

# **HANSARD**

**NOVA SCOTIA HOUSE OF ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Wednesday, September 11, 2019**

**Legislative Chamber**

**Use of P3 for Twinning of Highway 104  
Between Antigonish and Pictou Co.**

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## **Public Accounts Committee**

Keith Bain (Chair)

Hon. Gordon Wilson (Vice-Chair)

Ben Jessome

Suzanne Lohnes-Croft

Brendan Maguire

Hugh MacKay

Tim Halman

Lisa Roberts

Susan Leblanc

[Hon. Gordon Wilson was replaced by Rafah DiCostanzo.]

In Attendance:

Kim Langille  
Legislative Committee Clerk

Gordon Hebb  
Chief Legislative Counsel

Nicole Arsenault  
Assistant Clerk - Office of the Speaker

Terry Spicer,  
Deputy Auditor General

### WITNESSES

#### Department of Transportation and Infrastructure Renewal

Paul LaFleche,  
Deputy Minister

Peter Hackett,  
Chief Engineer

Diane Saurette,  
Executive Director - Finance and Strategic Capital Planning

Janice Harland,  
Director of Capital Programs



House of Assembly  
*Nova Scotia*

**HALIFAX, WEDNESDAY, SEPTEMBER 11, 2019**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**9:00 A.M.**

CHAIR  
Keith Bain

VICE-CHAIR  
Gordon Wilson

THE CHAIR: Order, please. We'll call the Standing Committee on Public Accounts to order. Before we begin, there are a couple of housekeeping items. I'd ask everybody to put their cellphones on silent or vibrate. If you see the clock behind me, you'll notice the time is not the same as the one ahead of us. We'll be following the one ahead of me right now for the rest of the meeting.

On today's agenda, we have officials from the Department of Transportation and Infrastructure Renewal with us to discuss the use of P3 for twinning Highway No. 104 between Antigonish and Pictou County.

We'll begin by asking for introductions of the committee members. Then I ask that the witnesses introduce themselves and they can begin with their opening remarks.

[The committee members and witnesses introduced themselves.]

THE CHAIR: Thank you. Mr. LaFleche, I believe you're going to be making the opening remarks?

PAUL LAFLECHE: Yes, I am. I will note that Peter Hackett is also the Chair of the Board of the Highway 104 Western Alignment Corporation, which is not on the agenda today, but I just wanted to mention that.

Thank you for the invitation to talk with you today about the use of a P3 for the Highway 104 Sutherlands River to Antigonish Twinning Project. This was a new project announced in 2017. We're very excited about it and it will extend the twinning of the Trans-Canada, significantly improve safety, and be of great benefit to Nova Scotians.

As committee members know, this twinning project was identified several years ago as one of the highest priorities in the public when we did heavily-attended public consultations. We heard loud and clear that Nova Scotians want, in fact, a safer and better highway system, particularly the 100-Series. We also heard very clearly that they want improvements without tolls, so this is a P3 but it's a P3 without tolls.

In 2017, Minister MacLellan was the Minister of Transportation and Infrastructure Renewal at the time, and he committed to doing a series of improvements to highways - one of which was the Highway No. 104 section we're here to talk about today.

Each of our 100-Series highways are crucial corridors for the movement of people, goods, and services throughout this province - or in this case to other provinces and throughout Canada - because it's part of the National Highway System. These are the backbone of our transportation system.

Highway No. 104, which is part of the Trans-Canada Highway, is particularly vital to our economy. It is our critical highway link to export goods, import goods, and to send them to Newfoundland and Labrador. Twinning Sutherlands River to Antigonish is a priority because of the improved efficiency it will bring to goods and services providers and also because of the improved safety it will bring to Nova Scotians.

Given the financial constraints of the province, and the price tag of over \$2 billion to complete all of the 100-Series sections that were desired by the public, the government needed to look at ways to upgrade or twin about 300 kilometres of highways quickly and affordably without the use of highway tolls. I do emphasize the word "quickly," because that was part of the initiative.

The government considered various options and determined that a design/build/finance/operate/maintain - or a full P3 model - for this project would deliver the best value for money for Nova Scotians, plus deliver it on time, and that is quickly. The P3 approach will mean that we have 38 kilometres of highway twinned and opened earlier than we would through a traditional approach. It also means we will have a twinned four-lane Highway No. 104 from the New Brunswick border to just east of Antigonish by 2023.

The work will include two new interchanges. We were fortunate that the federal government saw this as a critical national transportation corridor and decided to contribute \$90 million of incremental new money to Nova Scotia over and above what we would normally get from the federal government through our allocation through the National Trade Corridors Fund to this project.

The project is on schedule and we are currently in the RFP phase with three bidders preparing competitive proposals that are due this Fall. Evaluation of these proposals, selection of the preferred proponent, and final negotiations will follow with a contract finalized in April 2020, in time for the 2020 construction season.

The successful proponent among the three will be required to operate and maintain this highway for 20 years, following the substantial completion of the project and to standards that are set by the province. While the proponent is responsible for ensuring safe and efficient operation of the highway, ownership of the highway stays with the people of Nova Scotia.

We are excited about this project. We have conducted a thorough value-for-money analysis, and we are confident that this model will deliver to Nova Scotians a safer and more efficient highway years earlier than we would have had with a traditional build.

Before I conclude, I want to be clear to committee members and to Nova Scotians that we're currently in the middle of a competitive bid process for this project. As a result, we are limited in what we can share with the committee at this time. We are obligated under our procurement rules not to share financial details or other internal/confidential information that could compromise or be seen to compromise the fairness and integrity of the competitive tendering process.

Openness and transparency are important to us, but we must not harm the competitive process or detract from government's negotiating position during this critical phase. We look forward to being invited back to this committee at a later date when we can share more fully the success of this project once the contract is signed. That will be, as I said, approximately April 2020. We look forward to sharing the full value-for-money analysis that will be updated at that time and it will be finalized during the construction period.

In closing, let me say that we have done our homework and I believe at the end of the day, the P3 model for this project is in the best interests of the taxpayer. It delivers good value for money and it is an appropriate fit for this project, based on the business case. It is not always an appropriate fit. The last time I was here to talk about the health sector, I indicated that sometimes it fits and sometimes it doesn't. We do careful analysis about when that works and doesn't work. We also draw upon the experiences that have been gained in other provinces and jurisdictions across North America. In this case, we feel that this is a good fit.

I want to make a few comments. Sorry I'm slightly under-dressed - not as under-dressed as I was the last time when I rolled in here with a prop. I will have to get up about halfway through and do something. I'll go outside and do some stretching and exercises. I don't have my shoes on because they still won't fit - so I'm in Sketchers today. I apologize for that. I do have my new tie on though. I know the Chair would be worried about that.

We are here to answer questions. We will actually carefully avoid questions that might compromise the process, and Janice Harland will keep us on track. But we will reveal full information on all of that when we come back once the contract has been awarded. Thank you.

THE CHAIR: Before we begin the questioning, I also want to acknowledge that we have a representative from the Auditor General's Office in attendance, as well as from Legislative Counsel.

We'll begin the first round of questions, 20 minutes for each caucus, and we'll begin with the PC caucus - Mr. Halman.

TIM HALMAN: Deputy Minister, it's good to see that you're on the mend. With respect to the bidders, who are the three bidders that are putting forward the competitive proposals?

JANICE HARLAND: Dexter Nova Alliance, Osprey Transportation Solutions, and Atlantic Safelink Partners are the three consortia.

TIM HALMAN: Could you outline for Nova Scotians, what makes a good P3 project? What are the measures that we use to determine that this is adequate, this is good, this is sufficient for Nova Scotians? Could you outline what makes a good P3 project?

JANICE HARLAND: The P3 project suits in this instance because, as Deputy LaFleche said, the goal is to get a quality highway built as quickly as possible and get the safety benefits in place as soon as possible, at the best cost to Nova Scotians. We looked at the P3 options available to us to see how we would go about achieving that. The basic model is design, build, and that certainly helps with the schedule. When you add in the finance part, and a lender has money at risk, that really helps drive cost efficiencies and schedules and keeps the project on track.

The last part that we looked at was the full P3, as was stated, when we add in the operations, maintenance, and rehabilitation. When you have a single entity responsible for all those aspects, that really drives an opportunity to make the best decisions and drives a quality build. If you have to maintain that highway for 20 years, you're going to do what's necessary upfront to make sure it's a quality project.

We looked at that from sort of a qualitative aspect in terms of the P3 model. We then went and did a market sounding with the industry to see if there would be a competitive procurement if we put a project such as this forward. Lastly, as was mentioned, we did a detailed value for money to ensure that the cost of doing it this way - a full P3 - would be advantageous versus the traditional build. All those indicators were positive, so that's what we did to make sure that this was an appropriate approach for this particular project.

THE CHAIR: Before we proceed, I'm going to ask everybody if they can speak closely into the mike because we have the fans going here too, for everybody's benefit.

