. Ontario has certainly been very helpful, British Columbia as well, and Saskatchewan.

Saskatchewan has helped us a lot. Even with this procurement we're doing now for P3 advisory services, Saskatchewan has been very helpful to give us their advice and best practices on that particular RFP as well.

MR. RANKIN: That would likely inform you when the P3 is the best model. Can you articulate in your view when P3 is the best model to go forward with a given project?

MR. O'CONNOR: We had some experience back in 2008 where we took 10 projects, and we had partnerships. British Columbia assessed those projects and then went through market sounding and screening - we used their screening tool. Out of that, the projects that were considered to be worth considering for a P3 were typically the ones that were large enough, at that time at least \$50 million. I think today it's more like \$100 million for sure.

They have to be reasonable to be able to transfer the risk. If it's a large renovation, it's very difficult to draw all the lines and define the scope well enough to manage the risk, so new builds are much better than a renovation project.

Large infrastructure projects, longer contracts, and allowing the project co. to take full responsibility for design, construction and operations or maintenance are typically the ones that seem to be better suited for P3 delivery.

MR. RANKIN: I'd have to agree with my colleague Mr. Houston, when he says that generally the public isn't against P3s, but they are against getting bad deals. It does come down to the negotiation at the table, who has leverage in any given project that's being discussed, and the expertise that's behind them. Competition is good when you have different bidders, obviously.

What experience and expertise do we have within government to make sure that we are negotiating as best we can and that we still have an ability to walk away if all these companies come in and no option is a good option? What do we bring to that table?

MR. O'CONNOR: As we have been indicating, we will be assessing our capacity. We do have a lot of people who are experienced in delivering infrastructure. We have people within the Department of Finance and others in government who have experience as well to bring to this work.

Part of the RFSQ that is currently issued will evaluate, look internally at, our capacity and our expertise and identify gaps if we have gaps. We will have to surround ourselves with specialized expertise as well from the private sector to help advise us as we move forward.

We have had experience ourselves. We have a team in place that managed the development of the agreements and the contracts for the convention centre. I was involved previously when we led some P3 projects in 2008, all the way through to the creation of RFPs for the correction facilities and the Trunked Mobile Radio project. We have some expertise, but we would have to assess and develop further expertise if we decided to pursue a P3 delivery.

MR. RANKIN: You mentioned the convention centre, which was a project that was initiated by the NDP Government, who explicitly said they are against P3s, that all P3 models are bad. Is the World Trade and Convention Centre a public-private partnership? Just a question, is it a P3 project?

MR. O'CONNOR: Yes, it is.

MR. RANKIN: It is a P3 project. The NDP Government initiated that. Are there any other projects that would be considered a public-private partnership under the last NDP Government that exist today that you can think of?

MR. O'CONNOR: The Trunked Mobile Radio system was started. We actually had an agreement with PPP Canada - I'm not sure what year, 2012 maybe - on that particular project. It was a joint effort between Nova Scotia, New Brunswick, and Prince Edward Island. That particular RFP did not continue. It got to the end but didn't get awarded. It was definitely set up as a P3, and we had P3 funding.

MR. RANKIN: What about Maritime Link? Is that a P3 project?

MR. O'CONNOR: I'm not familiar enough with that to answer.

MR. RANKIN: Okay, we'll talk about health care then. What about Scotia Surgery? Is there any private involvement in that project by the NDP Government?

MR. O'CONNOR: I'll let our colleagues from Health and Wellness answer that one.

MR. RANKIN: Is it a P3 project, yes or no?

MS. TRACEY BARBRICK: It's a private operator.

MR. RANKIN: Is Daewoo Trenton? Was that a private partnership with the public sector?

MS. BARBRICK: I'm not familiar with that project.

MR. LAFLECHE: Unfortunately, we would not be able to answer that. We are not familiar with the details of that particular deal. I would have to ask my colleague Murray Coolican to answer that.

MR. RANKIN: Okay, I appreciate that. I'm just pointing out the hypocrisy with the statements coming from the Party that is unilaterally opposed to every P3 project, but they put through numerous projects in their government. They continue to use the rhetoric against the public. The World Trade and Convention Centre is one that steps out because that is design-build-operate. We went through all the different types you can do. That's essentially like the full-out P3. That's a design, that's a build, and that's a maintain project.

