

# **HANSARD**

**NOVA SCOTIA HOUSE OF ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Wednesday, February 8, 2017**

**Legislative Chamber**

**Department of Transportation and Infrastructure Renewal**  
*Bluenose II Additional Costs*

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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

Ms. Shannon Delbridge,  
Executive Director - Public Works

Ms. Bonnie Rankin,  
Director - Policy and Planning

Mr. Tom Gouthro,  
Executive Director - Building Project Services



House of Assembly  
Nova Scotia

**HALIFAX, WEDNESDAY, FEBRUARY 8, 2017**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**9:00 A.M.**

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Iain Rankin

MR. CHAIRMAN (Mr. Iain Rankin): I would like to call the meeting to order and remind those in attendance to place their phones on silent or vibrate. We'll begin by asking the committee members to introduce themselves.

[The committee members introduced themselves.]

MR. PAUL LAFLECHE: Can I introduce the witnesses?

MR. CHAIRMAN: Absolutely.

MR. LAFLECHE: My name is Paul LaFleche. I've been here every two weeks for quite a while. It's not that I don't like the place. It's fine. It's a fun place. I'm pleased to be here and appear on behalf of Nova Scotians. I'm the Deputy Minister of Transportation and Infrastructure Renewal, at least this week. Nobody should run around thinking there's a shuffle or anything. That's just a comment I always make to my kids.

I have with me today Shannon Delbridge, who is the executive director of Strategic Initiatives. I'll just give you a little history. Shannon came over from Education and Early Childhood Development with us. She was specifically recruited by me to come over. Her first file was Cape Breton Rail. After that, when we received the *Bluenose II* file in late January 2015, Shannon took that over. She also runs Public Works. If you've got buildings in your ridings that are government buildings or leases for government offices, that's what she takes care of.

Why is she still on the *Bluenose II*? It's because boats are actually considered buildings in the inventory. We have a number of vessels, one of which is the *Bluenose II*. We've got a number of others. Some of them don't move and some of them do move, like the *Bluenose II*. She takes care of all of them from the point of view of maintenance and repair. The actual policy around the use of them is with another department usually, mainly Communities, Culture and Heritage.

Bonnie Rankin is our executive director of Policy and Planning right here. Again, I recruited her from Fisheries and Aquaculture. She has been with us for about three years, and she has been on this file since we got it in late January 2015. Bonnie is a lawyer but not a Justice lawyer; there's a big difference there. She doesn't practise law for us - she just happens to be a lawyer by accident. She also happens to be a geologist by accident, which is an even better thing.

Tom Gouthro is the executive director of Building Project Services. He's like the mirror image of Shannon Delbridge. He takes care of maintenance and repair for large capital projects, new projects - schools, public buildings, and any sort of job that requires architects and engineers to design and maintain which is on the non-highway side.

Thank you very much for inviting us here today. I guess the last time I was here I made a boo-boo by pre-announcing my appearance, so I got my secretary to fix my calendar so that won't happen again. She puts things in on spec.

As I speak here now, the *Bluenose II* rudder is in the final stages of construction at Snyder's Shipyard, which is located just outside of Lunenburg. Snyder's is made up of expert local tradespeople who have been building boats and boat parts since the late 19<sup>th</sup> Century. They are proud to participate in the build of *Bluenose II*, and we're very proud that they were part of it. Not only are they building the rudder now, but they are also one of the companies that were members and participants in the Lunenburg Shipyard Alliance, which we'll talk about later.

Snyder's Shipyard is just one of a number of home-grown boatbuilders involved in the build of *Bluenose II*, whose work contributes in part to the multi-million dollar export industry that, in 2015, contributed \$60 million to Nova Scotia's gross domestic product. This industry - the boatbuilding industry, not the shipbuilding industry - provided direct employment of 667 people and total employment of 927 people. Many of these jobs in the boatbuilding industry - in fact almost all of them - are located in rural Nova Scotia.

They serve an export market to a great extent. A lot of boats are made for people in other provinces, in the United States, or even worldwide. There are a lot of yachts and service boats made by boatbuilders.

These are skilled craftsmen. They apprentice and work for a long time to hone their craft, and they are high-paid jobs in rural areas. The world has, in fact, recognized the

unique, home-grown expertise which we are fortunate to have here in Nova Scotia right in our own backyard throughout the rural areas. Nova Scotia has a great boatbuilding industry throughout the world. That's why we're able to build many types of boats for other jurisdictions.

I recently toured A.F. Theriault & Son Ltd. It's a large boatbuilding facility in Meteghan. We've always been very impressed with their skills. In fact, for six years, as I was Deputy Minister of Fisheries twice, I was responsible for boatbuilding - not shipbuilding, that was Economic Development and Business. That's the large ships that are built by Irving, but rather boatbuilding.

A.F. Theriault has built a number of our ferries, it has built ferries for other jurisdictions - it has built a lot of service boats. They have a broad range of skills there. They have a long wait-list for orders from across North America and their main problem is sometimes they are hindered by a lack of workers. This boatbuilding industry which we're going to talk about today is an industry that has legs. They've got long legs and a long history, several hundred years of boatbuilding in Nova Scotia and their output has grown exponentially in the last 10 to 15 years.

Snyder's is not the only boatbuilder that contributed to the build of *Bluenose II* - the Lunenburg Shipyard Alliance included Snyder's Shipyard. The Lunenburg Shipyard Alliance, which I'll refer to as LSA, was created to work on this project. It also included Covey Island Boatworks, which has been around since 1979, and Lunenburg Industrial Foundry & Engineering, which has been around since the latter part of the 19<sup>th</sup> Century.

In all, these three boatbuilders that formed the Lunenburg Shipyard Alliance and constructed *Bluenose II* have over 300 years of experience in boatbuilding that has been passed along through the generations. They are deeply rooted in their communities and they have taken great pride in their ability to build boats, boats which are continuously used across the world.

They were very happy to be the builder selected for this project, as was I because at the time I was Deputy Minister of Fisheries. When I found out that some of the boatbuilders I was liaising with were able to obtain the build of *Bluenose II*, I was very excited because that meant it would increase their expertise, allow them to build more brand and allow them to penetrate markets they hadn't penetrated yet.

When we took over the file, 18 companies in total - many of them small enterprises in rural Nova Scotia - contributed in some way to the build of *Bluenose II*. Boatbuilding is a rural business, 98.5 per cent of the boatbuilding establishments are outside of the Halifax area; 39 boatbuilding companies in total exist across the province.

*Bluenose II*, as we know, is a source of pride known the world over. In fact it is located on one of our - I'm going to reach for it - it's not a prop although I can't find it

right now. It's a dime, I'll get it for you later. On coins in Canada, there's only one province's pride on the dime - *Bluenose*. Every other coin has either a maple leaf or an animal - a moose, a castor, a loon, et cetera. We're very privileged in Nova Scotia to have one of our sources of pride on a piece of currency.

*Bluenose II* has successfully participated in two tourism seasons in its rebuild. It has entertained and delighted thousands of visitors and it is poised to participate next summer in the ceremonies to be held for Canada's 150 and sail up to Central Canada. I've got my coins here - there's the beaver, the leaf . . .

MR. CHAIRMAN: I think the members know what's on the coins, so if you could finish up your opening statements, we need time for questions.

MR. LAFLECHE: They do? Can I quiz them?

MR. CHAIRMAN: If you could finish up your opening statements, we need time for questions, thanks.

MR. LAFLECHE: Well that's actually the finish. Once again the chairman has cut me off at the finish; I must rig that. I'll leave the coins here in case anybody needs to see them.

MR. CHAIRMAN: Thank you. We'll begin with the PC caucus, starting with Mr. Houston for 20 minutes.

MR. TIM HOUSTON: Thank you for the opening comments, and thank you for being here again this morning. The irony is not lost on me, that you had a little trouble finding a few cents when we were talking about the *Bluenose II* file.

MR. LAFLECHE: My daughter usually carries my money for me.

MR. HOUSTON: Fair enough. Just for a little perspective and orientation for myself, do you have a number to hand as to how much has been spent on *Bluenose II* to date? Are we almost finished spending money on it? It's \$25 million I have in my mind. Is that a fair number of the cost of the project to date?

MR. LAFLECHE: Ms. Delbridge has all those numbers, and she'll answer that question.

MR. CHAIRMAN: Ms. Delbridge.

MS. SHANNON DELBRIDGE: To date we've spent \$23.6 million. By the end of this Spring, by the sailing season, we expect to spend \$23.8 million plus the cost of changing the rudder. It will be under \$25 million.

MR. HOUSTON: So \$23.8 million plus the cost of changing the rudder. Presumably that's the cost of building the new rudder and having it installed and stuff. Is that about a \$1 million project, the new rudder?

MS. DELBRIDGE: The minister is going to give a full costing of that when the project is finished. We don't have a final number as yet.

MR. HOUSTON: Okay, but since you're at \$23.8 million now, and you expect it to be under \$25 million, it's not going to be more than \$1.2 million. Is that a fair deduction for me to make?

MS. DELBRIDGE: It's a fair deduction. It will be under \$25 million, the total project budget.

MR. HOUSTON: So it's \$25 million. Today, we're going to focus on a settlement amount that was paid, \$5 million specifically. That \$5 million is included in the \$23.8 million, so it has been paid? It has been completely paid?

MS. DELBRIDGE: That's correct.

MR. HOUSTON: I have a copy, Mr. LaFleche, of your letter here. I guess I could table that for the benefit of the committee. But I want to focus on a letter, Mr. LaFleche, that's signed by you, dated December 11, 2015. I guess that's a settlement offer that's being made by the province to the Lunenburg Shipyard Alliance. That letter is signed by yourself, deputy. Is that a letter that you wrote? Did you write this letter?

MR. LAFLECHE: I would have been involved in the writing of letters. Letters are usually written in government by a number of people and reviewed by a number of people. I would have been involved in some editing of this letter. But Ms. Delbridge, being the main author, could . . .

MR. HOUSTON: Okay, that's fine.

MR. LAFLECHE: Oh, apparently, I am incorrect. It's Ms. Rankin who wrote the letter. Do you want to talk about it?

MR. HOUSTON: No, that's fine. I was just wondering who wrote it. It's a letter that was written in the department proposing a settlement of some outstanding amounts. Who negotiated that settlement internally?

MR. LAFLECHE: Do you want to get out the page that has the meetings?

MR. HOUSTON: It's more so just for perspective right now. Is it something that you led, the negotiations, deputy? Or did somebody else lead?