TIM HALMAN: Can you contrast the fundamental differences between the P3 and the traditional build, just so that Nova Scotians have clarity. What are the fundamental differences?

PETER HACKETT: The difference between a P3 and a conventional build - normally in a conventional build, the department would take several years before the project to do basically the design, pick up all the pre-engineering work when they get the project prepared. Then we would send those designs and the contract out to tender. From there, the contractor would be awarded the job, build the job, and complete the job. The department would basically take the job back over and look after the maintenance and operations of it.

In a P3 project, all of that upfront work is given to the consortium and they would do the design - all the pre-engineering. They would do the build and then they would look after all the maintenance and operations after.

As Ms. Harland said earlier, the benefit to this P3 is just that we had to get this one done very quickly, or get it done quickly within a certain period of time. This particular project wasn't really ready on the shelf to go to tender to do it conventionally if they wanted to get it done quicker and more efficiently. Other projects like Highway No. 101 and Highway No. 103 had been ready for some time and we were able to get those out under a conventional build.

TIM HALMAN: Ms. Harland, will you be tasked with others to oversee the execution of the P3? How many other civil servants in the department will oversee the P3 execution?

[9:15 a.m.]

PETER HACKETT: On the execution right now, we probably have about four or five people working on the project directly as internal staff. We have a number of consultants, and we have the Department of Justice and legal and that sort of thing. There's more people than just the department. The four or five internally in the department will

execute the project or start the project, but as the project sort of unfolds, there would be more people we require to oversee the job and also into the long term to look after the agreements under the maintenance and operations for the 20 years. There would be other people hired to look after that as well internally. The numbers I couldn't say, but I would say roughly between five and ten people would have to look after the job from start to finish. The start of the project is potentially next year for construction, but the finish isn't for 20 years after the job is completed. There's a whole life of the project.

TIM HALMAN: For those tasked with oversight, with monitoring, what rubric do they use to measure the success of a P3 project?

JANICE HARLAND: I think that that's standard, but to get into any detail, we're getting into the details of the current tender process, and that information is best left until that's completed so that we maintain the integrity of the process and get a solid procurement process completed so that the project can proceed. At the time that that's completed, then we can get into the details of how that's managed, but right now that information is confidential.

TIM HALMAN: So excluding the specifics of this project, generally speaking, what rubric does TIR use to measure the success of P3s, generally speaking.

JANICE HARLAND: When the tender process is completed, we'll redo - refresh - the value-for-money analysis. That will give us an indication and confirmation of the cost aspect. Again, when it's completed, we'll refresh that. From a cost perspective, that's the measure.

PETER HACKETT: Away from this P3, the department does oversee the Cobequid Pass, the Western Alignment Corporation. That's a P3 project as well. That's a fairly successful project, and it has done very well in its existence the last 23 years, I think, it has been running.

The way that's set up is the contracts under that, there's a process of dispute resolution. The consortium under that program has to maintain the highway to certain standards. They have to maintain it with operational maintenance, like pothole patching and that sort of thing, as well as capital, so they have to come back and repave after so many years, and so on and so forth. If they don't do that, there is a dispute resolution process in place that would basically make them do the work they're supposed to do under our level of service. That's the way the contracts are written.

That particular project, though, the Cobequid Pass - like I say, it has been very successful. We haven't really had any problems with dispute resolution. The consortium has ensured that the project is basically kept up to standard for the last 23 years. There are caveats in place to ensure that they do the work well. Like I said, that's probably one of our best-maintained highways in the province.



TIM HALMAN: Will there be a guaranteed profit clause to this project?

JANICE HARLAND: Again, that's getting into the details of the procurement that we can't get into at present.

TIM HALMAN: Will there be any bonds that will be issued with respect to this project?

JANICE HARLAND: Again, these are questions that are going to be better able to be answered at the end of the procurement process.

TIM HALMAN: How is it planned for private investors to make profit off this investment? For example, would there be tolls on this highway?

JANICE HARLAND: I think it has been clearly stated that there won't be tolls. This is a competitive procurement. We have three qualified bidders bidding and maintaining a fair and appropriate tender process, maintaining the competitive environment of the tender process, which is one of the constraints of being able to share today - we want that tender process to remain competitive so that we get the best price out of the bids.

TIM HALMAN: In terms of the procurement process, I'm curious when it comes to the eventual winner of the bid, generally speaking, what criteria does the department look at? Does it seek out the lowest bidder? What's the criteria that you look at when it comes to that process? Can you outline, for Nova Scotians, what criteria go into that?

JANICE HARLAND: Again, I can't share the details of the tender itself but the principles that are underlying the whole project are to get a quality highway in place, so that the safety benefits are in place sooner, at the best cost for Nova Scotians. Those are the principles that underly the project. I can't give you, at this point, the details of the tender.

TIM HALMAN: The twinning of the highway from Exit 26 Thorburn to Sutherland's River is completed. However, I've heard that this section is included in the tender process from Sutherland's River to Antigonish and it has been completed, so maybe the reason is to give the private company that complete stretch of highway to maintain. I'm curious though - will the successful tender bid include the cost of the road that is complete? Will that be factored into that tendering process?

JANICE HARLAND: I'm not sure I understand your question.

TIM HALMAN: That stretch is already completed. Is that going to be factored into the tendering process? Is that being included in that process?

JANICE HARLAND: There's a stretch of road that's included in the process in terms of the bidders being required to provide a price to maintain and rehabilitate that road.

TIM HALMAN: What guidelines or commitments can the department guarantee that the highway will be completed by 2024? This is obviously a clear priority for the residents of that area of Nova Scotia. You can guarantee that this will be completed by 2024, correct?

JANICE HARLAND: I can share that it's a requirement of the tender that it be completed to meet the government-stated deadline of being in use by the end of 2023, I thought it was.

TIM HALMAN: What will the percentage of Pictou and Antigonish County truckers hired to work on this project be? Is there a commitment to try to hire locally when it comes to the construction of this twinning of the highway?

PETER HACKETT: Right now, there's no guarantee in the contract, or in P3s in general, that we've had to hire local truckers. We expect the consortiums to hire from that area, but that would basically be up to the contractors themselves.

On our conventional projects, we do have a statement in there about local trucking, but on P3 contracts we've never had that statement in there because it sort of takes in the factor of the entire project and when you put that into the program, you limit the actual bidding and the bidding process. There's no guarantee, but we'd expect that the contractors in this case would hire locally.

TIM HALMAN: If a private company was to provide either poor service or ended up going over budget by a considerable degree in a past project for the government, within the standards that you have, would that be considered in the bidding process or would they be given a clean slate when it comes to a project like this?

Basically, is the past history factored in if a company's putting another bid in? Do you look at that when looking at a new tender?

PETER HACKETT: Under this particular project, I couldn't comment with regard to that because it's under whatever that agreement is, and like we said, that's out to tender right now. On typical projects, that doesn't happen too often under procurement. So if you have a poor performer, so to speak, we do go down the road of advising that poor performer or that contractor and if they can or can't bid on other projects or try to get them up to a better standard to bid on future projects - that's through the Department of Internal Services with procurement. It's not just with highway tenders - it's with all sorts of procurements.

It's basically letting them know that you've been a poor performer - you have to go down a fairly long road to get to the point that you're not going to rebid, but you would

have to go through a program to make sure that you can qualify to be a good participant, so to speak. I couldn't refer to this particular project, but in general, that's the way our department works.

TIM HALMAN: After an infrastructure project such as this is completed, I'm curious how long the construction companies are liable for repairs and maintenance that may arise if the quality of their work was not adequate. I suppose this comes back to a conversation we've had at previous meetings with respect to the warranties. Could you outline for us what the scope of responsibilities are after a project like this is completed with repairs and maintenance?

JANICE HARLAND: I guess that's one of the advantages of a design/build/finance/operate/maintain. If you're building it, you also have to operate and maintain it, so you're at risk of your own quality of workmanship. Again, this is a competitive procurement and so companies are going to want to figure out the best way, the most cost-effective way to do this, but they also have to meet the requirements of the contract. They're masters of their own - they have to do it. It drives a quality job. The DBFOM model drives a quality construction right up front because they're required to maintain it.

TIM HALMAN: With respect to the total amount of wetlands, I'm curious how many wetlands will be impacted by this project. Could you tell us about that?

JANICE HARLAND: There are wetlands identified in the project corridor. Those have been through the environmental assessment process and have been identified, but until the design is completed, we won't have an exact area of impact. There is certainly a process and requirement to appropriately deal with that.

TIM HALMAN: With respect to that, could you outline what policies the department has with respect to compensating those who lose wetlands? How does the department or government plan on compensating for this loss of wetlands in our province? Is there a policy and procedure in place now that deals with that?

PETER HACKETT: I can talk generally about it. For most of our major projects, we're under what they call the HADD program and it's a trade-off. If you have to take away a wetland on one side and you create a wetland somewhere else, you actually get points for creating the wetland. You can use those points for creating wetland towards the reduction of wetlands.