MR. CHAIRMAN: Your time is just expiring. We'll move to the PC caucus. Mr. Houston for 12 minutes.

MR. HOUSTON: I want to talk to the Department of Health and Wellness. In June 2016, the Auditor General stressed that, "A solution to the urgent challenges with the VG site must be found soon." I would ask, from the perspective of the Department of Health and Wellness, do you have a timeline as to when you want to know how these facilities are going to be built? What have you put forward as - I don't want to say "deadline." When would you like to know how these facilities are going to be built?

MS. BARBRICK: I think the commitments that have already been made through the RFP publishing and pieces that have been published to date identify 2022 as full decanting from the Centennial and VG.

MR. HOUSTON: Okay, so if you back up from that, when would you need a decision to be made on how it's going to be financed?

MS. BARBRICK: I think all the pieces in the RFPs that have been issued to date are working against that deadline. The elements, including the contract that went out today, are about backing those out to meet that 2022 date.

MR. HOUSTON: Do you know what the date is offhand when they have to decide how it's going to be financed? Maybe somebody from TIR knows.

MS. BARBRICK: I think I would have to defer to TIR.

MR. HOUSTON: Just a date of when the decision has to be made, that's all.

MR. O'CONNOR: I can answer that one. The target date that we have set in our timelines is around this time next year.

MR. HOUSTON: A year from now, we'll know if it's a P3 or if it's conventional.

MR. O'CONNOR: A year from now, we'll have the information to make the decision.

MR. HOUSTON: Okay, so it's going to take a year to decide. We're a year away from a decision as to how it's even going to be financed.

MR. O'CONNOR: Yes. If I could, I'll explain why it's a year.

MR. HOUSTON: No, that's okay. I'm just trying to get . . .

MR. O'CONNOR: Because the planning has to happen.

MR. HOUSTON: Yes. I'm just trying to get a perspective in my mind.

Back in April 2016, I think, the Premier started to announce some stuff about the QEII redevelopment. It was never really clear what was actually being announced, but it was clear that whatever it was, which wasn't really understood by the public, the Premier was going to do it on time and on budget. When he was asked what the budget was, he said, well, there's really no budget.

I guess my question for today is, that was back in April 2016, and it's pushing on a year. There were certainly some things that were identified as to moving of services that would have to take place. I would ask a very specific question: have any services been moved around over the last couple of months? Where are we on things like - there was talk about integrating services over to Dartmouth General or the Nova Scotia Cancer Centre. Are things happening?

MS. BARBRICK: The 5<sup>th</sup> floor of the Dartmouth General Hospital, beds have started to be relocated on that piece, which is part of the decanting story. The Hants OR design piece that's happening now is part of the decanting. The additional OR capacity that's been announced is part of that decanting. So yes, the work is under way now.

The big piece of work that has already been out there is the functional design piece that's happening between ourselves, TIR, and the Nova Scotia Health Authority about the needs for the new facility. The result of that work, which will be pretty much a year from now, will inform what the next layers of decanting are that have to happen.

MR. HOUSTON: The functional analysis is happening now. The timeline for that is a year from now?

MS. BARBRICK: Yes.

MR. HOUSTON: I'll come back to TIR. There's a discussion happening in the province about tolls. I think it's difficult to have that discussion without people knowing all the facts - how long the toll would be and what the toll is - to make a proper decision. We do have a toll road in this province. It was certainly the understanding of the taxpayers of the province that the toll would be removed when the debt was repaid. In fact, I think that was the government position. Minister Russell confirmed way back in 2005 that when the debt is repaid, there would no longer be a toll. The date for that was 2018.

Recently, your department, Deputy LaFleche, decided that the toll would actually continue. I did have a look at your internal briefing note, and it was pretty clear. This is from your internal briefing note: "Although stated publicly by former Transportation Minister, Ronald Russell, that tolls will be eliminated once the debt is repaid, the *Highway 104 Western Alignment Act* declares that it is acceptable to continue collecting tolls after debt repayment for continued operation, maintenance, repairs, improvements," et cetera. We had a public expectation that the toll would be removed when the debt was repaid.

Behind the closed doors of government, there was a decision made that the tolls would actually continue after the debt was repaid. They would continue because they are allowed to under the Act. They would continue for maintenance, operations, repairs, and stuff. In this situation, the continuation of the tolls is for maintenance and operating.