MR. LAFLECHE: We have a list, actually, of meetings that we held on the settlement.

MR. HOUSTON: Okay, we can get to that in time. I'm just trying to orientate myself as to how this . . .

MR. LAFLECHE: It will give you the flavour of what we're talking about. There were a number of meetings. When we took over the file, we had an initial meeting in January 2015 between myself and Alan Hutchinson, who is the CEO of Covey Island but in fact was the CEO of the Lunenburg Shipyard Alliance.

MR. HOUSTON: Okay, that's fine. Mr. Chairman, that kind of answers my question. I'm just trying to orientate myself as to who was leading it, so you . . .

MR. LAFLECHE: I don't think that's really the answer because that was just the initial meeting. After that, there were a large number of meetings between Alan Hutchinson and Ms. Delbridge here. Mainly Alan Hutchinson, but at one point, there would have been a phone call with Mr. Kinley of Lunenburg Foundry all the way to . . .

MR. HOUSTON: Alan Hutchinson being a department employee?

MR. LAFLECHE: No, Alan Hutchinson being the president and CEO of Covey Island Boatworks and also the president and CEO of the Lunenburg Shipyard Alliance.

MR. HOUSTON: Okay, so my question is - and I will be very specific, and I'm not trying to be argumentative; I'm just asking. From the side of the government, who is the person who was leading the thing that says this is the settlement we should do? We should do \$5 million. That's all I'm asking. Would that be yourself as the deputy?

MR. LAFLECHE: Okay. I'm not being evasive here because I'm trying to understand the question. Usually it was a group. The way we work in my department is we discuss things as teams. This is the team that was on this file. Basically, the two people on the side of me would have been the leaders on this. I would have been presented with options.

MR. HOUSTON: Okay, I appreciate that, thank you. I'm looking at your letter, specifically on Page 2, it talks about the offer that's being made of \$5 million and it's conditional on receiving a number of things. I just want to ask, have those things been received? Specifically it says, "Mill Certificates that have previously been requested; the Gudgeon Alignment Report . . . ABS Test Sheets." Were all those things received by the department? That's kind of a yes or no question.

MR. CHAIRMAN: Ms. Delbridge.



MS. DELBRIDGE: Yes, they were received, almost in their entirety. Three of the four items were completely received and they are here. Only one item that was not available to receive is the gudgeon report. There was a pintle report and there were measurements for the gudgeons, but a full report had not been prepared so it wasn't available to be received. Everything that was available was received.

MR. HOUSTON: So the specific request that the offer was conditional upon was a gudgeon alignment report that was prepared by Solutionsmith Engineering and that was kind of a misspeak, I guess, was it? There was no real such report to begin with?

MS. DELBRIDGE: Because TIR wasn't involved in the build, we were told that measurements were taken for such reports and since we understood we were told that there was a pintle report that we expected there might be a gudgeon report as well, so we asked for it.

MR. HOUSTON: Okay, fair enough. Then the main thing was at numerous times in the letter it refers to requiring supporting documentation for the change order requests. Then specifically it says they need supporting documentation for \$3 million value. It says in the letter that the Fisher report stated that the claim for - they want to see only the substantive validity to support the claim. Were the documents ever provided that supported the \$3 million in claims? That's kind of a yes or no, too, please.

MR. CHAIRMAN: Ms. Rankin.

MS. BONNIE RANKIN: We received significant volumes of records from the builders, every record they had available to provide to us.

MR. HOUSTON: So the offer was conditional upon receiving support for \$3 million in claims. I think I saw somewhere where it went back and forth. Was the department ever able to prepare a spreadsheet that said okay, this adds up to \$3 million and this is supported so therefore, that condition has been met?

MS. BONNIE RANKIN: We have several boxes full of documents to support all of the claim.

MR. HOUSTON: So several boxes of documents to support the claims but did somebody go through and prepare a spreadsheet that says these are the claims that we're saying were paid by this?

MS. BONNIE RANKIN: Yes, that's why we hired our experts to provide advice, Fisher Maritime. We are not marine engineers so we needed the expert assistance to sort through all those documents.

MR. HOUSTON: So Fisher Maritime was hired. They did three reports, I believe. How much did the province pay to Fisher Maritime for their consulting reports?

MS. DELBRIDGE: The total bill was \$126,000.

MR. HOUSTON: So they paid \$126,000 for three reports. Now I have a summary of the three Fisher reports and actually what Fisher says is that LSA claimed \$6.5 million. When they went through it, Fisher says that what they recommended should be paid of the \$6.5 million was \$858,000.

Then the province went back to Fisher and said, well what could we really kind of pay, I guess? What's the theoretical maximum that we should pay? Fisher came back and said, you should pay \$2.9 million if you can get all of this support but, by the way, we're Fisher and we haven't seen any of that support, but if you could get it you could pay \$2.9 million.

So you're saying that at the end - after that Fisher report, after Fisher said \$858,000 is what should be paid - they actually provided the details that supported the \$2.9 million?

MS. BONNIE RANKIN: We asked Fisher to go back and review the claims, giving the benefit of the doubt to the claimant, considering they are a Nova Scotia boatbuilder and we wanted to achieve a fair settlement. We weren't trying to gouge this claimant. We were trying to reach a fair number, especially considering that TIR wasn't part of the whole build process. We didn't have that history to be able to analyze the claim ourselves in that kind of detail.

MR. HOUSTON: Did Fisher produce a fourth report that says, okay, now I've seen all these boxes and I'm good with the \$3 million?

MS. BONNIE RANKIN: You have everything that we commissioned from Fisher.

MR. HOUSTON: Okay, so there are three reports from Fisher.

MS. BONNIE RANKIN: Yes.

MR. HOUSTON: The last report I saw from Fisher said, you might get up to \$2.9 million - I really don't know how you would, but you might. That's kind of how I read that last report. So you did get up to \$2.9 million?

MS. BONNIE RANKIN: Yes.

MR. HOUSTON: You got up there based on the receipt of boxes of information that had supporting documentation, I guess. But Fisher never looked at those boxes of information?

MS. BONNIE RANKIN: No. Once we reached the settlement we closed the file, essentially. It didn't require further examination by our expert.

MR. HOUSTON: So the boxes of information that the department relied on to support paying \$2.9 million, Fisher had seen all that stuff. They went through all that and recommended that the payment be \$858,000 but the department paid \$2.9 million. I just want to understand how that came to be. I understand there was some part of the rationale was that they were local companies but the consultant you hired said I'd only pay \$858,000 and then the department paid \$2.9 million. Was that just a goodwill payment, the difference between \$858,000 and \$2.9 million? Is that basically a goodwill payment?

MS. BONNIE RANKIN: No. We asked our expert to provide an analysis. Their initial analysis was a very strict analysis, a very critical analysis as any expert normally would provide for their client; a critical analysis. That's when we asked them to provide the full scope, giving the claimant more benefit of the doubt. That's when they came back with the \$2.97 million.

MR. HOUSTON: They referred to it as a theoretical maximum exposure. Can you define "theoretical maximum exposure" to me?

MS. BONNIE RANKIN: That would be if everything was taken to a court level and hashed out at that level of scrutiny.

MR. HOUSTON: But the theoretical maximum exposure - in this case, the worst-case payment that would have to be made and on the other side it would be kind of the best case, right?

MS. BONNIE RANKIN: It would be the highest justifiable amount payable.

MR. HOUSTON: And you believe that was justifiable from the boxes of information that were received? But there was nobody in the department who was qualified to look at the boxes of information. You referred to boxes of claims but there's nobody in the department who was qualified to analyze those boxes, is that fair?

MS. BONNIE RANKIN: We received the analysis from our expert.

MR. HOUSTON: Okay, well maybe we'll come back to that. That's the first part of kind of a settlement. The first part was on the invoices and stuff like that.

There's also a second part to the settlement which was a claim for reputational damage. Maybe Deputy LaFleche, I will ask you. I know you inherited this file and I'm sure it was a bit of a can of worms when you got it. From day one, when you were first handed this file, was there an issue where in that first discussion, or first meeting I guess, did the LSA tell you, we're concerned about our reputation and we're probably going to

sue you guys? Was that something that was kind of known to you right from first getting the file?

MR. LAFLECHE: Yes, in fact if we want to get back to budgeting, as soon as we got the file I had some discussions with Finance and Treasury Board and we budgeted in the budget process the full \$25 million immediately that winter. We anticipated a significant settlement. When one goes into a settlement like that we use reports like Fisher and others to sort of document what our exposure may be.

The full request that we had, as you can see in the documents we put out from the company, was for about \$11.6 million in settlement. We eventually settled at \$5 million and I think there's a breakdown . . .

MR. HOUSTON: First off, the reputational thing. So LSA was requesting \$11.5 million, there's two parts to that. One part is the claim for the work and the other part is the reputational. In the claim for the work, they were claiming \$7.9 million and they got an amount for that, and I have my concerns about what they got, based on your own experts. But I do want to talk about the second part.

The second part is they were claiming \$3.6 million for reputational damage. That was a new number to me in these documents. I never knew that. In looking at this file for a couple of years, I didn't know that that was out there. I don't know if I should have. I don't know if the public knew that this was floating out there. I personally didn't know, and I've looked at this file pretty extensively. I was pretty surprised to see that they were claiming \$3.6 million for reputational damage. You ultimately settled that for \$1.7 million.

I do want to talk about that part of the settlement. I want to read from your letter when it refers to that. This is Deputy LaFleche's letter of December 11<sup>th</sup>. There's a sentence in there that's talking about the reputational damage. There's a sentence in your letter, deputy, that says, "Caselaw in this area would suggest a reputational damage award of \$0.100M. . . . We are prepared at this time to consider a reputational damage and lost opportunity award of \$1.700M." There's a bit of a gap between what case law would suggest of \$100,000 and the immediate offer from the department of \$1.7 million. By the way, the counterparty signed back on the exact same day the letter was signed.

I want to talk about that \$1.7 million. Where did that come from? To me, that seems like that was more of a political decision, as to what to offer on the reputational damage claim. Would you characterize that as a political decision?

MR. LAFLECHE: To be a political decision, there would have had to be a politician involved, and there wasn't. Let me just correct some of the things you've said there because I'm having trouble jiving your numbers with the numbers in the documents we have and we've given out. What we have is a \$600,000 reputational damage and \$3.6 million in lost opportunities.