For instance, on Highway No. 104 - as Janice said, right now we're not sure exactly what the design looks like, but let's use Highway No. 103. There were wetlands on Highway No. 103. We had points in our HADD bank so we could fill in some of those wetlands using those HADD points. If we wanted to create more HADD points for the

bank, we would have to go - maybe we'd change a culvert somewhere or put a better bridge in or create some sort of saltmarsh, and then we would get points towards our bank.

I could tell you - I have to figure out what the HADD acronym actually means. It's habitat and - it's creating wetlands. That's the way we basically do it within the department. It's based on a point system.

[9:30 a.m.]

THE CHAIR: Thank you. The time for the PC caucus has expired for the first round, so we'll turn now to the NDP caucus. Ms. Leblanc.

SUSAN LEBLANC: In 2016, the department commissioned a highway twinning feasibility study from CBCL, which is a consulting firm in Halifax. The preliminary report from the study calculated the proposed total cost, which included construction and purchase of land and water rights, of \$232.4 million for this 37.75-kilometre section of the highway.

The figure was then revised up to \$285 million in the final report for the construction alone. That's \$52.6 million more than highway construction currently costs the government for identical lengths of twinned highway through normal procurement processes.

I'm wondering if the deputy minister can explain why the department has elected to go with a public-private partnership for this project when costs, through a traditional build, would be much lower.

PAUL LAFLECHE: I'll allow Peter Hackett to explain that.

PETER HACKETT: I can talk a little bit about it. That figure of \$235 million to \$285 million - I'm not really sure of why there is a difference. I'd have to have a look at that report where it went from one to the other.

In normal conventional builds, we're running between \$5 million and \$10 million a kilometre for a two-lane highway, and that's not going down any - that's continuously going up. I've been here for 21 years and the first year I came here, it was \$1 million a kilometre, so we're at \$5 million to \$10 million.

When you get into the construction on a conventional build, we wouldn't expect it to be a whole lot different between that and a P3. This is 38 kilometres long; \$285 million is less than \$10 million, so I would think that's probably in the ballpark. Where you'll probably see a difference in prices on some of the P3s, there are other things involved with P3s. I can't say specifically to this one, but you put other risks into that contract on a P3 - like we did on the Cobequid Pass - so you might see some of the pricing go up, but it also

takes some of the risk off the department, as well. There are some costs in there that you may see but can only understand by going through the actual process.

The \$285 million number doesn't seem a whole lot different than our normal costs of conventional, but I don't know the \$235 million. As Deputy Minister LaFleche says, we may not have had all the right-of-way numbers at that time for the \$235 million, but I'd have to check what the number actually was.

The other part of that, just as an example - and we've raised it here before in the House - when we did the Antigonish four-lane bypass, that was a 10-kilometre section of road. That cost \$160 million, so roughly \$10 million a kilometre. There are interchanges and things in there that would drive your cost up. That's the high end, but that's pretty standard of where we're at.

SUSAN LEBLANC: My follow-up question was going to be, can you tell us why that \$52 million increase happened? It's a 23 per cent increase in the cost, so if you can find that information and forward it on to the committee, that would be great.

Just talking about construction costs alone, it might be that P3s are in the same ballpark as traditional builds, but then we have to add on other costs as you mentioned. I think, and I've said this before, the decision to turn the financing of this project to a P3 is frankly baffling.

The government and Minister Hines often refer to the Cobequid Pass as a success story and yet the decision to finance the Cobequid Pass through P3 contract cost the province upwards of \$100 million more than it would if it had to finance it through government bond issue. For \$66 million in financing, we paid over \$140 million in interest and that's an 81 per cent premium for the privilege of having a P3 project. That's to say nothing of the \$350 million that Nova Scotians have paid in tolls on that highway.

Can the deputy minister please tell the committee what premium Nova Scotians can expect to pay on the private financing of this stretch of highway, cumulatively, over the 20-year lifespan?

PAUL LAFLECHE: I thought that Diane and I would be able to go over to PAVIA and get a coffee for a while, but Diane is now needed so she will talk to that.

DIANE SAURETTE: The question directed to the deputy, I'll let him answer, but I can speak to the past. You've made some reference to over \$300 million and when you talk about Cobequid, I think the first thing we need to clarify is that in 1996, when you looked at financing rates, it has to be relative. You have to think about where we are with our provincial cost of borrowing. I wasn't around in 1996, but our provincial cost of borrowing was somewhere around 9 per cent. The interest rate for the Pass is 10.25 per cent so it's pretty close.

When we look at over \$300 million in tolls, that's just not for bond financing. The obligation that the tolls cover is definitely the bond financing, but it also covers the maintenance, the rehabilitation, the operations of the Pass, our snow removal - all of those things the tolls have covered over the last 23 years.

When we say that it has been successful, we have a very well-maintained highway system, but when you look at - we built 45 kilometres of highway in 20 months. As the chief engineer had mentioned earlier about the 10 kilometres that we did in Antigonish that cost \$160 million or \$165 million, that took us probably about 10 years. So when you look at, does it make sense and what can it cover - and in the case of the past, from a safety perspective, like one of the worst highways that we had in Nova Scotia at the time - we were able to build a highway very quickly, 45 kilometres. It cost about \$120 million at that time. We were able to get about \$27 million of federal money to go towards that.

There are definitely a lot of benefits. I think the biggest one is of course that we were able to build it quickly. I think if we compare to doing it traditionally, it is less cost effective and we also reduce fatalities.

SUSAN LEBLANC: Absolutely, no qualms with the fact that twinned highways are safer. Of course, we want safer highways for everyone, but we also want highways that are actually cost effective and several times already today, the witnesses have referred to basically better bang for your buck. I just take issue with that assertion.

The CBCL report that estimates the cost of the building of this project at \$285 million now, also includes a figure of \$300 million in debt repayment. The report estimates long-term debt financing rates at 5.25 per cent, which is lower than back in the 1990s - I think that's when it was - and the construction debt, the short-term debt is 3.25 per cent but we know that we can get better rates. The parliamentary budget officer just released a pre-election election proposal costing baseline that has the three-month treasury rate at 1.7 per cent and the 10-year government bond rate at just 2 per cent.

I know if we look at the difference between 2.2 per cent and 5 per cent, it doesn't seem like that much, but when you're considering the amount of money that we're talking about and the amortization period, then it's hundreds of millions of dollars that Nova Scotians are on the hook for that we don't have to be.

Anyone who owns a home or has a mortgage or even a long-term loan knows that the difference between 2 per cent and 5 per cent interest is huge. So will the deputy minister please tell the committee the interest rate that the private bidders have access to and how it compares to the interest rate that the government currently has access to?

DIANE SAURETTE: I can't speak to what interest rate the private bidders are going to have access to - we're not at that stage. In term of our provincial cost of borrowing, I'll have to confirm that, but we're probably around 4 per cent. I know that for the

convention centre - I'm going to raise this because it's a recent one - the interest rate was very close to the provincial cost of borrowing.

You can't not consider that if we did it traditionally, we would still have to pay financing. Traditionally, yes, it would be lower, but as Peter had mentioned earlier, we are just not in a place where we can do this traditionally - we would be 10 years out. Then you would have to look at escalation and where we are now, in 10 years' time in terms of where we are with our provincial cost of borrowing, where we are with costs to build a highway. Are we past that \$5 million a kilometre or \$10 million a kilometre? Are we now up to \$13 million a kilometre? We have to consider it relatively - where are we at? To do it traditionally, we could not start the project next year. It would be years ahead in time, and we would be looking at different costs at that time.

SUSAN LEBLANC: I'm going to move on from this, but I actually don't understand that because I have heard this argument before. The federal government came to the table in 2018. Our provincial government knew that we had money set aside, or campaigned on the fact that there was money set aside in the last election. Had we just gone with the federal money and started the process, we would be well into the process right now. As it is, we may start construction in 2020 and may finish in 2023. But, I'm going to leave that; I don't want to dwell on that.

Public-private partnerships have been abandoned in the United Kingdom because of issues with contract holders flipping the contracts to make enormous profits, problems with service levels, problems with bankruptcy of corporations - such as Carillion. A financial issue has developed in regard to local and state governments taking on multiple P3 contracts and not being able to pay the higher yearly costs.

Why is Nova Scotia going forward with P3 projects when other jurisdictions are justifiably abandoning this failed model and with Nova Scotia's own record with P3 schools and the \$232 million overspent on the Cobequid Pass? Isn't it a risky and irresponsible decision to go ahead with new P3 builds without revealing the full details, and when the government cannot point to a single P3 success story?

PAUL LAFLECHE: I don't know where those facts are from, but we feel we have many P3 success stories.