I guess I would ask a specific question about that. If that's what is happening with that road, if the tolls are being continued for maintenance purposes, are there any other roads in the province where there is a toll for maintenance purposes? Or are the taxpayers - particularly the ones who use that quite often - being disadvantaged by the continuation of that toll?

I would ask Ms. Saurette the specific question, are there any other roads in the province that have a toll for maintenance purposes? Is this the only road where a toll will essentially be implemented for maintenance?

MS. SAURETTE: I'm not aware of any other highway that has a toll on it, other than our bridges, which are part of our highway system.

The decision to extend tolls for maintenance and operations has not been made by government. We have not brought that forward. The decision that was made for this budget was actually not to make prepayments. That was the decision that was brought forward.

The rationale for that is that there's no benefit to the taxpayer to pay the bondholders cash early. Per the bond, we owe 30 years of interest payments. I think what is misunderstood and what has not been communicated to the public is that the corporation had taken the practice, based on direction from previous governments, to use the excess cash and make prepayments . . .

MR. HOUSTON: Mr. Chairman, if I may, I think the expectation of the people of the province was that the tolls would be removed when the debt was repaid.

MS. SAURETTE: But the debt is not repaid, though.

MR. HOUSTON: Exactly.

MS. SAURETTE: The debt . . .

MR. HOUSTON: Mr. Chairman, please. If there's an opportunity to repay the debt, whether somebody says that's early because it's not in accordance with the amortization schedule or not, then the repayment of the debt opens up what the people are expecting, which is no more tolls. In the interests of time, I think the point I want made and I want people to understand is that when people entered . . .

MS. SAURETTE: What's important, though . . .

MR. CHAIRMAN: Order, order. Mr. Houston, I want you to make your point. You have your time, and it's well within your right. But if you are asking a question, please allow an answer.

MR. HOUSTON: The point is that there's an opportunity to repay the debt - early or not. When the debt is repaid, the toll comes off. My request - not my question - of the department is, as you're having discussions with Nova Scotians about tolls, if you set up an expectation with people that this toll will be for only a certain period of time, until the debt is repaid, and the government has an opportunity to repay the debt and remove the toll, they should do that.

People should have a proper understanding of how the toll is going to operate. That's my only request of the department. When we talk about the confusion around P3 models and how people are suspicious of them and leery of them, yes, they are confused about them. Yes, they are suspicious of them. Yes, they are leery of them and for good reason. In this province, we haven't had good deals on P3s, and we've had an opportunity to have reasonable deals with the toll removal. Decisions have been taken not to do that, and it's not fair.

In terms of the Auditor General, in the Fall 2016 report, the Auditor General said that in response to an Auditor General request, the Department of Education and Early Childhood Development said it had initiated discussions with the Department of

Transportation and Infrastructure Renewal to revise the school capital planning process. That was in order to take politics out of school planning. I think it was maybe just before the Premier's school got announced.

I look at that, and I hear the Department of Education and Early Childhood Development say, we're talking to TIR about revising the school capital planning. I asked TIR, have you looked at some of the ways schools have been financed in this province over the years with P3s and stuff? It was just to assess where they're at so that if we're going to revise the school planning process, we can actually know what has happened and what has worked and what has not. TIR says, we haven't really actually looked at that. I don't know if it's the Department of Education and Early Childhood Development that has a different interpretation of initiating discussions or if it's TIR. But I don't think it's in the spirit of what the Auditor General was talking about.

Mr. Chairman, just one more question, for Deputy Minister LaFleche. In terms of the rudder situation with the *Bluenose II*, we know that a wooden rudder was taken off the *Bluenose II*, and a steel rudder was used. Now we're going back to a wooden rudder. I would like to ask you a very specific question. Where is the steel rudder that is no longer going to be used on the *Bluenose II*?

MR. LAFLECHE: Mr. Chairman, I think we have two hours on February 8<sup>th</sup> to talk about that. I'll have the people here who can appropriately answer those questions on February 8<sup>th</sup>.

MR. HOUSTON: I'm not aware of that, Mr. Chairman. Perhaps Mr. LaFleche is a step ahead of me. I will ask . . .

MR. LAFLECHE: You requested it.

MR. CHAIRMAN: Order. Just for the record, that meeting has not yet been approved. Mr. Houston, you have about 15 seconds.