If I turn to the letter that I received on November 25, 2015, without prejudice from the Lunenburg Shipyard Alliance, you can go through the letter, but I think the relevant parts, if I can pick them out here, are when they outline all of this. On Page 3, if you look at the paragraph before fairness considerations, lost opportunities are documented. You can see what they came with. They had a total of \$4.2 million, and in order to save your questioning time, I won't detail that. But let's say both, reputational and lost opportunities added together equalled \$4.2 million. We settled for \$1.7 million on the \$4.2 million claim. In these negotiations, both parties have opinions, and we write those opinions in writing, and we come to a conclusion. If we make a deal pre-mediation, pre-arbitration, pre-court, we have a settlement that is without prejudice, and those settlements stand. We could have gone to mediation and then arbitration. In fact, that was offered . . .

MR. HOUSTON: Thank you for that. I do appreciate that. The \$1.7 million, I am curious. The minister must have signed off on that \$1.7 million. Did the minister not sign off on this settlement agreement?

MR. LAFLECHE: I appreciate that you haven't been in Cabinet, but your colleagues Pat Dunn and Chris d'Entremont, who were there for the original *Bluenose II* file, would have understood this in a different way. What I would have done in this case, in fact, in order to keep the politics out of it - I went and had a meeting with the minister and the Premier and talked about the parameters around which we would settle. I had a meeting with the Deputy Minister of Finance and Treasury Board at the time and talked about the amount of money we could be liable for through this process, through arbitration or court settlement, and how much we would be willing to put up front to settle in advance. I was given a broad range and some parameters to settle. Some of the settlement parameters were that I was not to consider . . .

MR. CHAIRMAN: Order. We'll move to the NDP caucus for 20 minutes. Ms. Zann.

MS. LENORE ZANN: When this plan was first announced in early 2009, the original budget was \$14.4 million. Where did that number come from, do you know?

MR. LAFLECHE: Unless my colleagues can help me out, we've actually been trying to track that down. As of this morning we have not been able to do that. We have no Treasury Board record that came from the Progressive Conservative Government of Rodney MacDonald. At the time, I was not in any department which would have had any knowledge of that.

An announcement was made, I believe on May 9<sup>th</sup>, of \$14.4 million joint with the federal government. There was to be a federal contribution under the Building Canada program and there would certainly need to be some sort of documentation with that announcement. I was told that it may have been part of the capital plan but I do not have

the paperwork on that, nor am I in a position, even if I had it, to release it because it may be part of budget documents.

If I can track it down I will follow up with an answer to the extent that I can, but it's kind of a mystery. We do know that once the government changed and the NDP Government came in, there was a Treasury Board submission which did do documents around pricing and options, but your question is more about the original announcement under the Progressive Conservative Government.

MS. ZANN: Yes, how they came up with that.

MR. LAFLECHE: I can't really illuminate you, I wasn't around.

MS. ZANN: I think you were in Agriculture.

MR. LAFLECHE: As I said to Mr. Houston last time, and he suggested it was about educating on witness selection, you'd have to call a different witness and it may be someone who has long retired.

MS. ZANN: Do we know if the naval architect who was hired by the government at that time - Lengkeek Vessel Engineering Inc. - was involved in just the design or if they also helped with developing the original budget?

MR. LAFLECHE: Well again, there was the original budget presented by the Progressive Conservative Government and then there was another original budget presented by the NDP Government once things got rolling.

Again, these are not questions that I am suitable to answer. There is a man, though, over there and I don't think he's allowed to talk, who could probably answer a lot of those questions for you. Is he allowed to talk?

Okay, Mr. Spicer, can you illuminate us?

MR. CHAIRMAN: Mr. Spicer.

MR. TERRY SPICER: Specifically to the involvement of Lengkeek, I believe they may have been involved later on in the process, towards creating a budget. I'd have to go back into my files for the details - remember, this was two years ago.

With respect to your question earlier about the budget, a suggestion might be that the Department of Communities, Culture and Heritage who were the lead department on the project at the time, may be the ones that can provide some support for that.

MS. ZANN: Where the \$14.4 million first came from?

MR. SPICER: Yes.

MS. ZANN: Do you know if Lengkeek Vessel Engineering was involved in just the design or did it also help with developing the budget?

MR. SPICER: I would have to go back to our files and get the details on that. For sure they were involved in the design, but at what point they became involved and at what point that \$14 million had been established, I don't have the details for that.

MS. ZANN: All right, thank you very much.

I know that the PC Government back in 2009 was very eager to take part in the federal stimulus program. That was available at that time in the day so they developed a plan to restore *Bluenose II*. Is there any way you can talk about the particular federal stimulus program that was involved? For instance, what types of projects were permitted and if Nova Scotia applied for any other infrastructure projects at that time as part of the program - would you be aware of any of that?

MR. LAFLECHE: We were not in charge. The Auditor General in his report . . .

MS. ZANN: So again it would be CCH.

MR. LAFLECHE: Well I'll give you a bigger answer. The Auditor General in his report recommended that government change the way it - if I can put it that way, Mr. Spicer - manages large infrastructure projects. As a result of that, in the previous government a review was launched which resulted in - I don't know which government put it in but one or the other - a shared services where Transportation and Infrastructure Renewal took over the management for the large projects.

We're not the client. The client is the host department, so in this case it would have been CCH, but we would do the projects in the future. That's why you see us doing schools, hospitals, and doing projects like this one now.

At the time you are talking about that was still distributed between various departments. That came out of a recommendation of the Auditor General and others that we have an expertise developed in managing large - particularly there was a lot of information about the risk management of this project that the Auditor General looked at so we wanted to have that risk management expertise in one particular area.

Between Tom Gouthro and Don Maillet, who are on the construction side, they manage most of the large projects in government now, on behalf of client departments. We make sort of the design and construction decisions, manage the budgets. We do not decide where a school is located, which one comes down, what new museum will be built, what is the program for a school or a museum or a hospital. Once that is decided by the client,

we do it. That's how things have changed so I can't answer those questions for the era you are talking about.

You also talked a little bit about the stimulus program and I will tell you that I can't answer for the day but at the time I believe a window was closing on that program and the minister of the day, who I think was Bill Dooks, and Premier MacDonald wanted to capture some amount of federal money.

If I can conjecture, they may have designed an imperfect proposal to capture federal money. You can fault them for an imperfect design but on the other hand, they had a reason for doing it, a very good reason. This is a reason that is employed from time to time by ourselves because sometimes a window does close and it's better to get no money on something . . .

MS. ZANN: Better to get some money, you mean.

MR. LAFLECHE: . . . but then due diligence must be done on the project after the big announcement by the politicians to get it on the right track. Unfortunately, Premier MacDonald wasn't around to do that.

MS. ZANN: Here's another question. So to qualify for the federal share, the rebuild was supposed to be completed by March 31, 2011. That deadline was obviously missed. Do we have any idea what happened to the federal funding? Did we end up getting some of it?

MR. LAFLECHE: We did collect \$4.1 million of what I think was \$7.7 million projected.

MS. ZANN: So \$7.7 million was projected, of what we were going to get but we got \$4.4 million.

MR. LAFLECHE: In the original announcement, the feds were in for \$7.7 million but by the time the deadline had gone we managed to capture \$4.1 million.

MS. ZANN: So they did pay some of it.

MR. LAFLECHE: Again, one can fault everybody but \$4.1 million is better than zero.

MS. ZANN: Believe me, I do hear you. I do theatre - anything is helpful.

My next question, though, is in the original cost-sharing agreement with the feds related to the rebuild, what about the cost overruns? Do we have any idea if overruns were to be shared equally or was the province basically on the hook for all cost overruns?



MR. LAFLECHE: I have no idea what the arrangement was at that time but I presume it's similar to today, maybe it's not. You'd have to ask a witness from that era. Today what happens is the federal government is in for their amount and says goodbye at the announcement and takes the glory and all overruns are the problem of the other partners - not necessarily the province. In some cases it's a municipal partner, in some cases it's a private sector or non-profit partner, et cetera.

Usually why it's important to get the federal number right at the front end of the projects we are involved in today is because they do the announcement, leave the scene and their telephones are disconnected, from the point of view of getting more money.

MS. ZANN: They get the photo-op and off they go.

MR. LAFLECHE: I'm very conscious of the fact - I think, Tom, the ones we've been involved in - when we make an announcement today, our one shot at getting the federal number right is that front-end shot.

MS. ZANN: So I suppose it would be the same for this Canada 150, there will be amounts available for that for different things.

MR. LAFLECHE: No, that's not an infrastructure program, that's a different thing. I'm just speaking about today, I'm not speaking about 2009. I don't know what happened then.

MS. ZANN: So originally the project was designed at that time to just take place for just over two years. So it seems like two years might be rather ambitious for a project like this. I mean it's a rather large magnitude. Do you think perhaps that was a little bit too ambitious or wishful to try and get the project done in just two years, or should they have set the time for a longer time frame?

MR. LAFLECHE: I can't comment on the time. I do have a comment on the project. But maybe Mr. Spicer, who examined that in detail, could tell us about that.

MR. SPICER: I guess I can sum it up quickly. It's a 51-page report, so I might take up the two hours talking about it in detail. As our report said, it was likely unrealistic to expect the project to be done in the time frames that were established initially.

MS. ZANN: Thank you. That was quite concise from a 51-page report.

MR. LAFLECHE: Our comment on this project would be, not having examined any of that history, any time you try and build a 1920 sailing schooner to carry public non-sailor passengers in the year 2020 with modern safety standards with modern marine law and modern transport requirements, you're in a very innovative project. This was a one-

off, never been done before. So you're innovating; you don't know everything that could happen to you.

MS. ZANN: Believe me, I know.

MR. LAFLECHE: This is a very difficult build, and it required a lot of risk. I know that in the public domain, we don't like risk. We're not used to it. We like everything to be exact. We like an accounting and forms that all add up. This is one of these things where you're building a design which is out there scientifically and engineering-wise. Basically, things will happen to you that you don't expect, and you've got to account for them. That results in an ambitious project here.

MS. ZANN: Do you think perhaps if they had requested more money, that might have helped? If the original budget had been closer to the actual costs that we're facing, would the federal stimulus program have covered half? For instance, if the province had submitted the project at the cost of, say, \$20 million, could the feds have possibly agreed to pay \$10 million?

MR. LAFLECHE: I can only comment on today's programs. I can't comment on 2009.

MS. ZANN: I'm just wondering if perhaps they had asked for more, maybe we would have gotten closer to half of the price now.