I would also like to point out that we went out and got \$90 million for this project from the federal government, and we really want to thank the federal government for that. That's incremental money. We're paying zero interest on that, and guess what? We're not repaying the principal. That comes right off the top of the project. That's essentially found money. It's money the federal government didn't allocate per capita to Nova Scotia. We had to compete nationally with other projects across Canada. That, to me, was a major benefit of this project.

I think we sometimes forget that in fact - I don't know what the exact figure is, but if we add in the interchange that was announced last week in Bridgewater, a brand new interchange to expand both the municipal and the town industrial parks; if we add in the Windsor Exchange project here in Halifax and the port component of that project, which will be of significant benefit for moving goods and services out of Nova Scotia and also for commuters who go through the Windsor Exchange . . .

THE CHAIR: Maybe we'll get back to the question asked.

PAUL LAFLECHE: I'll get there in a minute. If we add all that up, we'll find somewhere around \$170 million in incremental money for these projects, which take off the top an obligation of Nova Scotia taxpayers.

On the question - and maybe I've given a speech too long that I don't remember the question - but I'm not sure we agree with some of those assertions.

SUSAN LEBLANC: I'm going to move on and change tack a little bit. In April, a staff person with the Canadian Union of Public Employees filed an FOI request for the RFP for this contract. The request was processed by a FOIPOP officer, who issued a fee estimate of \$1,100 for retrieval of the documents. CUPE paid the fee, and the retrieval process began. Then in July, a FOIPOP officer informed the CUPE staff member that the request had been cancelled. The RFP was released in January. Is it still the same document today as it was then? Has the government been revising it in discussions with the bidders?

JANICE HARLAND: The RFP process is confidential. It's an established process by which we're going to get competitive bids from each of the three bidders. To get into the details of that subverts the process and risks the timeline of the project and the integrity of the process . . .

[9:45 a.m.]

SUSAN LEBLANC: To be clear, I'm not asking for the details of the RFP, although I think that would be great to know. I'm asking if the RFP was changed from the beginning of the process to where we are now. I'm wondering if the deputy minister could tell the committee if he believes it would be ethical for the department to involve bidders on a \$250 billion contract in the drafting of the RFP.

JANICE HARLAND: The RFP process is established - I'm not sure that the process is different from questions about the RFP itself. This is a well-established way of tendering P3 projects that we are following. We're not deviating from that process, but unfortunately at this point, to maintain the competitive tension that we have among the three bidders, it's just not appropriate. In fact, it could really derail the process if we start going outside the confidentiality aspects of the process that we're bound by.



SUSAN LEBLANC: To be clear, the department is not going to answer the question whether or not the RFP changed from when it was first sent out to where it is now. I don't want to know the details. I just want to know if it was changed. I'm wondering if the deputy minister could confirm the fact that the RFP is still a work in progress has nothing to do with the fact that the document will be released to the Canadian Union of Public Employees.

PAUL LAFLECHE: We're not sure we understand the question so we can take some time to figure this out.

SUSAN LEBLANC: The Canadian Union of Public Employees applied for the information through a FOIPOP request. It started to be filled - that request - and then was cancelled, so CUPE will not get to see the information that they asked for. I'm just wondering if you can confirm the reason why it was cancelled. Was the request cancelled because the RFP is still a work in progress?

PAUL LAFLECHE: I don't get the cancelled FOIPOP request, so I'm confused. What do you mean by cancelled?

SUSAN LEBLANC: As I said earlier, CUPE applied through FOIPOP. They were charged \$1,100, which they paid to get the information of the RFP and then halfway through, waiting for that information, they were told by a FOIPOP officer that they would not be getting the information. So they started that process of releasing the information and then stopped the process. I'm wondering if you can confirm the reason that they stopped the process was because the RFP is still a work in progress.

PAUL LAFLECHE: I can't confirm anything about the RFP at this point and I can't confirm anything with the FOIPOP because that's done through a different department. I'm not aware of this incident at all. We can look into it. Since the FOIPOP was filed by a private party, I'm not sure I can tell you anything about it. It would be a question for Deputy Minister Munro.

SUSAN LEBLANC: Can you tell us why the RFP being provided to private companies, why is it being provided to private companies for free when Nova Scotia residents are asked to pay \$1,100 for a copy of it? Why won't the government release the RFP and all documents related to service levels so that Antigonish and Pictou County residents can be assured that they will get the same level of service as every other area in the province?

PAUL LAFLECHE: We're confused about this FOIPOP thing because that's not our game. The RFP-for-free statement, the public - Janice will answer that.

JANICE HARLAND: The body of the RFP can be shared after the procurement is done. Providing it for free - we're asking bidders to expend literally millions of dollars

going through this process. The fact that we haven't charged them for the document that they'll need to do that . . .

THE CHAIR: Order please. The time for the NDP caucus has expired. We'll go to the Liberal caucus.

Ms. Lohnes-Croft.

SUZANNE LOHNES-CROFT: Thank you, Mr. Chair. Did you have any other comments you wanted to add to your last question?

PAUL LAFLECHE: I just want to reiterate, as I understand it - and Janice can correct me - the document will be released to the public for free once the process is over. Is that correct?

THE CHAIR: Ms. Harland.

JANICE HARLAND: The main body of the RFP that's seems to be of interest here, yes.

THE CHAIR: Mr. LaFleche.

PAUL LAFLECHE: When someone FOIPOP something, they don't necessarily say give me the document. They word it in a very different way and how that's charged and calculated by, what is now the Service Nova Scotia and Internal Services Department, is not a question I can answer, but they may not have exactly FOIPOP'd what people think they FOIPOP'd; that's a privacy issue. I don't have any idea what was FOIPOP'd. You'd have to go back to CUPE and ask what exactly they FOIPOP'd and are they willing to release that to the public, et cetera.

To me it's not the same; we're apples and oranges here. We're going to give the document to the public when the process is over. The essentials of the document, just like the company got them, and that's where it's going to go. I don't know what the FOIPOP is about. A lot of people send in FOIPOPs that say give me everything about a P3 highway in Antigonish. Well, that's not the same as requesting the document. It's kind of confusing for us what was asked; we don't know.

SUZANNE LOHNES-CROFT: Thank you. I'm going to go back to before, if you don't mind. I believe it was in 2016 that your department did a province-wide consultation regarding twinning highways and tolling. Was it 2016?

PETER HACKETT: Yes, 2016. It ended at the beginning of 2017.

SUZANNE LOHNES-CROFT: I attended - there were two consultations in my area. We recognize that some of these faces were there. We held one in Bridgewater and there was also one at Oak Island.

I think at the consultations that I attended, there was an overwhelming number of people who rejected tolling. Is that what you perceive from that consultation?

PETER HACKETT: Well, I think in general at the end of the entire consultation process throughout the province, I think it was mixed depending on where you went, per community. I think overall it seemed like the general consensus was that the public wanted twinned highways and safer highways to their communities, but they didn't want to pay a toll to get there. That was the consensus that came out of the study and at the end of it, the government went with some conventional methods and obviously the P3 in Sutherland's River.

SUZANNE LOHNES-CROFT: Would you say that that was generally the opinion throughout the province, not just in Lunenburg County where I represent?

PETER HACKETT: There were certain pockets of the province that were probably more leaning the way that they would take a toll and there were some parts of the province that they wouldn't take a toll. If you looked at the 16 consultations done around the province - 16 or 13 - on the overall from the public, you'd probably get a little bit above 50 per cent were against tolls, so the government decided that tolls wouldn't be the way to twin the highways.

SUZANNE LOHNES-CROFT: There were other suggestions in my area. There were jersey barriers put up instead of twinning, more passing lanes on Highway No. 103 - we had a death there just as recently as Friday. I travel it once a week. What other alternatives do we have to twinning? Are those the only ones?

PETER HACKETT: We'll stick to 100-Series Highways and if I could go back a little bit to the consultation process back in 2016, there were 300 kilometres of road that were identified in that process; some were twinning, and some were not. I think there was about 80 or 90 kilometres that were not twinned across Cape Breton Island, which would be a brand-new controlled access highway, so that was part of the process, but it wasn't going to be twinned.

The other 200 kilometres were basically twinned highways and so the sections were obviously from Tantallon to Bridgewater, Highway No. 107 from Bedford to Porters Lake, Highway No. 101 that would complete the section through Windsor that we're working on right now and then carried on to the other side of Coldbrook, then finish off Highway No. 104 from Sutherlands River to the Canso Causeway. Those were the sections that we looked at as part of that consultation. We chose the ones that we're picking based on the

fact that that's where the most traffic is and where we have the highest collision rates or somewhere around that.

The remainder of it that we don't get twinned, we're looking at some other options. For instance, if we use Highway No. 103, for example, there are opportunities to do what they call two plus ones, which are basically what you'd see on the Valley floor in Annapolis Valley between Berwick and Middleton where we have an additional - it's like a climbing lane, but you're not actually on a hill, you're on a flat, and it provides you with a passing area. Those are used down in the Valley. We were looking at those for Highway No. 103 and some of the other areas that we won't get to twinning for some time.