MR. HOUSTON: Mr. Chairman, I'd like to make a request of the Chair to the department. You mentioned that you used outside consultants in negotiation of the Yarmouth ferry contract. Could you please provide for the committee how much was paid to outside consultants for the negotiation of the Yarmouth ferry contract, how long they were on retainer, and who it was if you are able to under the agreement? Just please provide the information.

MR. LAFLECHE: Ms. Saurette will follow up with that. You'll be pleasantly surprised.



MR. CHAIRMAN: The time for questions from the PC caucus has expired. We'll now move to the NDP caucus, beginning with Mr. Wilson.

MR. DAVID WILSON: Mr. Chairman, I have only a quick question, and then I'll hand it off to my colleague. We know the relationship between the current Liberal Government, the Premier, and our unions - especially those that represent health care workers - has not been a good one over the last three and a half years. It has not been a good one.

With this announcement today and the request that will be going out, is that request a break-the-union exercise? Can you commit today to ensuring that health care services that will be provided under whatever model you go forward with will be provided by the current members who provide health care and who are represented by the unions that they are represented by today? It could be for Mr. LaFleche. I would definitely love to have a comment from Ms. Perret also on that.

MR. LAFLECHE: What we're looking at there is infrastructure, not health care service provision, and P3 is one option. We said that as civil servants, we are required to bring forward all reasonable options. We're doing some work, and we're going to bring that option forward. It does not relate to health service delivery. It relates to the building.

MR. DAVID WILSON: Could you commit to ensuring that that's something you would like to see, making sure that current members provide that care? If you are not willing to do that, I'm wondering if Ms. Perrett could.

MR. LAFLECHE: I didn't understand the question. Sorry.

MR. DAVID WILSON: Would you commit today to ensuring that the health care delivery is done by health care providers who currently provide that service? You will oversee models in the future. Can you commit to at least supporting that initiative?

MR. LAFLECHE: We're the builders and, in many cases, the operators of infrastructure. The actual client is the Department of Health and Wellness so I'll let Ms. Perret answer such questions.

MS. PERRET: I appreciate the question. I think it's an important question, and it's one of the factors that get considered in the value equation. I take note of it and will keep it in mind.

MR. DAVID WILSON: I appreciate the clarity on that. I'm concerned, and I believe some will be concerned. I would imagine I'll know in our next campaign in the next little while.

I would like to pass it over to my colleague.

MR. CHAIRMAN: Okay, we'll move to Ms. Zann.

MS. LENORE ZANN: Thanks for coming in here today, folks. I know it can get a little bit heated sometimes, but it's good to have you here.

Auditors General from across the country have called into question the use of the P3 model for public infrastructure. It seems that in a number of provinces, governments spent substantially more of taxpayers' dollars by using the P3 model than they would have spent by using the public model. That's why we in the NDP caucus have grave concerns about this.

For instance, in Ontario, the Auditor General revealed that a P3 hospital in Brampton cost the public \$200 million more than if it had been publicly financed. In Quebec, a P3 project at the Université de Québec à Montréal doubled the cost from \$200 million to \$400 million of the public purse. In B.C., the Sea to Sky Highway is set to cost taxpayers \$220 million more than if it had been financed and operated publicly. Here in Nova Scotia, of course, we're aware of the P3 school debacle, which included the fact that the Auditor General here reported that two developers actually earned an extra \$52 million by subcontracting work back to the province.

My question is, is there not enough evidence before us to actually reject this model for public infrastructure development?

MR. CHAIRMAN: The question is to Mr. LaFleche?

MS. ZANN: Yes, please.

MR. LAFLECHE: I want to point out that it seems every question, we get long speeches. I'm not debating the speech because I don't want to get into that debate. But Mr. Houston has done that, and Ms. Zann as well. I know that's your job.

MS. ZANN: I'm not the one who's trying to shorten your answer.

MR. LAFLECHE: In answering the question, I'm not agreeing with any of the content of those speeches. I'm trying to answer the question that comes at the end of the long speech . . .

MS. ZANN: Is there not enough evidence before us now to reject this model for developing public infrastructure?

MR. LAFLECHE: No. I think there's enough evidence that we have to take caution when we do this.

Auditors General do their job. It's a very good job. It's a job that is needed. They find and report on the ones where there are problems. Where they don't find and report - or at least the public doesn't really have any interest - is where it's all working very well.