MR. LAFLECHE: Today's program, we would have done that differently. Maybe Tom Gouthro can outline how we would submit something today, which is not 2009. We're not meaning to cast blame on the government.

MR. TOM GOUTHRO: I'll be brief. Again, our experience is with respect to building projects, so I'll preface it with the statement that this is not related to a specific boatbuilding project. To that point, we would identify all the project risk up front to the extent that we could, and we would do extensive planning in that respect and develop schedules. Those schedules could be subject to change, but that would certainly be our focus.

MS. ZANN: I guess, too, as Mr. LaFleche said earlier, sometimes in government we're in a little bit of a hurry because a window opens up where you can apply for federal funding to pay half or a third or whatever. It was a very good idea, I would say, at the time. I think it's very worthwhile. *Bluenose II*, as Mr. LaFleche said, is an iconic figure for Nova Scotia - great for tourism. I'm really looking forward to getting on it and going on a trip on it.

I think it is unfortunate that we've had all of these delays. I'm just trying to figure out how it all got started, seemingly, on the wrong foot but with the right attitude that we

want to get this built. It seems like it was a comedy of errors, all the different things that have gone wrong. I know that the public is frustrated because it's costing so much, and they would really like to see it just built and not have to foot this much-larger bill.

How many people have actually had indirect jobs that have been created as a result of the project? For instance, do we have any idea how many people have worked directly for the Alliance on the project? Are most of them from Nova Scotia? How many indirect jobs have been created as a result of this project? Have any other Nova Scotian companies, for instance, besides the Alliance, benefited from it? Could you give us any examples?

MR. LAFLECHE: That's not our area of expertise, adding up the job numbers. That would have been justified at the front end of the project by another department. Realize we arrived at the end with a rudder and a steering system already attached and were asked to make sure the thing got certified and went sailing. We didn't do the build.

I can tell you that we have looked at the contracts that were let and Ms. Delbridge here is handing me a long list of companies but I thought we also had a figure of the \$23.8 million that we spent so far, how much is in Nova Scotia? How much went to companies in Nova Scotia?

MS. DELBRIDGE: I would say it's well over 90 per cent, perhaps more.

MR. LAFLECHE: Over 80 per cent of all the spending went to the Lunenburg Shipyard Alliance. The vast majority of the \$23.8 million has gone to Nova Scotian companies.

I know they're circulating around here the thought that Toronto got all the money or some company in Toronto. We have not been able to locate them but I know it's out there floating in people's minds. The companies that we have located that have worked on this project all seemed, except for a couple of minor ones, to be located in Nova Scotia and most of the money went into three companies in Lunenburg County.

MS. ZANN: I'm sure they are very grateful for all this work. I think you said we used to have - well you say there are 39 boatbuilding companies across Nova Scotia and I would imagine that number was a lot larger in the past because we are known for our shipbuilding. I know many little ports built ships, which they don't anymore. I think this kind of work is very good for carpenters and people in Nova Scotia who are looking for this kind of work.

If it was possible to have a copy of how many people or the different companies, the 90 per cent, I'd be very grateful. I'd be very interested to just have an idea for myself.

Also, I wanted to know, how did this group win the tender? I know that was before your time as well, but do we have any idea how the alliance got the tender for the job?

MR. LAFLECHE: There were tenders for different things, tenders for the designer, tenders for the project manager, and tenders for the builder. Ms. Delbridge, do you have more information on the builder tender?

MS. DELBRIDGE: As I understand it, a public tender and there was only one bidder and that was LSA.

MS. ZANN: Oh, that was the only one.

MS. DELBRIDGE: That's what I understand. We weren't part of the process.

MS. ZANN: I've got a couple of other questions here and I'm sure . . .

MR. CHAIRMAN: You have two minutes left.

MS. ZANN: It seems like much has been made about the decision to go with the steel rudder instead of the wooden one. Can you please take us through how this decision was made? I guess you've got a minute and 30 seconds.

MR. LAFLECHE: Well we actually can't. I think Mr. Spicer could do a better job of that. We can tell you how the decision was made to replace the steel rudder. In fact, there's a report for that that we've released and the minister announced a decision to put a wooden rudder on very recently.

The vessel arrived to us with the steel rudder and I'll use a non-technical term - the power steering on it. That's what we received.

MS. ZANN: I'm trying to remember - wasn't it something to do with having to get into American ports that they insisted on a steel rudder?

MR. LAFLECHE: No, there's been a lot of talk about something called the American Bureau of Shipping and I think the word "American" in there has blinded people to what that really is. That's a standard. Mr. Spicer has documented very well that we could have used Lloyd's also, which then people would say its British and that's not true either.

The American Bureau of Shipping - Shannon, do you want to describe that?

MS. DELBRIDGE: Certainly, I could probably add a little elucidation. My understanding is that the American Bureau of Shipping requires certain strength requirements for rudders and it depends on which rules they apply. They have different kinds of rules, based on the type of vessel. They were applying the under-90-metre yacht rules for this vessel. It was a non-traditional vessel so they had to find how it would fit. Under those rules it required certain strengths of the rudder.

When they made that determination, a certain number of options were available to the designer, to the builders. Coming out of those conversations of which we were no part of, they decided that a steel rudder would meet the strength requirements.

MR. CHAIRMAN: Order, 20 minutes has lapsed for questioning from the NDP caucus. We'll move to the Liberal caucus for 20 minutes. Ms. Lohnes-Croft.

MS. SUZANNE LOHNES-CROFT: Thank you. Here we are again - *Bluenose II* at Public Accounts. I want to note that today is a snow day in Nova Scotia. Growing up in Lunenburg County we rarely had a snow day but we had launch days. When large schooners such as *Bluenose II* were launched, we closed the schools in Lunenburg County, and schoolchildren went to Lunenburg Harbour or Mahone Bay Harbour or Dayspring to see Snyder's. We went to boat launchings, and those were big events in Lunenburg County. We take such pride in our boat-building and the skills of the boat builders and their reputation. This is an interesting topic to be here at Public Accounts Committee, talking about the cost overruns and the payments.

Mr. Lafleche, you gave some opening statistics. Would you mind repeating those about the effects of boatbuilding on Nova Scotia's economy and the number of boatbuilding companies? I think you said there are 39 boatbuilding companies.

MR. LAFLECHE: Yes.

MS. LOHNES-CROFT: The impact to the economy in Nova Scotia, do you have any - I know you were briefly talking about it.

MR. LAFLECHE: I talked about how 98 per cent of them were outside Halifax, and it contributed about \$60 million last year to the rural economy.

Starting in 2007-08, I'm going to say, we had a program which we launched in consultation with the boatbuilding industry in Nova Scotia. Tim Edwards was the head of it at the time, and he might still be. (Interruption) He still is, okay. We toured all around Nova Scotia visiting boatbuilders and asking them what would help them.

We brought in a marketing program for them. Many of them asked us to market their talents and their skills throughout the world. They went to shows in Europe and in North America and showed what they could do, and they made sales. That was a way to promote that industry.

I found out at the time - I had no prior real knowledge, although I had built a kayak. But some of these boatbuilders build kayaks too, very fancy kayaks. They build all sorts of pleasure craft as well as service craft.

We had a program to assist this industry in marketing itself. Over about three years, that program ran and was very beneficial to allow us to increase the activity in boatbuilding.

We also had a program run by what is now Labour and Advanced Education to acquire boatbuilding skills from other jurisdictions, to build different types of boats that maybe we had not built in the past, so that we could train young Nova Scotians in the boatbuilding craft.

MS. LOHNES-CROFT: Our local cadet group, the Neptune Cadets in Lunenburg - boatbuilding is one of their main projects. It's an ongoing program they have teaching youth how to build boats, so it continues.

I want to talk about the three companies involved in the LSA. I think it was clever for them to band together and join one company - a consortium - for the build because I think they were able to bring the strength and knowledge and skills of all three companies to put their heads together for problem-solving and carrying the project forward.

Covey Island is the younger one of the companies, and it's renowned for many of its boats. It's an award-winning company. Just recently we had *Columbia*, which was infamous for racing the original Bluenose, come to Lunenburg in 2015.

Snyder's Shipyard was founded in 1876. We see Theodore Tugboat out here in Halifax Harbour on a regular basis. It was built there. The Lunenburg Foundry was built in 1891. It's renowned for its metalworks, brass and fittings. It does a lot of global projects as well. Norway and France brought many of their projects to Lunenburg. There are lots of American yachts that have preferred the work of the foundry for doing repair and maintenance. These businesses are renowned, not just here in Nova Scotia but globally.

I think part of this claim dispute was to acknowledge the reputational damage that occurred over the time of the build. There were times when they couldn't take on new projects because of money being tied up and whatnot. Can you give me a breakdown of the claim, how exactly it was broken down and paid out?

MR. LAFLECHE: I think you're correct when you talk about not only the reputational damage but the fiscal capacity of companies. Most of our boat builders are very small companies. Even the largest one, A.F. Theriault, is a small company in the world. Yet they manage to build and deliver these vessels continuously. They have to take on risk capital to do so. When a lot of capital, like change orders, is tied up in a project, and they're not getting paid for them, that's operating capital they don't have to put to another project.

*Bluenose II* was a very large build, so it tied up a lot of capital. We made the assumption that the amount of capital that it tied up in terms of the various change orders and delay claims was \$2.97 million. That is a big, big amount of capital, a large amount of

capital tied up for three small companies. What we continuously heard from the companies was that this impacted their ability to do other business, to bid on other jobs, to employ Nova Scotians by getting contracts in other areas. This really harmed them.

When we met them, starting in January 2015, that's a constant theme that I heard - we were damaging these companies, and we were damaging the industry. Not only that, they had other suppliers to pay too, so the chain was being damaged in the boatbuilding industry and being held up. Whether that's true or not is for someone else to examine. I think we've seen that to some extent; Mr. Spicer's entity would have corroborated some of that in the Auditor General Report. As well, we did hear that there were substantial claims which were justified in the various supports, Fisher and Revay, which were submitted to justify claims.

As I said before, this was not about negotiating with a partner who we wanted to take advantage of. This was not a bunch of people in Germany or Louisiana that we could just really dig in and crush in negotiating and take away the best deal. The best deal actually for Nova Scotians, a fair deal for Nova Scotians, was to strike a balance on the settlement. That's what we tried to do, to ensure that to the extent that there was culpability on the part of government and the citizens of Nova Scotia, we recognized and compensated for it. That required a degree of judgment which my minister allowed the three of us to make in this process. We wanted to ensure that the companies could get on with bidding on other work. That resulted in the negotiated settlement you see.