That's another option that we could get into and our department is looking at those, which I think Highway No. 103 is one of the candidates between Hubbards and Bridgewater. If we twin those sections, we would take those out and create twinning.

SUZANNE LOHNES-CROFT: Even since becoming an MLA in 2013 and travelling Highway No. 103 every week, in the last two years, I've noticed an incredible increase in traffic. Can you confirm that? You must do traffic counts on the highways and comparisons.

PETER HACKETT: I don't have the exact numbers in comparison from, say, 2013 to 2019. I can get that information for you. We do traffic counts on the 100-Series every year. We have a traffic book for those that I can certainly get to you.

We do know that the section we're twinning right now between Tantallon and Hubbards is probably the busiest section with the most traffic. The traffic does die off a little bit between the next interchange and then it goes down quite a bit between the next two interchanges and then it ramps back up around Exit 11 to Exit 13 around Bridgewater. I couldn't tell you what the incremental percentage changes are, but we do know where the actual highest vehicle counts come. We're twinning the first part and then we can see if we can get beyond that.

THE CHAIR: I just want everyone to keep in mind that today's topic is about P3 between Antigonish and Pictou County. We seem to be - as long as it comes to a point.

SUZANNE LOHNES-CROFT: A small province like Nova Scotia - and we've heard the deputy minister speak to the cost that we do invest in our highways and in construction. What are the alternatives for a small province like us to build highways? I understand from the consultation in 2016 it would take 20 years for us to do the twinning that was proposed at the consultation if we did not toll. What alternatives do we have to finance twinned highways in the locations that you deemed for safety reasons really important for our province? What alternatives do we have for Nova Scotia to pay for such construction?

PAUL LAFLECHE: I guess one alternative was tolls, which was an option and which was ruled out by the people of Nova Scotia. That's an alternative taken all over North America and Europe. We decided as a province - the public decided they would not like tolls, so we moved on from that to other options to do the financing and the construction. We can't lose sight of the fact that there are other benefits than just the financing to this.

The financing is not off book. Mr. Spicer is over there and he can tell you that that changed years ago, so people who think that this is about off-book financing or some other thing, that's not what this is about. A lot of this is about building it quicker, doing it more efficiently, getting the safety improvements earlier for Nova Scotians, and getting a guaranteed price with on-time delivery. That's what a lot of it is about.

It doesn't apply to all sections of highway. We had four sections that Peter described and we're doing a full P3 - we always do some element of P3 everywhere in everything we do. This is a full P3 with maintenance included. We're only doing it on that one section of Highway No. 104 because we deemed through the value-for-money assessment that that would be the best way to do that section. We would have applied similar thinking to other sections, and we deemed that the other sections would not have a significant enough benefit through doing a P3 - through doing one or two of another type of approach.

[10:00 a.m.]

SUZANNE LOHNES-CROFT: In the twinning of Highway No. 104 between Antigonish and Pictou, how much are we contributing as a province to that project? Do we know that?

JANICE HARLAND: We received the \$90 million through the National Trade Corridors Fund, which was already mentioned. Going back to the fact that we're in a competitive procurement and we really want to maintain government's negotiation position - we don't want to give that away at this point - the actual expected costs are something that we're maintaining confidentiality around and not sharing. We want to maintain the competitive advantage that we have.

SUZANNE LOHNES-CROFT: I'll let my colleague next to me ask a question now.

THE CHAIR: Mr. Jessome.

BEN JESSOME: I'll just quickly - I guess in the context of trying to identify the expectations of Nova Scotians with respect to all projects in the past and future several years.

With respect to the consultations that took place that my colleague Ms. Lohnes-Croft referred to, what was the consensus or conclusion, with respect to timeliness that came forward through those consultations - the expectations of Nova Scotians?

PETER HACKETT: Back to what I mentioned before is that I think Nova Scotians wanted their highways twinned, and they didn't want to pay for the toll to do it. We ended up basically looking at what we could do with the financing that we had, and from that, we chose the projects that we deemed to be the highest traffic volumes, I guess, that would have some of the highest collision rates. Nova Scotians wanted their highways twinned but didn't want to pay that toll for it - in general. I'm not saying it was everywhere or every pocket.

Going back to the twinned highway situation and going back to Ms. Lohnes-Croft's original point that she made about highways and roads - 100-Series highways are getting busier in the province. We see that each year. We see more trucks on the highways. We see more cars on the highways. We see more travellers and visitors. It is imperative to make sure that your highways are as safe as possible. That is the whole premise behind the twinning program. It's to make your highways safer. It's to move goods and services in the province a lot quicker and make sure they get to market and make sure people get to where they have to go.

I just want to go back to the P3 issue with Highway No. 104. We don't think we would have gotten there without doing a P3 on Highway No. 104 or doing it in this direction. Otherwise, it would take us many years to get there. If that's what people want us to do and not do it like we did on the Cobequid Pass and come in and do it in 20 months - when we did the Cobequid Pass, through Folly Mountain - we had three fatalities a year, and now we're at less than 0.8 or something.

That's sort of the premise of the department. That's what we're trying to do here. It's to make the roads safer and make them better for the travelling public. We're trying to balance that, obviously, with the financing behind it. We know that, as you mentioned, we are a province that has limited resources, and we're trying to stretch those resources as best we can, basically to get the product that we're looking for for the safety of the public and the moving of goods.

BEN JESSOME: I think it's important that we respect that wish and maintain the department's position to consider expediting the process with cost-effectiveness. In saying that, Ms. Leblanc's line of questioning touched on the discrepancy between historic methods of completing these projects and what we've chosen to do here today.

It was referred to by Mr. Hackett, I believe, that there were types of responsibilities that the province was willing to divest to the contractor and potentially assume less risk ongoing. Mr. Hackett, would you mind talking a little bit about what types of activities the

province would have traditionally taken on in a traditional model versus what might be assumed by a private contractor?

PETER HACKETT: I'm not going to specifically talk about the Sutherland's River and Antigonish project, but I'll talk a little bit about the Cobequid Pass because that is a P3 that we currently do have. They're general comparisons - they're not exact by any means.

On the Cobequid Pass, the consortium and the agency look after the maintenance and operations of the Pass so they obviously look after - in the province, all of our highway systems have a level of service so our department is supposed to fill pot holes and fix guardrails and maintain bridges at a certain time and date and there's a requirement time on our level of service. That's on the same as our winter operations. When we plow highways, 100-Series Highways are supposed to be plowed within four hours after a storm and trunks and routes are another level of service and local roads are another level of service.

Those same levels of service are applied to the Highway 104 Corporation and P3, but the department doesn't look after maintaining that level of service - it's given to the consortium. They're supposed to meet all those requirements, the same as the department would, but they look after them and they're paid for under the toll system in that case. That's the type of risk that we would transfer over to the consortium as the operations and maintenance of the highway itself - as well as anything else that happens up there. Things like if there's an accident on the highway or if there is debris on the highway or if the highway has to be closed - it's our highway, but it's done through the consortium. They look after the whole operations and maintenance of the roads. Those are the types of risks you hand over to them, as well as accidents, cleanups, that sort of thing as well.

I think that's pretty much on the operation side of it. There are other things that go along with highway risk as well, like anything that happens - if the road, for instance, if a culvert failed or if the asphalt became so bad that they had to repave it, that is all the risk that we transfer towards the P3 consortium at the Cobequid Pass.

BEN JESSOME: Dare I ask, how do we look to maintain these roads without tolls? I think that's an important question to ask.

DIANE SAURETTE: If we had an unlimited budget, we could maintain them, but it's all about balance and our department is only one of many departments. We have a budget and we get so much revenue to help offset our budget. It's a balance. It comes down to priority and where the needs are and doing things traditionally. We have a five-year capital plan so we plan long term. We have a plan after the five-year capital plan as well, but it really comes down to budget and what we have available in terms of to be able to spend.

It would be difficult for us to say that we can meet all those standards doing things status quo, more traditionally than what we do. It really comes down to we know what our highway system is like in our province and so we do the best that we can with the budget, but we also look at what some other options, what are some other funding pots that we can access. We have very close relationships with our federal partners.

THE CHAIR: Order. The time for the Liberal caucus has expired.

For the second round, it will be 12 minutes for each caucus, and we'll go right to Mr. Halman.

TIM HALMAN: Deputy, you had indicated that there are many P3 success stories in Nova Scotia's history. Can you provide examples of highway-based P3s that ended up costing Nova Scotians less than if it was simply done through the traditional procurement system? Could you provide some specifics of success stories, please?

DIANE SAURETTE: I'll try to answer that one. The only one that we have is the Cobequid Pass and that's under a 30-year bond financing. We're going into year 23 and the expectation is that we're going to be in a place to pay off the bonds in early 2020.