We see many examples, and we've seen them ourselves. We've talked to all sides of the equation - the government, the operator, the builder, the client who uses it. We've seen good models, and we've seen bad models in Canada. Governments continue to do P3s, and they don't do it for off-book financing. That gives us enough trust that there are good P3s and they can be done well.

Mr. Houston very appropriately pointed out that in many cases some part of this is what sort of deal you get, whether you enter it with appropriate leverage and whether you bargain well and whether you get a good contract and whether the deal is actually appropriate for a P3. Maybe some of these projects haven't been appropriate, and they've gone badly. Governments did them for other reasons. In very early P3s, a lot was done for off-book financing. That was the main motive, so the due diligence wasn't done on the other things we've mentioned here today.

We've got to look at each one individually and not automatically ideologically just eliminate P3s. What we've got to do - my job and the job of my colleagues here - is to advise government when it might be good and when it might not. Then we try to get the best deal we can. If we can't get a good deal, even though it may be appropriate for a P3, then we will advise them not to do it. If we can get a good deal, and we find that there are appropriate benefits for the taxpayers and citizens of Nova Scotia, then we will advise them that this is something that they should do. That's basically where we are. We're not ideological about it either way.

MS. ZANN: We're not either. We just want to get a good deal for the public because a lot of these projects have cost the public tons and tons - millions of dollars - more than needed to be paid.

The Auditor General also is concerned that, on top of the profits that were made by developers off the schools here in Nova Scotia, they also acquired property that's now worth substantially more than it was back in the late 1990s. How did developers actually acquire the land on which these P3 schools were built? Did they already own the land? Did they purchase the land? Were they given the land by government?

MR. O'CONNOR: I have to go back in my memory on that. I think it's a mix of all of them. I don't believe there's any government land for schools. They're all privately held properties. For the correctional facility in Burnside, we did a land lease. We did own the property in Burnside and we did a land lease. I can't remember the term of the lease but for the schools, I think it's all privately held.

MS. ZANN: Right. The private developers still own that land, then.

MR. O'CONNOR: As far as I'm aware.

MS. ZANN: As I said, there's a concern that that land would be worth a lot more money now than it was when they bought it.

Where will we find the money being spent to purchase the P3 schools that are accounted for now? Is it going to be this year's budget? Next year's budget? Under which department? The ones that we're going to be buying back, it's been announced that we're going to be purchasing the P3 schools.

MR. LAFLECHE: These are questions which are really for the Deputy Minister of Finance and Treasury Board. I can tell you until we actually purchase them, we will not be paying for them. He would be best placed to give you a schedule. I think every school lease is different.

MS. ZANN: Yes, and I just wondered if you might be aware of when that's going to take place.

The other thing I wanted to talk about was the highway twinning. While the public consultations around the highway twinning are taking place, is the government concurrently looking at different approaches to development? For instance, not just the P3 versus public model only. With respect to the quoted accidents, the estimates of accidents, collisions that are prevented - I believe it's per eight stretches of highway per year if it's twinned, do you have any other types of models you're looking at, other than just the P3 model versus the public model - for the twinning?

MR. LAFLECHE: The consultations will start now, next Monday. I think some of that information will be available there. There will also be a video from Mr. Fitzner, talking about some of the things you've asked questions to.

I would note that if we do tolling, it doesn't mean we're necessarily going to do P3. Those are separate questions. It doesn't mean we won't, but it doesn't mean we will.

MS. ZANN: But I'm asking if you're looking at other ones too.

MR. LAFLECHE: We're at the very early end of that so we're just having a discussion with Nova Scotians on whether they would like to have some highways improved earlier than normally would be possible, under current financing arrangements, through a tolling mechanism. That's the stage of this discussion.

To get to issues of whether it's going to be done through what type of P3 model or even a P3 model, how it will work in terms of operator, that's a future stage because if Nova Scotians decide they will not want to do this overwhelmingly, then we don't have to get into that discussion at this time.

Some of what you've asked is for a future discussion. I think some of it can be answered in the consultations that are going forward, and I'm sure we can provide you with consultation material. I don't know if the website is up already.

MS. ZANN: That's okay, I'm going to go to one of them anyway. I know at Monday's technical briefing on highway twinning, the slide show listed questions that will be asked at the public consultation sessions and there were no questions that asked about public support for the P3 model. Is that because you're mainly focusing on the tolling rather than . . .