But we were very worried that one or more of these companies could be pushed into receivership if their claims were real and we delayed through a lengthy court process the settlement of these claims. Imagine if we had gone through an arbitration or court process that dragged out for several years, the companies went into receivership, and at the end of the process, they were found to be not only \$2.97 million correct but maybe closer to the figure they asked for correct, the over \$6 million. How would that have been good public policy? So we had to settle for something that resulted in a fair claim.

MS. LOHNES-CROFT: That seems to be a consistent theme that I heard. When I became MLA in 2013, it was one of my first files that I worked on.

I must say my understanding is the costs of these change orders were largely due to the ABS. I understand that came in after they signed their contract, the knowledge that they would be doing the ABS. So would you understand that the reason for having ABS was because the type of build and the type of boat that they were building and how it would be used required the high standards that ABS demanded?

MR. LAFLECHE: You asked a couple of questions there. I think Ms. Delbridge is going to delve into a couple of them.

MS. DELBRIDGE: I can't provide a lot of information to the process and how the change orders came about and so on because TIR wasn't involved. What we understand is the change orders came about because of changing requirements - the scope of work in some cases. In some cases they were due to the class certification requirements, and in some cases they were due to perhaps changes in design or issues that came up because as Deputy LaFleche commented, it was an innovative build, it was the first time a traditional boat had been built in many years so it's to be expected that there would be some change orders. Many of them were not in dispute, they were accepted. Some of the change orders were from the owners, some of the change orders were from the builders so there's a variety of reasons.

In summary, some of the change orders were due to the class certification requirements, some of them were due to ABS management time associated with that. Some of them were due to changes in scope for other reasons, as well as the delay claims, so there's a variety of reasons.

MS. LOHNES-CROFT: The boat they built, though called a Grand Banker schooner, it isn't typical of your Grand Bankers; it's very different from the original *Bluenose*. When *Bluenose II* was built, it was a private yacht and now is Nova Scotia's sailing ambassador. Certainly it was a working fishing boat originally but now it's a promoter of tourism and we're hoping does go internationally with the Tall Ships this year. Having the ABS has provided safety standards that accommodate the crew. We have a training crew and allow tourists to come aboard and go for sails as well, so those standards would have to have a certain level to accommodate allowing passengers, wouldn't they?

MS. DELBRIDGE: Yes, my understanding is that going to ABS class certification meant a higher safety standard, which was very important for safety of passengers as well as the tourists and the crew that would come onboard.

Transport Canada governs safety requirements. For example, they issue a Safe Manning Certificate which requires a certain level of crew to man the vessel. They have delegated that authority to class societies in order to have the program managed by others, rather than have inspectors themselves. The vessel is inspected yearly to ensure that the safety standards are maintained.

MS. LOHNES-CROFT: Does this settlement settle all the outstanding items with the shipbuilders now at LSA?

MS. DELBRIDGE: Yes, it does.

MS. LOHNES-CROFT: So this should be the end of the work with LSA or are they still part of the build?



MS. DELBRIDGE: LSA is a body corporate, a body that was developed for the purpose of the build. It still exists; my understanding is that it is now owned in whole by the Lunenburg Foundry. LSA is no longer involved with *Bluenose II* as a body corporate. However, two of the companies under LSA are supporting the change of the rudder.

MR. LAFLECHE: I will point out that this is a 50-year-old vessel so when you talk about safety and things like that, it's like buying a car and not putting on ABS - automatic braking system - and saving \$300. We want to ensure that over the 50 years we have the safest vessel possible, given that we're taking tourists. The last thing we need is some sort of an incident and we found out we were too cheap by a small amount of money over a 50-year period and then we suffered an incident and then it calls into question the great symbol on our dime.

That's the first thing. I've lost track now, what was it?

MS. DELBRIDGE: The safety certification from Transport Canada.

MR. LAFLECHE: No, I got that done, it was the second question there I was getting into. Anyway, we'll keep moving.

MS. LOHNES-CROFT: How did you determine damage to reputation and lost opportunity?

MR. LAFLECHE: Well, the company claimed for a total of \$4.6 million, the LSA. It's documented in a letter they sent to us on November 25<sup>th</sup> - do you want to talk about that? (Interruption) Yes, you talk about that. We've got someone better looking than me, apparently, to talk about this. Go ahead.

MS. BONNIE RANKIN: We examined the amounts claimed by LSA. As the deputy pointed out, they claimed a total of \$4.6 million: \$600,000 of that was actually reputational damage, and \$3.6 million was claimed as lost opportunity.

We considered all the circumstances and facts that we knew to be true surrounding this project, including the extended duration of the project. As Ms. Zann pointed out, it was originally supposed to be a two-year project. It ended up being several years longer than that. The negative publicity that this project received and the AG's assessment that the province's management played a part in the whole delay and all the issues - it was clear that the province had to accept some responsibility for that.

We determined based on those facts that there was legitimacy in their claim. However, we felt the figure that they claimed of \$4.6 million was a bit high, especially given court cases surrounding reputational damage as noted in the deputy's letter. In 1997, there was an award of \$100,000. I believe in 2016, that would be closer to \$180,000. We thought that their request was a bit high, so we took all those factors into consideration. As

you know, there's no scientific formula for coming up with a figure, but we came up with the best figure that we felt was fair, given all the circumstances.

MS. LOHNES-CROFT: You say you don't think it was too generous a settlement or minimal. Do you think it was fair?

MS. BONNIE RANKIN: We believe it was fair. We wouldn't have offered it if we felt it was unfair.

MS. LOHNES-CROFT: Where has all this settlement money gone?

MS. BONNIE RANKIN: The settlement money has gone to the principals of LSA, which are Covey Island Boatworks, Lunenburg Industrial Foundry, and Snyder's Shipyard - the three principal companies.

MS. LOHNES-CROFT: So it's gone back to Lunenburg?

MS. BONNIE RANKIN: Yes.

MS. LOHNES-CROFT: Thank you.

MR. LAFLECHE: I think that's an important point because I read in a recent article by an Ontario reporter that it went to Ontario somewhere, an Ontario company.

MS. LOHNES-CROFT: That's why I asked.

MR. LAFLECHE: There was a lot of confusion over that, so I think it's important that we correct the record. We don't know of this Ontario company. We cannot find them. If someone wants to send me information on them.

MS. LOHNES-CROFT: Right, so the money went directly back to LSA. Thank you for that clarification.

Here we are with *Bluenose II*. Can you talk a little bit about the impact it's had since it's been sailing in Lunenburg Harbour? I understand the number of passengers on board has been increasing, and it has played a real role in revitalizing the waterfront in Lunenburg, I can tell you that.

MR. LAFLECHE: Yes, I'm proud to say that it's been out there sailing for two seasons, and this year we're hoping that it will be quite an experience for Canada 150 as one of Canada's ambassadors, the Nova Scotia ambassador of that project. I have not been on the vessel, and that's on purpose. We didn't want to take space, and I didn't want to be seen taking some perk or anything. I've been on the vessel, but I've not been sailing on it. Ms. Delbridge, went out on the sea trials, and she can maybe describe it.

MS. DELBRIDGE: We had the sea trials in May 2015, and that was the first time I had been on a vessel like that, sailing. It was wonderful. I can certainly attest as well to some of the comments I've heard while we get on and off the boat. Tourists commenting about what a beautiful boat it is and how wonderful that Lunenburg has been able to maintain its shipbuilding history and how some tourists come specifically for that reason.

There's one gentleman from Ontario who comes every year just to see *Bluenose II*. In fact, I think he watches that camera on the build process. He's so enthusiastic and excited about it. We've had on the boat itself, there have been at least 115,000 people . . .

MR. CHAIRMAN: Order. Time has expired for the Liberal caucus. We'll move back to the PC caucus for 14 minutes. Mr. Houston.

MR. HOUSTON: Ms. Rankin, I just want to make sure that I properly understand the \$2.9 million part of the settlement. That's the part that's for change orders and invoices, let's call them. Fisher as the expert did three reports. The sum total of those three reports - it was their recommendation to the province that of the \$6.5 million that's claimed, the province should pay \$858,000. That's the sum total of the expert advice, \$858,000.

The province went back to Fisher and said maybe you've been a little harsh there or something, can you come up with another number? So Fisher didn't do another report but they produced a one-page memo. Their third and final report was October 6<sup>th</sup>, the memo appears October 16<sup>th</sup>, so just 10 days later they produced a memo. That memo says that previous Fisher analysis of the claim categories identified included recommended resolution values, and the recommended resolution value was \$858,000.

Thereafter, it says Fisher identified potential alternative maximum flex values for those components. I've been around business a long time, I've never really heard the phrase "potential alternative maximum flex values". It seems like something they're not particularly comfortable with, to be honest, but they put it in the memo at the request of their client. It said that these amounts could become valid if certain specific additional supporting documentation was provided. So they would pay these alternative flex values if certain supporting information was provided.

Did Fisher ever look at any supporting documentation after October 16<sup>th</sup>, or was this memo the last thing, the last piece of work that Fisher did for the province?

MS. BONNIE RANKIN: We didn't ask Fisher to do any additional work after we reached settlement. They were scheduled to appear at mediation with us in December but we didn't ask them to review any additional documents.

There was some concern - and obviously you're highlighting it - between what Fisher felt was appropriate documentation to support the claims and what the companies provided us. That's a debate between what Fisher would have liked to have seen, as an ideal

in terms of record keeping, and what the companies were able to provide us. We are confident that the companies provided us everything they actually recorded and were able to provide.

MR. HOUSTON: That's important because we're talking about taxpayer money, we're talking about \$2 million in this case. That's a lot of money. We're not even talking about the reputational stuff yet, that's another \$2 million owed to the side.

In this case, here is the reason I'm really concerned about this. The expert is saying maybe if you can get this additional information - which by the way, we've done three reports, we've been through it, and we haven't seen it - if you as a department can get it, then maybe you could satisfy yourself that this is a good use of taxpayer money. Somehow the department satisfied themselves that this is a good use of taxpayer money and that 'somehow', I believe from what you referenced earlier, was boxes of information. Unfortunately, they were boxes of information the department wasn't qualified to look at, even though the expert already has.