When we look at the highway itself, given the number of kilometres - over 45 kilometres - it was built quicker than what we would have done traditionally. We look at the condition and the quality of the highway. We don't just look at the cost; we look at the whole project. If we were to build that highway traditionally, we probably would've just been opening it in the last five years.

That's really the only one that we can speak to because it's the only one that we have and we're going to be in a place soon to be able to pay the debt on it.

TIM HALMAN: Are there any other examples that you can cite, or is that the sole example?

PAUL LAFLECHE: We're just discussing here how many P3 highways we have, and I think the only things we can think of in terms of highways would be the Highway No. 104 Cobequid that we've built, so one for one is better than most Jays are hitting these days.

The other examples we would have would be the two harbour bridges, which is a separate agency set-up that does have its own status. It's got a board and it does borrow money and it does collect tolls, and we are very satisfied. We feel the Big Lift - only the second time that's been done in North America - was an incredible example of a corporation innovating, taking risks, and coming up with a big success.

We're quite happy with these examples - Highway No. 104 and the harbour bridges would be the other one.



DIANE SAURETTE: I think the other thing I just want to clarify is that the Cobequid Pass is the provincial Crown corporation, so the revenue goes to the province. That's why we're in a place that we can pay the debt soon, so the revenue risk - one of the risks that didn't get transferred stayed with the province. It's our provincial Crown and it's one of our GBEs. It's a separate Crown corporation because of the toll. It's very specific in the legislation as to what the toll can be used for. It can't build a school or a hospital; it stays with the Crown but we are in a place, because we own it and the excess revenue is ours, we're in a place soon to be able to pay that debt down.

TIM HALMAN: This summer I took my kids to New Brunswick, Quebec, and Ontario and they had a chance to see the different infrastructure that exists in our different provinces. I had my kids on Highway No. 407 and they certainly appreciated avoiding Highway No. 401.

The reason I say this is because often here in Nova Scotia, we do a jurisdictional scan on best practices throughout Canada. When it comes to these types of highway constructions, do we do a jurisdictional scan with other provinces to see what best practices are? Is there any information you can provide us with that?

PAUL LAFLECHE: The answer is yes. We did that also as part of the feasibility study we did for this. We looked at that, but some of the examples heavily promoted recently - in fact all of the deputies have had multiple presentations on this - are the Regina Bypass in Saskatchewan; the extension of Highway No. 407, as well as the original Highway No. 407 in Ontario; the construction that's going on now for Highway No. 427 in Ontario; and the next phase of the Regina bypass, being just some examples. We scanned across North America basically to look at what has been done elsewhere. One of the things we like to do is see where there have been other successes and failures and lessons learned.

[10:15 a.m.]

When we started down the P3 road back in the mid-1990s with Bob Moody at Education and we did some schools, we were basically the first in the game in Canada. We were really at the front end of the innovation. Things have gone a long way since then. There were a lot of lessons learned everywhere where people have done P3s. We incorporate those lessons into the model we're looking at today.

Other P3s that we have done recently or plan to do - we had a P3 which unfortunately New Brunswick pulled out of on mobile radio, trunk radio. It was before your time, member Halman, but your predecessor would remember that well. We ended up doing it ourselves in a non-P3 because it became much smaller. We have a P3 without the maintenance up at the new convention centre, the Nova Centre. So far, it's going very well, delivered within the long stop date and on budget, so we're very satisfied with that P3 so far. As I mentioned earlier, we have a number of P3 schools, which I won't speak to because I have no real knowledge of them. They were done in the 1990s.

I think the Burnside (Interruption) Not the jail. I got the wrong name for it. It's called the morgue somewhere else, but it's called something else here. Anyway, you know what I'm talking about - it's where they go and inspect how people died. I'm sure the media know what that is. Do you know what that is, Peter? It's called the morgue in a lot of places.

THE CHAIR: I think what we'll do is go back to the question.

PAUL LAFLECHE: That was done as a P3.

TIM HALMAN: It's certainly out there that objectively speaking, in terms of studies that are done, largely on reviewing several Auditor General Reports, that in some cases, the P3 approach has resulted in failure in terms of costs, risk management, evidence-based decision-making. That cost Nova Scotians tens of millions more than the traditional procurement process.

I'm curious as to what policies and procedures the department has put in place to mitigate future failures in terms of cost and risk management. Certainly while there are examples of success, unfortunately, there are examples where it didn't work out. What policies have you put in place to mitigate potential failures?

JANICE HARLAND: I think as has been said, we're following established processes. We're speaking to others who have done similar projects, learning from their lessons learned. The value for money, the market sounding, the processes that we're following - these are all processes that have been established and refined as projects and times move along. We're working with the benefit of the experience of others and our own experiences.

TIM HALMAN: One of the supporting research documents that was sent mentions how maintenance work on the toll road was considered sole source. From my understanding, there is no competitive bidding process involved in the costing and the work that is undertaken with maintenance. Will this P3 project contain any work that will be needed that will be considered sole source - in other words, no competition for maintenance? If you could comment on that please.

JANICE HARLAND: Again, without getting into details of the procurement, the very nature of design/build/finance/operate/maintain P3-type projects is that the proponent that is awarded the work - it's based on their proposal and their costing. It's part of the overall package. It's not something separate from the overall procurement.

THE CHAIR: Mr. Halman with about a minute and a half left.

TIM HALMAN: In your opinion, does sole source provide good value for money in terms of once someone has a contract over five years to provide maintenance? Do you think that should be opened up to competition? Just a general question.

PAUL LAFLECHE: That's really a question for my colleague Deputy Munro, because she's in charge of procurement and it's really a procurement question. We have all sorts of international and national agreements we have to follow with respect to procurement.

There are times when things are needed on an urgent basis. For instance, we're probably in a period of that right now because of the storm, and sometimes competitive bids and the full process just doesn't deliver you the product you need in time. If Nova Scotia Power needed to replace a couple of generators up on a pole, and they went to a competitive bid and it took three months to get the generators, people would be out of power for a long time. Sometimes they just have to quickly sole source those generators or whatever piece of equipment they need.

We do that from time to time when there's an emergency or when there's only one supplier of a particular product. That happens and then, if there's only one supplier, your job is to negotiate the best deal you can with that supplier. There are other ways you can gain leverage and you work hard to do that, but generally no. Sole source is not a tool we would use, but from time to time we have to sole source and it's in the best interest of the public.

THE CHAIR: Order, please. The time for the PC caucus has expired. Ms. Roberts with the NDP, you have 12 minutes.

LISA ROBERTS: Thank you very much. People in Nova Scotia are worried about the safety consequences of outsourcing the construction and maintenance of our highways, particularly based on the experience in New Brunswick where P3 highways were closed the most days of any highways last winter. We understand that passing lanes were frequently undrivable and it often took more than 36 hours after a snowfall for those P3 highways to be cleared. Clearly, this is very important both for EHS paramedics, the RCMP, but also just for general travellers.

This year, the New Brunswick Auditor General found that decisions to outsource highway construction and maintenance work were made on a subjective basis without adequate evidence and discovered that there wasn't an adequate decision-making framework for determining which programs and construction tasks to outsource.

Finally, the Auditor General also found, in New Brunswick, that outsourcing these programs came at a higher cost and that government responded to private sector requests for additional work which cost taxpayers more.

At this point, I wonder if the deputy minister can confirm that additional kilometres of maintenance work above and beyond what was included in the original stretch of highway to be twinned - from Sutherland's River to Antigonish - were added to the RFP at bidder's request.

PAUL LAFLECHE: I'll address the construction part first of all, and I'll pass it on to Peter Hackett for the maintenance. We almost always outsource construction. There's no construction in-house, that I know of, so that's just the way it is. I don't know what the difference is here. When we tendered Highway No. 103, that was outsourced to Dexter and they're doing the construction. There is no in-house crew that would have done the twinning of Highway No. 103. I don't know how to answer that question because there's no base of in-house construction.

On the maintenance side, I'll let Peter Hackett go for it.

PETER HACKETT: I guess the first thing is, I can't comment with regard to New Brunswick. New Brunswick has completely different highway standards than Nova Scotia, so they do things differently with regard to snow removal and they do things differently with maintenance, as well. We have different standards. We are very tight with New Brunswick, P.E.I., and Newfoundland in the way we discuss things, but we don't do things the same way so I can't comment on what they do in New Brunswick.

In Nova Scotia, we obviously have the Cobequid Pass that, as I mentioned before, we do the maintenance and operations there, or the consortium does. The agency, that's held to the same level of service as the rest of the province and we have caveats in place to make sure that's done as good as, if not better than, what the other 100-Series are.

We also do private work. Private companies do work for us on an individual basis. We hire private trucks to do work for us in the wintertime because we don't have enough operators to do the work, which is another issue that we have within the province, but that's another story. When those private contractors are hired by their individual bases, they do the same level of service, the same work as our normal operators or in-house people would do. They're held to the same level of standard that we have in the province.