MR. LAFLECHE: It's the tolling and earlier twinning versus the conventional method. We're talking 20 to 30 years conventionally, with the existing funds available to governments versus maybe five years if we go with a tolling model. That's what we're really focusing on now. That's the question to Nova Scotians.

MS. ZANN: Okay. The other thing is that there have been studies done about the other options for reducing accidents on highways, other than twinning. Where is the public able to access studies that look at options that perhaps aren't just the P3-related, for paying for highway improvements and for other than tolls? Do you know where there are any reports we could look at and tell the public where they can look at for other methods or options available to reduce accidents, that are not the current model being promoted?

MR. LAFLECHE: Yes, the best thing to do would be to get you a list of those and I think my staff in the Highways Division, there's all sorts of different options. Whether those options would be acceptable for Nova Scotians is another question and whether they are financially viable - in other words, would they still require additional revenue from the current revenue streams we could access? They probably would require additional revenue so there is some expense associated with those also.

There are other options, and we've talked about them before. We've started implementing some of them. Mr. Porter is over there. We've put cat's eyes - I'll call them cat's eyes, I don't know the proper technical term in Canada, but in the U.S. they're cat's eyes - we put those in the causeway. There are various safety measures we could introduce. At some places, you see we've got concrete barriers. Let us get you a list of what could be done.

MS. ZANN: Yes, that would be great. That would be awesome. Thank you.

The other thing is, I'm getting a lot of messages from people who are concerned about a proponent in the Fall River area who they feel seems to be being aided and abetted in being approved and extending approvals for four quarries that are waiting for a P3 contract on Highway No. 103 - I believe it's Scotian Materials.

They say that the same proponent also received a 24-hectare gift of aggregate-rich land through a land swap in Tantallon, which was mischaracterized as an increase in land value for the Crown, but it turns out that the land that the Crown received was basically wetlands and swamp. They say it's been a year since the land swap occurred, and the only piece of property in Nova Scotia owned by this proponent remains unassessed. They said that the proponent has never submitted tenders on any roadwork in any of the 3.5 years since these existing quarries have been approved.

They are concerned that nobody seems to care that this particular proponent is being set up in the Fall River area to bid on the Duke Street to Porters Lake highway. Do you have any comment you could make about that?

MR. LAFLECHE: Really, I don't know what that's all about. I do know that we have a provision in the Public Highways Act for allowing access to quarry material on government land in a certain way. We could show you that provision if you wish. I don't know if it has anything to do with this, but it sounds like a Department of Environment regulatory matter.

MS. ZANN: Is Scotian Materials going to be one of the people putting a tender out for a P3 for that area?

MR. CHAIRMAN: Order. I'm sorry. Time has expired. We'll have to move to the Liberal caucus now. Mr. Stroink.

MR. JOACHIM STROINK: I guess my question is not really a question. It's an opportunity for Ms. Saurette to answer the question that the member for Pictou East obviously didn't want you to answer or show you the respect that you deserve in this Chamber. With that, I would ask that you take the time that you need to answer that question so he might learn something today.

MS. SAURETTE: I think what is misunderstood about the decision that was made for this budget to not make prepayments - there are a couple of things that have just not been communicated out there.

We have to take into consideration the success of the highway in terms of the revenue and the tolling that it brings in. We also have to take into consideration the legislation in place that restricts what that revenue can be used for. We also have to take into consideration the excess cash that results from that.

What we identified was that the corporation was making prepayments. To date, they have made \$20 million in \$5 million intervals. What that does is they just take it out of the excess cash and they give it to the bondholder, so it goes from their bank account to a bondholder's bank account. Anything that we collect in revenue is for the benefit of the toll payer. If the Crown Corporation has an opportunity to use that excess cash - invest it and make interest revenue - then it's in the best interest ultimately of Nova Scotians and the toll payer because paying off the debt early is no benefit. We still owe 30 years of interest payments on it.

The direction that we made was not to make the prepayments and let it go into excess cash and invest it. You get revenue as a result of that. At some point in time, well prior to 2026, you'll make a lump-sum payment, and you'll pay the debt and the interest off at that time. Over the next 18 months as a department, we need to bring forward to government options as to what's going to happen once the debt gets paid off.