I'm deeply concerned about this part of the settlement because over to the side we already have a whole other category for reputational damage, which is in the millions. I understand the province's desire to be fair, I think was the word. All kinds of words were used in settling this but the issue is that we've been looking at a boat, it cost a certain amount to build that boat and the person who built it, in the eyes of the expert - not my eyes, I don't know, I'm just reading what the expert wrote. The expert said, I don't see how these claims are supported, and the province made a decision to go ahead and pay it.

Do you think now, with the benefit of hindsight, that that \$2 million might have been better placed in the reputational, if that was a payment just to be - I'm going to use the word "nice" - to a local contractor, and that's the government of the day's prerogative. If that was a payment to be nice or to give the benefit of the doubt, shouldn't that have been in another category, as opposed to saying it was for claims? The department wasn't qualified to look at those claims, were they?

MS. BONNIE RANKIN: We hired an expert to provide us advice . . .

MR. HOUSTON: But you ignored the expert's advice, though. So in ignoring the expert's advice you need to say, we're more qualified, here's the reason we could override it.

MS. BONNIE RANKIN: We did not ignore the expert's advice. We asked the expert to give us a range of potential liability for the province, given all of the materials they had in front of them. They weren't happy with the quality of the records the companies were able to provide. That doesn't mean that what was in the records was inaccurate or incorrect.

Fisher is a globally-recognized company and they are used to dealing with very sophisticated boatbuilders who may have resources and be able to provide them with significantly more documentation than these particular companies were able to provide. They provided us a range of potential liability and we accepted that advice . . .

MR. HOUSTON: Here's the thing, the issue I have with that; I've worked in chartered accounting firms for a while and I'll tell you, some people came in with their tax returns in a Sobeys bag full of receipts. Some people would come in with printouts from Excel and all this. I don't care about the format; I care about the quality of the numbers. The numbers are the numbers. If it's in a Sobeys bag, that's one thing or if it's a printout from QuickBooks, I don't care. I care about what the numbers say.

In this case, Fisher said the numbers say \$858,000. Now I'm taking from your comments that they're saying \$858,000 but there might have been more stuff in the Sobeys bag, and I find that hard to believe that an expert like Fisher would not have gone through the Sobeys bag. Is it your position that they couldn't go through all those boxes? Is that the position?

MR. LAFLECHE: Fisher said \$2.9 million, but not \$858,000. Shannon . . .

MR. HOUSTON: This is very important - I don't appreciate when numbers get flown around so I want to focus on this. Fisher said, I've looked at \$6.5 million worth of claims, and I'm satisfied that you should pay \$858,000 - that's what they said. The province asked them, can you say something else? Can you show me a number that would be a little nicer?

So, Fisher came up with this and I've never heard this expression before - what they called this other nicer number was "potential alternative maximum flex values." You can't make that up, Mr. Chairman. That's actually how uncomfortable they were with writing it - potential alternative maximum flex values. Not a business term I'm familiar with, but they were asked to do something so they did.

Even with that protection for themselves, they said they would only pay the potential alternative maximum flex values if there was valid information furnished to support the specific additional amounts. They hadn't seen it. They had all the boxes. They had been through the boxes, they hadn't seen it but the department said that somehow it's in those boxes, we're going to pay it. That's what I'm hearing. That's how they got up to \$2.9 million.

MR. LAFLECHE: You have a nice story there. Go with it if you want but that's not the story. Shannon?

MS. DELBRIDGE: I just wanted to add a couple of other elements that are important to understand. We're not negotiating with ourselves, obviously. Fisher's

perspective was very helpful to the negotiating team on the provincial side as expert information. But expert information and one side's opinion doesn't make for an agreement.

There were a couple of assumptions that were part and parcel of the recommendations or the expert opinion of Fisher that had not reached agreement around the table. For example, they had a perspective on ABS management time. Their perspective may have been from large companies in the U.S., not small shipbuilding operations in Nova Scotia where managers actually partake in the actual projects themselves. They aren't sitting in an office, watching the workers do the work. That's one element.

A second element that's important is, we have never reached agreement on whether or not Transport Canada compliance requirements were part of the benchmark statement of work around which I understand the price was determined. Without the agreement on whether or not compliance was required, there's a certain dollar value that would have been attributed to that. For example, if it's in scope then it shouldn't have been part of the settlement; if it was out of scope it should be part of the settlement.

We don't know what a court would say about that and that's a significant risk that we had. So, Fisher may have recommended, based on their assumptions - it doesn't mean it's the correct answer, and until we actually had to go to court, we might not know the correct answer.

Also, the third point I'd like to make is Fisher was asked for their expert opinion on boxes of materials. They weren't asked to balance those findings with the interests of other public policy interests we have, such as supporting the shipbuilding industry in Nova Scotia.

MR. HOUSTON: Okay, that's fine. So, if the payment was made to support the shipbuilding industry, that's fine. We'll just call it what it is; it's part of it.

MR. LAFLECHE: No, we didn't say that.

MS. DELBRIDGE: That's not accurate.

MR. HOUSTON: I do want to talk about the rudder; kind of the last piece to the puzzle. There's a rudder being built at the moment. Where's the old rudder off the original boat?

MS. DELBRIDGE: The old wooden rudder from the previous vessel is currently at Miller Lake in one of our depots.

MR. HOUSTON: Okay, so why wouldn't we use that rudder now?

MS. DELBRIDGE: We did consider whether or not that rudder was possible. Two things: one, it wouldn't meet the strength requirements of ABS; two, when the rudder was removed from the old vessel, it was cut off at the rudder tube, so it's in two pieces.

MR. HOUSTON: So, it was damaged. What about all the other stuff that would have come off the original *Bluenose II*? Was that reused? I'm thinking about anchors and chains. Where is all that stuff?

MS. DELBRIDGE: TIR obviously wasn't part of the build, so I can't answer that completely. I understand there were components reused.

MR. HOUSTON: There were components reused?

MS. DELBRIDGE: It's my understanding there were. But again, we were not part of the build. It's a different department.

MR. HOUSTON: Fair enough.

MR. LAFLECHE: If you want to take a tour of the vessel, Capt. Watson can actually show you what was reused and what wasn't. To the greatest extent possible, they reused what they could as long as it was certifiable.

MR. HOUSTON: Thank you for that. It's a \$25 million vessel, and there's still a lot of talk as to whether the vessel is safe or not. Have you ever talked to Capt. Lou Boudreau, Deputy LaFleche?

MR. LAFLECHE: Yes.

MR. HOUSTON: Capt. Lou Boudreau is a shipbuilder. He's a Nova Scotian, he hasn't had any involvement in this. Has he given advice to the department on this project?

MR. LAFLECHE: I don't know that he is a shipbuilder. I know nothing about him other than that he came in to see the minister once, and I've heard him on the radio. If you know a lot about him and you believe in him, you tell us what he's about.

MR. HOUSTON: Actually, I do believe in him, and I do believe in his knowledge of shipbuilding and schooners and all that type of stuff. I'm just wondering more about process here now. He reached out to the ministry, you've heard him on the radio. You had a can of worms on your hands. You had something the Premier described as a boondoggle. Would there not be any interest on behalf of the department in saying, maybe let's call this guy in for an hour and see what he knows?

MR. LAFLECHE: We did. He met with the minister.

MR. HOUSTON: He met with the minister. Did he give some advice to the minister? Some ideas?

MR. LAFLECHE: I believe so. Shannon was there.

MS. DELBRIDGE: He did. He commented that the solution that he would recommend would be to add a shoe on the bottom of the steel rudder - maintain the steel rudder, but add a shoe to help maintain some of the weight. The shoe would also be attached to the vessel.

MR. HOUSTON: Okay, so you've taken advice from him, under consideration?

MS. DELBRIDGE: We heard his recommendation. Then we hired a naval architect.

MR. LAFLECHE: Not only Capt. Lou Boudreau. We got a lot of recommendations from a lot of people. Lots of recommendations came in. We got recommendations that were all over the map. We looked at those.

Shannon, do you want to describe the work that actually went into deciding what we would do with the rudder?

MS. DELBRIDGE: We heard people and the media commenting about safety. We knew it was a very safe vessel; in fact, I'm sure, the safest vessel we could have built, and Transport Canada supported us in that view. But because the minister was hearing these comments, he did order an engineering study to be undertaken by a qualified naval architect. We put out a tender and invited . . .

MR. CHAIRMAN: Order. Time has elapsed for questions from the PC caucus. We'll move back to the NDP caucus for 14 minutes. Ms. Zann.

MS. ZANN: That was very interesting. Would you like to continue what you were just saying? You got cut off, and I was actually very interested in what you had to say.

MS. DELBRIDGE: As I mentioned, the minister did request that an engineering study be undertaken, given the comments that we've heard in the media about safety concerns. We let a tender in 2015 after the sailing season and invited naval architects to respond. We did hire Langan Design Partners, a company out of Rhode Island. They were the lowest bid and the highest value for the province in terms of that tendering process.

MR. LAFLECHE: How many people bid on that tender?



MS. DELBRIDGE: It was an invitational bid, two Nova Scotian companies and two New England companies. One chose not to respond, and we received three bids. We chose the one that had the highest value and lowest cost for the province.

Langan Design Partners developed a report that spoke to the current steel rudder. They confirmed that it was a very safe vessel. They confirmed that it was a very workable solution. However, they also confirmed that in the long term, the heavy weights, the additional drag in terms of the buoyancy of the vessel was in question. They were concerned that it would cause hogging or deformation over time. We had built a 50-year vessel, they said this might hamper or risk that long-term outlook.

We also had the opportunity in the contract to ask for the architect to go back and actually create a design for us what a new rudder could look like. We also stressed they needed to be working very closely with the ABS to ensure it passed any sea trials.

A second report was written which recommended a rudder design. There were four different kinds of designs, materials that could have been considered, everything from a composite, wood - steel obviously was one of the things they considered but dismissed. The report was released in March 2016. The minister confirmed at that time that the government decision was to replace the rudder so we began a process with ABS to come up with designs.

Langan created two designs, one composite and one wood, for ABS to consider. We've gotten feedback throughout the process from ABS and it was approved. The final design was approved in the Fall of 2016. Also during that time, we wanted to ascertain costs and suppliers associated with who could build the rudder, depending on if it was composite or wood, where would there be a shipyard large enough to haul the vessel. There are very few places that can do that for a vessel of this size. It does have the largest mainmast in the world - I don't know if people are aware of that, a very large vessel.

The decision was made to replace the rudder in the Spring. In the Fall, the minister announced that it would be a wooden rudder, largely due to it respecting the traditional nature of the vessel and it's certainly what Nova Scotians were calling for and with ABS approval.