That has never really been an issue with outsourcing to private companies to do work for us. We've always kept them at the same standard. There has always been some sort of caveat or penalties involved if they don't.

With regard to your question about the length of the project from Sutherland's River to Antigonish and then expanding it a bit further for more maintenance, that was decided before the project went to tender. We made a decision that we have a bigger section of maintenance because it just made more sense by volume to do a larger section.

LISA ROBERTS: I'm going to ask a quick follow-up related to maintenance. Can we assure residents of Antigonish County in terms of what the standard will be for snowfall removal from this highway? What are the standards of clearance? Will it be expected to be full clearance or will partial do? How will the province be monitoring the standard of maintenance, including snow clearing after this project is completed?

PETER HACKETT: I can't comment with regard to what is in the contract of guarantees and contractual agreements because it's RFP. We would expect the consortium to do the same level of service, if not a better level of service, that we currently have on the 100-Series Highways.

PAUL LAFLECHE: I just want to emphasize, on the maintenance side, as Mr. Hackett says, a lot of the times that we contract out maintenance it's not for quality reasons - it's because of the type of equipment we have. The large equipment is not good for small subdivisions. Sometimes it's more convenient for a town or a municipality to do the maintenance because of proximity reasons and we do a flip with them.

There are all sorts of reasons, but we are very satisfied with the quality of our internal workforce - very proud of them. They do a great job. In fact, they're out there now helping, hopefully, to restore power by assisting Nova Scotia Power. They've always given us great service, so it's not about that. It's about convenience and efficiency for Nova Scotians.

LISA ROBERTS: I want to go back to the assertion that this had to be a P3 project in order to get it built quickly. We did have the \$90 million commitment from the federal government on the table more than a year ago and we had also made a provincial commitment in 2017. If this had been pursued as a public project and there wasn't the necessity to go through this long RFP procurement negotiation with the three competitive bidders and so forth, might we not have already been seeing work on this project proceeding?

PETER HACKETT: I can speak to the engineering part of it and I'll let Ms. Harland speak to the financial part of it. On the actual construction part - just to kind of let you know on the way the department was doing their priorities - we did the piece in Antigonish. That was the last piece of twinning that we did down that way. Then we did Highway No. 125 in Sydney. That was a piece that we had - based on traffic volumes - and there were issues around the Antigonish area that we wanted to get away from the traffic lights and that sort of thing.

So those were done and the next pieces that we're going to were Highway No. 103 and Highway No. 101. Highway No. 101 was a section through Windsor that was left kind of orphaned that we wanted to get completed - a lot of traffic through there - and Highway No. 103. All those things were prepared and already designed and already planned, so it was already to go to tender whenever we had the funding to go.

The Highway No. 104 section wasn't on the radar between Sutherland's River and Antigonish. We had no engineering done. We had no geotechnical done. We had no right of way done. We had an alignment to some extent, but not a full alignment. We still don't really have those things done except for the land that we're working on right now and kind of a line of alignment that will be determined by the consortium.

So if we tried to go with the tender on that conventionally, it would have taken us a lot of years to go out and do the geotechnical and do the alignment and do the detail designs to get them ready for a conventional tender. It could've been done, it's just that it would have taken longer because the prep time would've taken longer.

I'm not sure about the financing because a lot of these projects we do piece by piece by piece, because of the fact that we have so much designed, and then we get the financing for it.

LISA ROBERTS: I'm just wondering, with the \$90 million commitment from the federal government, was that contingent on the project being a P3?

JANICE HARLAND: That was part of the proposal, and that is what they contributed to.

LISA ROBERTS: So it was framed by the province that it would be a P3 project when the federal funding was requested?

JANICE HARLAND: Yes.

LISA ROBERTS: A couple of times, there have been comparisons to Antigonish where the 10-kilometre stretch took 10 years, as I understand it. I've driven through there and it feels like a very complicated stretch; each interchange leads to multiple roundabouts and so forth. Is it fair to compare that stretch of 100-Series Highway to the Sutherland's River, through Barney's River stretch, which is much more rural and doesn't involve that level of complication?

PETER HACKETT: Yes. They're a little bit separate. The Antigonish section is a little bit more urban just because of, as you mentioned, the interchanges through there. There are two or three interchanges and then you're going kind of around a more urban setting - more buildings, more homes - that sort of layout around the highway. Through Sutherland's River to Antigonish, it's pretty rural and pretty straight. The only section that would be different than what you really see today with the twinning is the section around Barney's River. The Barney's River section right now goes more to the north, and we're going to go to the south of that to make it about 10 kilometres long of new four lanes.

The old section through Barney's River was an old design; it's old engineering where they kind of followed the contours of the mountains. We're trying to get away from that to make it a better geometry so you can do it a little faster and a little safer.

LISA ROBERTS: We've built a lot of highway infrastructure in this province and we continue to invest and prioritize a lot - prioritize building the robustness of the 100-Series Highways. Overall, have we seen collision rates decrease as more highways are twinned?

PETER HACKETT: Yes, absolutely. We do have records that show - I'll go with the fatality rates - go down. There are still collisions on 100-Series Highways, but 100-Series Highways that are twinned, the fatality rates do go down. There are still collisions on 100-Series Highways, obviously, speed and inattentiveness and that sort of thing that we see more of, but the fatalities where you have these head-on collisions and multiple vehicles involved; when you get to a twinned highway, the statistics show that you're getting less fatalities.

PAUL LAFLECHE: I just want to stress that Ms. Lohnes-Croft brought up a good point earlier is that twinning is not the only way to achieve that purpose, but we tend to default to twinning. There are other ways and we have employed some of those other ways in the province, but because of the nature of the trade corridor on Highway No. 104, twinning was felt to be the correct solution.

THE CHAIR: The time for the NDP caucus has expired. We'll now go to the final 12 minutes and the Liberal caucus. Mr. MacKay.

HUGH MACKAY: Thank you very much to the witnesses who've been participating today. It's been very informative so far.

I just want to go back to the question about snow removal down in Antigonish. I recognize that the Opposition members here today are all from the beautiful City of the Lakes, Dartmouth, and therefore may not be as aware of the standards for snow removal here in the province. I can assure you that once we hit our winter months, that will be one of the number one topics that people are contacting my office about.

It is very, very rare - almost unheard of - that we ever get a complaint or question regarding snow removal on the 100-Series Highways. Your performance on that is outstanding and I don't want to take away anything from our neighbours in New Brunswick - you say they have different standards, different weather patterns - but your work is very good. I don't think that the folks in Antigonish need to be too concerned about snow clearance on Highway No. 104 through their area.

Somewhat related to that and the mentioning of fatality reductions, Mr. Hackett, perhaps you could confirm that - I believe I heard earlier, but the last questions brought up the topic of reductions of accidents and fatalities. I think you quoted some statistics from the Cobequid Pass that would indicate that there was a reduction in fatalities on that P3 program. Could you repeat those for the benefit of the committee?

PETER HACKETT: Before the Cobequid Pass was built and Highway No. 104, which is now Trunk 4, ran through from Masstown up through Westchester Station, it was Highway No. 104, a two-lane highway. It's a two-lane highway, as I mentioned earlier about Barney's River, that is an old design, where highways were built around the contours of a mountain, and they used the mountain as their basic geometry. Through that section

of highway, they were experiencing upward of three fatalities a year. When they opened up the Cobequid Pass and for the last 20-plus years that that has been open, the average fatality rate is around 0.8 or 0.5, somewhere in that range, so it's less than one a year now. You might get more in one year and none in another year, but it is a lot less than what it was.

HUGH MACKAY: You would certainly agree, then, that there has been not a greater safety risk with a P3 project but in fact, in that case, there was a significant decrease in traffic fatalities and risk to the public.

PETER HACKETT: Yes, if you're looking at that as a P3 - I guess the biggest part there on the P3 was the fact that, as Ms. Saurette mentioned earlier, it was built in 20 months. Obviously, as we said, there were less fatalities now that it's opened up, but you got it open quicker, so there were less fatalities after that was built. Twenty months is very quick, and if you did it longer, then you would have to keep the other highway open, and there would be more fatalities if that was open. For that reason alone, yes, the Cobequid Pass and opening that up to a P3 was a success.

HUGH MACKAY: I also would like to touch base on a previous subject here on federal support. As I understand from the deputy, there was \$90 million provided through the National Trade Corridors Fund. Of course, I frequently travel Highway No. 103 because the twinning on Highway No. 103 right now is occurring entirely within my constituency, and I see those great big signs that talk about federal as well as provincial support there.

The support in those is not coming from the Corridors Fund. Is it coming from the federal infrastructure bank? How did they provide that funding? What's their mechanism?

PAUL LAFLECHE: That's a little complex because I think you may be seeing signs for the Ingramport Interchange. Did the feds contribute to the Ingramport Interchange? Yes, so the twinning and interchange are two different projects. The Ingramport Interchange had a federal contribution. I don't know if you know how much that was - does anybody? That was done prior and that did have a federal contribution.