If we make prepayments, we're still going to get to that point in time where it's well before 2026 because that highway is making more revenue than what was anticipated.

We can't spend it. Right now, there are three restrictive funds that are on the books of that corporation. One is related to debt payment, another one is the excess, and we have a maintenance one as well. At some point in time, they're going to grow to a point where we can make a lump-sum payment and pay off the full debt and the outstanding interest.

We're not there yet. We need about \$65 million to \$70 million. At that point in time, it's better for the corporation to keep the money, invest it, and make interest, as opposed to giving it to a bondholder so they can invest it and make interest. That was the decision that was made. It's in our best interest for them to keep the money, invest it, and make interest. It stays with the corp., and at some point in time, we'll have enough to pay off the debt.

It wasn't about not wanting to pay the debt off early. We will get to that point under both scenarios. It's just that under our scenario, we'll get there a little bit earlier because we've collected more revenue for Nova Scotians.

MR. STROINK: Thank you so much.

MR. CHAIRMAN: We'll move to Mr. Porter.

MR. CHUCK PORTER: Thank you folks for being with us today. I know I don't have a lot of time, but I do want to get a couple of quick questions in, maybe to Mr. LaFleche. I've been around here a few years, and you've been around here a whole lot more, as have some of your colleagues. I've heard about P3s probably since I've been here, I guess. How long has this gone on in the province? This is not new. This is something that has been considered back and forth probably multiple times.

MR. LAFLECHE: Well I've been here since 1994. The first P3s that I know of were for the schools and the Cobequid Pass, so that's over 20 years.

MR. PORTER: This discussion around all of this is certainly not new. But I've probably heard more about it in the last short while than I have in a long while. Maybe more people are paying attention to it, I don't know, or understanding it a little bit more. That could be too. Why is it so significant now, do you think, as opposed to what it was before? Maybe I just missed it as being significant before.

MR. LAFLECHE: I think originally P3s, for many governments in Canada, were used for off-book financing. I think that was the original impetus. When public sector GAAP accounting came in - we were actually the first province in Canada to get it - that mitigated that benefit there.

P3s were used for other advantages, which John O'Connor has talked about. They've matured over the years. In some provinces, they are the tool of choice automatically for any project above a certain value. I think you've seen a great deal of experience built upon a base which started over 20 years ago. The P3s that are done today or were done five years ago are very different from the ones done 10, 15, or 20 years ago.

People have learned, as some of the members here have alluded to, from past experiences and incorporated that in future ones. The private sector has also adjusted their approach on P3s to a point where people are starting to get comfortable with where a P3 works, what type of deal is needed, and where it doesn't work.

Where it works and delivers real benefits for the taxpayer, you see governments using P3s. Where it doesn't work, because we've seen in the past it hasn't worked, or we don't have the right mechanisms - legal, accounting, negotiating strategy - to put one in place, people don't use it. I think it has just become a tool for getting things done.

One of the areas one would look at is a differentiation of expertise. In our world, the Health Department and the Health Authority are very good at delivering services, but they're not good at buildings. They're not good at operating buildings. In other provinces, they tend to leave the building part of it to a private partner. That's what they do in Ontario. They focus on what they're good at: health care delivery. That's the compromise that comes out. Everybody is doing what they're good at, and that delivers the best value for the citizens of the province.

I think you've seen a degree of comfort with that evolve as P3s have had a lot of history and have had a lot of experience. That's why you see a lot more of them today.

MR. PORTER: A few minutes ago there was some discussion, and the previous NDP Government went into some P3 arrangements. Prior to that, John Hamm, Rodney MacDonald, did we see P3 arrangements at that time?



MR. LAFLECHE: I think John O'Connor described - and it's in your 547 pages of material - a partnership with Partnerships BC, which was put together in 2008 that looked at 11 or 12 different projects, and in fact one or two of them were pushed ahead.

MR. PORTER: Can I just ask on that - successfully?

MR. LAFLECHE: Was the Nova Centre one of those, John? (Interruption) No.

The one that was successful was the Trunked Mobile Radio. Unfortunately, one of the partners - not private but government - pulled out, and we went back at it another way. But it was the first P3 under PPP Canada. It looked like it would have been very successful.

Yes, every government I think that I've been involved with here - of all three political stripes, who have been governing since I've been in power - have done P3s.