The reason why ABS approved it is because it met the strength requirements. They had agreed that instead of following the under-90 metre yacht rule, that the 1943 traditional wooden vessel rules could apply. We were working directly with the ABS head office in Houston at this time to ensure we had excellent support, which we did have. So with the decision to replace the rudder to wood, we hired two companies. We sole-sourced two companies, the first one being Snyder's Shipyard.

Snyder's also built the original wooden rudder; I don't know if people are aware of that, an excellent shipbuilder. We contracted with Snyder's because they had the heavy

wood-building techniques, very strong expertise in their shop as well. They built the current vessel that we have. Because they needed a shipyard that was adjacent or close to that shop, we approached the Lunenburg Foundry and they agreed to be our supplier of the berth and also to do some electrical work, some hot work on the vessel.

So we contacted both of those companies. We considered other shipyards as well. We did a little tour around Nova Scotia to look at some other shipyards to see if they could haul the vessel. Shelburne Shipyard, for example, could haul the vessel, we determined. However, there were challenges because it was after the sailing season, we would have had to apply to Transport Canada for special certificates to get her there. We would have had to get a crew to get her there. It was happening during the winter months, the non-sailing season, so that also posed risks. For all these reasons we deemed Snyder's and the Lunenburg Foundry to be two excellent Lunenburg County suppliers for those two pieces of work.

There are two other pieces of work. One is for the pintles and gudgeons, the large steel hinges that actually affix the rudder to the rudder stock and we let an open tender RFP for that. CME, a Dartmouth-based company, was hired to do that work. The fourth piece of work is for the worm gear, the steering gear to turn it because we are going back to traditional steering gear as well; CME also won that tender. So those are the four key pieces of work.

Actually I was in Snyder's Shipyard a week and a half ago and I saw the wooden rudder, it's beautiful. I know we're not allowed props but I do have a piece of it here, if anyone would like to see it. It's a beautiful white spruce rudder.

MR. LAFLECHE: It's a piece of evidence, not a prop, so we'll pass it around. Mr. Spicer probably would like to feel it.

MS. DELBRIDGE: So the rudder is built and it's beautiful. The process is going very well. She went up on the Lunenburg Foundry's slip on January 8<sup>th</sup> and we're very pleased with the process. We're especially pleased because the work will be completed this Spring. We will be undertaking our sea trials in late Spring, and she'll be ready to hopefully lead the Canada 150 celebrations.

MR. LAFLECHE: We also have a piece of the deck, angelique wood. Again, it's a piece of evidence. We'll pass that around after for the media.

I think it's important to know - earlier I was asked a question about Lou Boudreau. We've had many Lou Boudreaus come in and see us or talk to us. We've heard them on the radio. We've heard them and we listen to them. That's one of the reasons that very early on we decided that we would look at a potential for a rudder replacement. We didn't know if we were going to do it. We budgeted for it, in fact.

In discussions that I had with the Deputy Minister of Finance and Treasury Board, George McLellan, early on in the winter of 2015, I actually put money aside in the \$25 million for the rudder, just in case because we heard from the Lou Boudreaus of the world - I'll just broaden the definition; there are many of them - that really the rudder fix was not esthetically pleasing. It was not a historic fix. It's not something they liked. It may have worked with the power steering, but as Ms. Delbridge explained, when we got the report in, it wasn't really good for the 50-year life of the vessel.

MS. ZANN: You mean the steel one?

MR. LAFLECHE: The steel one, yes. So we decided to look at a new rudder.

Our preference was of course wood if that could be done. We knew from our discussions with ABS that, despite media reports to the contrary, ABS didn't actually dictate a steel rudder. They dictate the parameters around it, how it has to perform. So, that's a different thing. And they were willing to work with us on whatever rudder we would eventually put on. We were in quite good shape. We were delivered a boat with power steering and a solid steel rudder, so we had to use that the first season, and then we had to do the study. That's led us, as Shannon describes, to where we are today.

I wanted to mention that a lot of people were consulted along the way - informally. We didn't hire them, we didn't put them on staff. One of the groups that I really wanted to consult with most was the groups that expressed a lot of outrage during the Auditor General process. They were the builders themselves, the three companies. We consulted and brought them into the tent much more than they had been in the past.

The other group was the operators. The captains, Capt. Watson and Capt. Walters, both felt they were kind of frozen out of the process during the build. We brought them in and we talked to them about the deficiencies on the vessel, the process. What do we really need to ensure a good 50-year life? What makes this vessel the most historically accurate? How do we increase the pride of Nova Scotians in this vessel? How do we increase the experience of tourism? The type of person that Ms. Delbridge talked about earlier who came here from away and was totally excited about *Bluenose II* and wanted to take photos - how do we do that?

We had those conversations, and we agreed to bring the historical society, the operators of the vessel, and other people much more closely in the tent to help us move forward. I think that's been very useful.

I think the builders felt they were listened to more than they were in the past. In fact, as Ms. Delbridge said, we're still involving two of them in the rudder fix. We tried to get to a different spot. I can't comment on what the spot was before. I just know they felt they were not in a good spot in terms of their advice. Like Lou Boudreau and the 50 other Lou Boudreaus around the world, they felt they were not being listened to.

MS. ZANN: I understand. Nova Scotians have great pride in our heritage, and if they're into boatbuilding and shipbuilding and captains, they're all going to have an opinion about what to do. Also, as we said, it's an iconic emblem for Nova Scotia. Once it's done, I think people will be very pleased that we've done it and that we have it. It's just the frustration that the public has expressed throughout that we're dealing with the fallout of now, all of us really.

MR. LAFLECHE: Had the boat been budgeted at \$25 million on day one, and had we not had some arguments within the family and the Auditor General Report which the Premier commissioned because of this, probably today, you would be happy with a great vessel which is admired around the world and which is our sailing ambassador. I'm here today to kind of implore everybody to move on. Everybody made mistakes; that's in the Auditor General's Report. Everybody was culpable. There is no one person culpable.

It's an experience. It was an innovative design of something that was new, never had been done before and there would be issues with it. We would have issues at Transportation and Infrastructure Renewal if we did it today, we would have to try to figure out different solutions to unique problems that had never been challenged before.

The real issues come up because of the politics of this. We, as civil servants, wish that everybody would step aside from the politics of this. It's been done, it's been documented, the people involved in the politics are no longer around.

MS. ZANN: Don't you think also that part of the problem is the file has been moved across a number of different departments so it's gone from CCH to ERDT, which doesn't even exist anymore, then to TIR? This has sort of affected it, the handling of the file as well.

As I said, it has been a comedy of errors, in a sense. Just the whole thing between whether it should be a steel rudder or a wooden rudder or what size it was, things like this have just added to the problems. Again, I think the idea of trying to give a two-year turnaround with a \$14 million budget probably wasn't helpful right in the beginning.

I agree with you that as time goes on people are going to forget all this other stuff and they're just going to remember how beautiful the boat is and tourists are going to want to sail on it.

I mentioned other times just last year I went to the old country where my family comes from, which is Croatia, and there are all these beautiful sailing vessels and four-masted schooners. My family built ships - I didn't even know until I went over there and found out our history.

MR. LAFLECHE: You could have been one of our experts.

MS. ZANN: I could have. Do you know what? I got to sit on *Bluenose* in Croatia and I have a picture of me with a little captain's hat, sailing *Bluenose*. At the time I said, I got to sail on *Bluenose* before anybody in Nova Scotia. It was called *Bluenose* but it was over there.

The thing is they make so much money for the country. People go on these tours and they sail the islands and . . .

MR. CHAIRMAN: Order. Sorry, time has expired for questioning from the NDP caucus. We have to move back to the Liberal caucus for 14 minutes. Mr. Stroink.

MR. JOACHIM STROINK: I just want to go back to a comment you made earlier, Mr. LaFleche, what is the story? We have one story over here, what's the story that you see?

MR. LAFLECHE: The story is I think the province undertook an ambitious, innovative build starting in 2009 to build a vessel which was unique. With that, frustrations arise. There was an attempt to get some federal money in the front end, which resulted in mis-estimates by the Progressive Conservative Government. Then there was the handling of the file by the next government, which people seemed to be not that happy with.

At the end of the day the end story here is we have a great vessel. We have this here. We have a great vessel that is a tourism ambassador. The Ivany report wants us to double tourism. We've got to use that asset now.

The people who were responsible in that political era are effectively gone and we need to use this vessel to market Nova Scotia, increase our tourism, and we need to get a positive attitude. We don't need people phoning newspapers or reporters coming down here from Ontario or stories in *The Globe and Mail* about what a boondoggle this is. It wasn't a boondoggle. It was no more of a boondoggle than the SkyDome in Toronto.

I was in the SkyDome last September, watching a great game which I paid for myself, no company paid for me - bought my own popcorn too. I turned at the end of the game after Bautista hit the home run to win it and said to the chap next to me, do you know we're in a stadium which was way cost-overrunned and delayed, it's embarrassing this build. They turned to me, a couple of people, and said what are you talking about? This is the SkyDome, this is great, the Jays are winning, we're going to the playoffs. Nobody remembers all that.

Sure, we have to learn lessons from it. I think that's what the Auditor General told us. I think governments have learned lessons, all the governments involved have learned lessons, people have learned lessons. We're using those lessons in how we approach things in the future.

I think it's important, though, that we go forward and use *Bluenose II* as an opportunity to build the economy of Nova Scotia and make this proud for our boatbuilders too, because those boatbuilders contribute to this province. We want to grow that industry. We want to make sure those boatbuilders employ skilled Nova Scotians at high wages in rural Nova Scotia. This is very important. That's the story I would like to hear going forward.

The story that the Auditor General documented - the story of doing an announcement without any documentation, the story of it being at the wrong department, the story that we had to settle some claims - that's all past history at this point. We need to move forward.

MR. STROINK: I appreciate those comments. I need some clarity on that because from what I see is, what did the numbers say? Well, the numbers say at \$14.4 million that was promised in April and May of 2009 for this project - was that a Cabinet decision based by the members for Pictou Centre and Argyle-Barrington who were part of that discussion? That's where the fault starts, that's where the issue really went off the rails right at the beginning. Yes, every piece of that, governments own that.

In that Cabinet meeting when those decisions were made, is it a fair assessment to say that at that time that not enough time was looked into how much money this is going to cost? The concentration of a June 9<sup>th</sup> election was more important than the actual numbers - is that a fair assessment to say?