MR. PORTER: I know I've only got about three minutes left, Mr. Chairman. Somewhere around there?

MR. CHAIRMAN: Until 10:54 a.m.

MR. PORTER: Thank you. Mr. LaFleche, early on in your opening statement you mentioned our deal - if you want to call it that - with EHS, the ambulance system. Is that a P3? Is that how you would describe that?

MR. LAFLECHE: Ms. Barbrick is prepared to speak to that.

MS. BARBRICK: On the continuum of P3 models that Deputy LaFleche outlined in his opening statements, yes, absolutely, EHS is a P3 model. There are a number of others that we've engaged in over really the last 15 years.

MR. PORTER: That's something that, I know from having worked there as a paramedic for many years, has been in place a good number of years and started a long time ago. I would assume we would consider that to be successful?

MS. BARBRICK: We would. Much like Deputy LaFleche is outlining, it's all in the contract negotiation. I think with EHS, we've established a very good contract that has clear deliverables and performance impacts, and it's worked very well.

MR. PORTER: Forgive me if I've got this wrong - I'm just thinking back to the days when I was there. It wouldn't be considered quite the same as - I think Mr. LaFleche mentioned it earlier, that they're all a little different anyway. It's more the model than the project - I'll call it that. This has been an ongoing one since I think in and around 1997, 1998, or 2000. I remember the transition period. It took a few years for that to happen.

I know I'm out of time, so I'll leave it at that and say thanks very much for being here.

MR. CHAIRMAN: That concludes questions for today. Thank you for answering. We want to give you some time, although we are very short for time, if you would like to provide some closing comments. Mr. LaFleche.

MR. LAFLECHE: I was told that we were on for February 8<sup>th</sup> on *Bluenose II*, so I would have left that question for Shannon Delbridge to answer. But if we're not on, we can answer that question later for him. I can give you speculation. We have the rudder, and I think it's at Miller Lake, but it may not be at Miller Lake yet. It may be in transit. If he wants to know where it is, we are going to dispose of it in an appropriate way at the appropriate time.

In terms of P3s, I hope we've been clear that the government does not have any ideological stand on P3s. We want to get the best deal for Nova Scotians. We want to employ our own assets, financial and otherwise, in the best way. We are being very careful to look at each particular circumstance before we commit to a P3 or conventional build. That's what the RFSQ that we released today is about.

We take the points that were made by some of the members opposite that we have to have a good negotiating team, and we will do our best to make sure that we're not guilty of not having the best negotiating team possible. I've already admitted that we're not experts, but I also feel that there are no real experts for every situation out there. You do your best to get your best deal on behalf of taxpayers, but you also want to make sure that the private sector is able to deliver its side. It's no good making a great deal with someone who does not have the financial capacity to back up their deal. That's another thing you have to look at. It's very easy to take advantage of someone who doesn't have the assets to deliver their end of the deal.

We're approaching this cautiously but optimistically, hoping that benefits can be achieved for Nova Scotians. If they can be achieved, we will do some P3s. If they can't be achieved, we won't do them. I'll conclude with that.

MR. CHAIRMAN: Ms. Perret, would you like to provide some closing comments?

MS. PERRET: Just to reiterate my thanks for having us here. I think it was a good discussion, from our perspective, that we benefited from. Thank you.

MR. CHAIRMAN: We have one item of committee business. It was deferred from our January 18<sup>th</sup> meeting. There was a motion put forward by Mr. Houston that we fill the February 8<sup>th</sup> open date with witnesses from Transportation and Infrastructure Renewal specifically to talk about the *Bluenose II* and some of the recent costs. Are there any comments on that motion? It's now put before the committee.

Mr. Rankin.

MR. RANKIN: I had prior discussions with Mr. Houston, and I just felt that we would be able to advance one of their topics from the next agenda-setting meeting. Therefore, they would be putting this topic forward for February 8<sup>th</sup>. Then in the agenda-setting, they would be limited to one topic, and the other two Parties would put forward their two topics as normal.

MR. CHAIRMAN: Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried. Our clerk will make note of that.

Our next meeting is on February 1<sup>st</sup>. We will have the Department of Municipal Affairs as a witness to discuss sustainable transportation programs.

Is there any further business to come before the committee? Hearing none, this meeting is adjourned.

[The committee adjourned at 10:56 p.m.]