MR. LAFLECHE: As a civil servant, it's not an assessment I can say and you know that. It is as leading as the questions Mr. Houston keeps asking, but you are allowed to say those things.

I will say that we can find no documented evidence that there was an appropriate cost estimate of the vessel done in May 2009 - would that be true?

MS. DELBRIDGE: That would be true.

MR. LAFLECHE: And we've done a lot of searching. There's still searching going on. If we find something, we will let you know but we cannot find anything.

MR. STROINK: That's fair and that just shows to me and I think to other people where it really went off the rails.

I guess from there, when this government came in we asked the Auditor General to have a look at this issue that happened with the mismanagement of the *Bluenose II* file. One of the things that was - and I guess where did that come from in the sense of the importance of looking at the *Bluenose II* file through the Auditor General? Do you think

that's a fair assessment to say that that was the right step to do, by the Premier of Nova Scotia, to ask the Auditor General to look at this file?

MR. LAFLECHE: Well it's hard to say in foresight but in hindsight what came out of that Auditor General's Report was the consolidation of shared services, which was a good thing, and the concept that the appropriate department should manage things like this, so that was very beneficial.

The Auditor General's Report triggered a lot of good things that happened subsequently with respect to risk management and project management. Every year we put 20 people through project management at Saint Mary's - I think you've been through, right?

MS. DELBRIDGE: Yes.

MR. LAFLECHE: Of the 40 or so people in the last two years I know we've put through, I think only one has not been from our department, even though we've opened it to every department. That shows you that most departments don't focus on that type of stuff; they're not into the build thing. That's what we do and I think that came out of the Auditor General's Report, as well as the Auditor General's Report documented a lot of other things along the project, like probably this type of unique design.

To think it would have been done for the original cost, there's a statement in there, Mr. Spicer, that probably you were unable to say if this project would have ever been done for the original cost, given the uniqueness and difficulty of it. Is that fair?

MR. CHAIRMAN: Mr. Spicer, do you care to comment?

MR. SPICER: Yes, I think that's a fair statement. I think in the report we clearly say that given a lot of the unknowns and the things that weren't done that that would be unrealistic, yes.

MR. LAFLECHE: What came out of that is a situation where now we frustrate the media and other people by not giving exact detailed cost estimates of, say, a new government building or a new school. Sometimes a new school is announced and we don't have a site, right? We don't know. The school board gets to go and pick three sites, right?

How can we cost it accurately if we don't have a site? Sometimes we don't have a program for the school. So now we frustrate people because we don't give out that front-end number, we don't give an estimate. We eventually give a number. We may give a broad range of numbers but we eventually give a number closer to when Tom and his people have seen the program and done a design.

That's a lesson we learned, I think, coming out of the Auditor General's Report. The Premier's reference of this project to the Auditor General resulted in a very thorough examination which changed procedures in government, which I think will be very beneficial for the citizens of Nova Scotia.

MR. STROINK: I think it's great to hear that. I guess the mismanagement of this has been a learning for everybody. I do very much appreciate your comments that we need to draw a line in the sand and move forward, and we can't continuously bash *Bluenose II* when it is an icon for Nova Scotia.

I guess I do want to touch on some numbers that you were talking about earlier, the number of visitors who are actually coming to Nova Scotia for *Bluenose II*. It's a big draw, and the impact for the South Shore and Lunenburg and Nova Scotia is huge. Maybe you can just walk us through and finish those numbers off a bit. I know you started when Suzanne was speaking, but it was at the end of those questions.

MS. DELBRIDGE: The numbers are very large. They're huge: 60,000 people crossed her decks in the first sailing season, with another 54,000 in the second season. Many people have also sailed *Bluenose II*, well over 2,000 in each of the sailing seasons. One day the highest draw was 3,000 people crossing her decks. That was actually in Pictou, which is near my hometown. But yes, she's had a great couple of seasons out, and we hope for many more to come.

I would also add that I travel quite a bit, and one of the things I do when I first choose where I'm going to travel is, I pick up the UNESCO World Heritage Site book, which I actually have with me, but it might be considered a prop, so I won't bring it out. But I do look at the UNESCO World Heritage Sites, and I look at what people from those regions believe to be best representing their culture and their history. What's important to them? What's really important to see?

In Nova Scotia, we have three locations on the UNESCO World Heritage Site list: Grand Pré, Joggins Fossil Cliffs, and the Town of Lunenburg. When people in Nova Scotia and around the world think of Lunenburg, they think of shipbuilding. You can't separate the two, so it's very important to our tourism industry and to our cultural heritage.

MR. STROINK: I guess that goes back to why we're here today. This is an issue that keeps coming up and up and up. I know the importance of it, and yes, Nova Scotians have a right to know these answers, and tough questions have to be asked and have every right. But does it come to a time where, like you said about the SkyDome, we need to embrace *Bluenose II* or we need to embrace the SkyDome or we need to embrace these things? Are we at that point with *Bluenose II*, Mr. LaFleche?



MR. LAFLECHE: Oh, I believe we're beyond that point. Three political Parties in seven years have been involved in this. Everybody in the other political Parties has tried to criticize whichever political Party is currently in charge. It's time to move on.

I really believe that anybody who criticizes things now and is not adding some new pertinent fact, who just criticizes for political reasons, is damaging our ability to attract new tourism and economic activity to Nova Scotia. People outside Nova Scotia don't know anything about this. If you start calling media in Toronto and saying, hey, come down and look at the scandal here - it's not a scandal. It's an innovative build. It's something that may well have cost \$25 million from day one. We don't know that. The Auditor General has alluded to that in his report.

This is a great boat. I've got another piece of - what did I call that? Evidence. This is a type of thing we get. Here is the sacrificial keel. To the untrained eye, of which there seemed to be many out there, they would look at this say, hey, the boat's going to rot. This is terrible. But no, this is a keel we put on and take off. Every year we put on a new one. It's meant to take the worms. It eats the worms so they don't eat the rest of the boat. This is what we do.

But someone will go with this and say, oh my God, and there will be a media story about how *Bluenose II* is rotting. It's like the so-called gaps in the planks which were above the deck. People didn't understand what they were for, and they got all excited about them. We've got to get off and stop talking about things like that.

It's a great boat. There are many great sailors in the Lunenburg historical society. Capt. Watson is a great sailor, and Capt. Walters. I don't hear any of them criticizing this vessel. It's on the front page of the *Doers & Dreamers* guide for next year. We just need to move on and admit, we've got a good build here.

We've cast the political blame. Those involved - I don't see Len Preyra sitting in the House anymore. I don't see Darrell Dexter in the House. I don't see Rodney MacDonald in the House - I do see him from time to time, he's a good guy, I know his sister well. These are all good people. I don't see Bill Dooks sitting in the House. So, let's move on.

MR. STROINK: Thank you, and I guess that's a great . . .

MR. LAFLECHE: And Percy Paris, he's a good guy, I forgot him. I really like Percy Paris.

MR. STROINK: I guess your comments are not lost and I hope they're not lost on other Nova Scotians and people in this Chamber because you are absolutely right. Standing in another foreign country saying that you're going to rip up a contract and start all over again does no good service to Nova Scotians. We need to move this province forward and we need to work together. Your examples today of how you spoke today and your passion

about the *Bluenose* ferry and the importance of the *Bluenose* ferry is not lost on myself and I don't think it's lost on any of the colleagues here.

MR. LAFLECHE: We have to build our industries. Boatbuilding is a great industry here. I know we're involved in big ships but boatbuilding is a great industry in rural Nova Scotia. We need to support that industry; we need to make sure it thrives. We need to make sure we have a great reputation in an industry.

If we've got some little arguments in our family in-house - I know we did have some, and I'm not trying to make them seem smaller - keep that in-house. We've done that. We've had the ultimate thing - the Auditor General's Report.

MR. CHAIRMAN: The time for questioning has elapsed but you can continue with your closing remarks. I'll just ask that you don't use any objects that could be construed as a prop. Even if it might be evidence, it's hard to discern the difference between a prop or evidence, so if you could just conclude with some closing remarks.

MR. LAFLECHE: In conclusion, I want to draw attention to one thing that seems to have happened on this project, everybody is searching for the guilty. The reporter I mentioned earlier from Ontario who came down here, she felt she found someone guilty, a chap named Bill Greenlaw, he's an executive director. She made what I consider some very disparaging comments about him in the media.

Bill is a civil servant, like many of us - this is my only opportunity to talk back. He cannot defend himself. He was really blamed as a linchpin of all the problems here. That is not what was seen in the Auditor General's Report, that is not what we have seen. He was a civil servant following instructions.

It was also cast about that because he was President of the Institute of Public Administration of Canada that somehow that was a bad thing. That's a great thing. In fact, I hope another Nova Scotian one day can be President of IPAC. It's a volunteer position but it's a great honour. The fact that Bill had that honour is a great reflection across Canada of Nova Scotians.

I know I have friends in the media, it wasn't them - I don't understand why we allow people to do that, to come down here and pick on a particular civil servant. We heard the word "incompetence" with civil servants a couple of times today. We've heard that in the past. Civil servants follow the instructions of politicians. They don't invent things. This was not Bill Greenlaw did that and that, or Paul LaFleche did this and that.

I just wanted to say in conclusion that all of us here and all of us in the civil service - from my head Laura Lee Langley and on down - stand with Bill Greenlaw and back him up. He did nothing wrong here. He did exactly his job. He's a great civil servant. He's the guy who brought us the globe that is down at the Museum of Natural History. He got that

on the cheap, through a deal. He has done great things in Nova Scotia and not one person came to his defence when that Ontario reporter hit him.

We're getting a little tired of hearing about the incompetence of civil servants. We've heard it a couple times from political candidates recently. If you think that firing civil servants and calling them incompetent is a solution to your problem, it's not for Nova Scotians. We need to move forward. We need to realize that civil servants work for the government of the day.

I've served many Premiers, five Premiers. I've worked for them all, they're all good people, and we got along very well with them. So, that's my concluding comment. Thank you.

MR. CHAIRMAN: Thank you, Mr. LaFleche. We have no committee business today. The next meeting date is February 15<sup>th</sup>; 8:00 a.m. to 9:00 a.m. is the in camera session with the Auditor General. Following that would be the 9:00 a.m. to 11:00 a.m. public session with the Office of the Auditor General, which is the follow-up report from 2013 and 2014 recommendations.

We now stand adjourned. Thank you.

[The committee adjourned at 10:55 a.m.]