The twinning section of Highway No. 103 that you see going on now between Exits 5 and 6 - that's Tantallon, if I pronounced that correctly because I'm from the North End, where Ms. Roberts comes from, not from the City of Lakes, so I might pronounce things poorly - Tantallon to Hubbards is provincially paid I believe 100 per cent. Is that correct - the twinning? That's a cost-share also, but that's a separate cost-share, and Ms. Saurette is pulling out the numbers right now.

DIANE SAURETTE: Upper Tantallon to Hubbards . . .



PAUL LAFLECHE: While she's looking for the numbers, I will explain something about this. The Ingra Airport Interchange and this cost-sharing on Tantallon to Hubbards are part of the old New Build Canada. Get the irony in that - the old New Build Canada. There was a Build Canada, and there was a New Build Canada, and that was under a previous federal government. The New Build Canada phased out, and we had money left in which we applied to several projects, and you'll see that cost-sharing. Under the new infrastructure program that was brought in in 2016 by the federal government which was elected in 2015, there is actually no highway money for provinces. I'm drilling too far down.

The only access was for things that are considered trade corridors, which is not part of the core infrastructure program, and that's where we got the Highway No. 104 money, from National Trade Corridors Fund, which is not part of the base allocation of the province.

HUGH MACKAY: I don't need the specific numbers, minister. Thank you for diligently looking for them there. That was not the nature of my question. It was because I had seen the signs and was well aware that that was a cost-share project. I just wanted to clarify the difference that we receive money specifically from the federal government for the P3 project for Highway No. 104 because it is part of the National Trade Corridors Fund, and we would not have received that money otherwise, that \$90 million top-up as you said. It wasn't coming from something like the old new program or the new old program or such.

PAUL LAFLECHE: In the new 'New' program, the highways are not eligible, so the only way was to go through a competitive process for non-census allocated money from Ottawa where we have to win part of what at that time was about \$1 billion available across Canada. Nova Scotia actually scored, in the four projects we got - the Premier stated this last week - \$170-odd million, which is way above our population percentage, of that competitive process.

DIANE SAURETTE: Just on the twinning program, it's approximately close to \$1 billion, if we look at all of the sections of the highway and all that. This includes Sutherland's River. In federal funding, over \$400 million is what we're getting from the federal government from various funds, whether it's our new New Build Canada Fund, which is our allocation base, so we get it based on population. Highways and bridges are eligible under that program.

Then we look at some of these other programs like the National Trade Corridors. That's merit based, so we have to apply, and we're competing with the rest of Canada on those funds. The National Disaster Mitigation Program is another one where we seek funding for our highway programs. We look, and we try to leverage - what are the pots of money out there? What are we going to get from allocation? What are some of these other merit-based programs that we can apply to? We have been very successful on Trade

Corridors and the National Disaster Mitigation. We got about \$230 million extra for our province, and it helps to go towards these twinning projects.

HUGH MACKAY: Certainly what we have heard today with all these twinning projects and the funding, it's obvious that the relationship between the provincial government and the federal government for these massive roadway infrastructure projects in Nova Scotia has been excellent. I was wondering if you could speak towards future plans for Highway No. 104 to continue it from just east of Antigonish through to the Canso Causeway.

PAUL LAFLECHE: You might have detected in the earlier comments that we would like to you to invite us back to talk about infrastructure funds generally, but we'll leave that for a future day.

There is no highway allocation in the Infrastructure Canada money going forward except Trade Corridors, which is a much smaller fund, and you have to be competitive. We, like other provinces, would like to see the federal government come back with a new, new, new infrastructure program - they can decide how many "news" they need in front of it - and reintroduce highway funding, in which case, we would be very excited to look at projects such as the one you just mentioned and others.

Maybe I'll ask Peter to say where we might be on corridor reservation or other design, planning for the day when the federal government comes back with the new, new, new.

[10:45 a.m.]

HUGH MACKAY: I recently travelled along Highway No. 104 and believe I noticed some wildlife protection fences, if I saw them correctly. Are there any plans for further usage of those on Highway No. 104 or other twinned highways?

PETER HACKETT: There is some future for them. We're looking at areas across the province mostly for deer and looking at the correlation between deer crossing with DNR and where these fences should go up. We don't have the same problem here in Nova Scotia as they do in New Brunswick where they have moose. If you hit a moose, it's more a fatality or you're injured quite severely. If you hit a deer, it's a little different.

THE CHAIR: Order. The time for questioning has expired. We want to thank the witnesses for appearing this morning and invite you to make any closing remarks, if you so wish.

PAUL LAFLECHE: Thank you very much for inviting us here. We're very proud of the work we've done on the highway system and on infrastructure in general. We would

like to be invited back one day to talk about the infrastructure funds - I'm seeing these guys don't want it, but that's okay.

I want to mention something on the FOIPOP thing because we did not mention that we knew that someone had applied for a FOIPOP. We do not know that. We never find that out and we're not going to talk about that outside this room. So the fact that so-and-so applied for FOIPOP is a privacy thing and we're not aware of that. We're not part of that process. It's done in a different department and it's shielded from us.

I hope that we were able to answer most of the members' questions. I think we were, and I think we're probably going to have to answer some more questions outside this room. Thank you.

THE CHAIR: Thank you and thank you to the committee for being here. I'm sure that further down the road, the invitation might be extended, but that's going to be the wish of the committee at that point. Again, thank you so much.

Committee members, we'll just move along and finish committee business. There are a few items that need to be dealt with. First of all, correspondence. Everybody has received a copy of the correspondence from the deputy for information that was requested from the July 10<sup>th</sup> meeting. That correspondence has been received. No questions or comments on it.

Next is the 2018 annual report. The subcommittee has reviewed the report and passed a motion to send it to the full committee for approval. The report has been sent to all members. Are there any changes or comments that anyone wants to put forward? If there are none, I'll ask for a motion to approve the 2018 Annual Report of the Standing Committee on Public Accounts. Ms. Lohnes-Croft.

SUZANNE LOHNES-CROFT: I move that we send the annual report to the Legislature at the next sitting.

THE CHAIR: The motion is carried.

On November 13<sup>th</sup>, the Auditor General and the Department of Finance and Treasury Board will be appearing regarding the annual financial report for the Auditor General. The Department of Finance and Treasury Board has offered to provide a briefing or a training session to the Public Accounts Committee in advance of when they appear to discuss the AG's financial report. I think something similar was done in 2017.

If the members are interested, there are options that could be considered. Of course, it would be subject to the availability of the Department of Finance and Treasury Board. The first would be that our October meeting could be extended to hold the training session; we could have a separate meeting for a training session; or third, we could have training held on the day that the Auditor General does appear but start early to have that training

session. I guess it's up to the committee to decide what they wish. Do you want to extend the meeting in October or have a separate meeting?

Ms. Leblanc.

SUSAN LEBLANC: Even though we are in session, I think the best option seems to me to extend that October 9<sup>th</sup> meeting because we'll all be here. It's going to be hard to find a time when we can all meet outside of these regular meeting dates, especially given that we are going into session soon. I vote for extending the meeting on October 9<sup>th</sup>. I'm interested in the training and maybe it's only just for the people who want to stay for the training.

THE CHAIR: Mr. MacKay.

HUGH MACKAY: While I appreciate Ms. Leblanc's points, I think the first question we have to determine is, how long is the training? Is it one hour or is it five hours of training? That would significantly impact if the House is sitting.

THE CHAIR: I can't answer that; I don't know if we can get an answer. Ms. Langille.

KIM LANGILLE (Legislative Committee Clerk): I believe when they did it before, it was two hours, but I think they can adjust it to what the committee feels would be appropriate. I think previously it was two hours.

HUGH MACKAY: That would therefore make it very difficult to do if it was to be two hours. If we normally sit until 11:00 a.m. and most of us have, of course, briefings before we come into the Legislature starting at 12:30. Perhaps the training could be split into two one-hour sections. We do have caucus that day, so I would prefer that we establish another date to do the training outside of normal legislative sitting.

THE CHAIR: Ms. Roberts.

LISA ROBERTS: I would agree that scheduling a different date when we're not in the Legislature would be ideal. I did find the training very useful and I think for any of us who are more comfortable with words than we are reading financial statements, I think there's a lot to be gained from the training.

I would suggest that we look at a Wednesday morning maybe two weeks or one week in advance of the November meeting. We used to have these meetings every Wednesday and so I still kind of hold them in my calendar in the hopes that they will once again be occupied by the Public Accounts Committee.

THE CHAIR: Mr. Halman.

TIM HALMAN: I concur with my colleague, Ms. Roberts. I think another date is probably the best way to go. While I think having it on October 9<sup>th</sup> has its merits, it's going to prove to be very challenging especially with the House in session. I certainly think we should look at another date to facilitate that training.

THE CHAIR: Ms. Leblanc.

SUSAN LEBLANC: I'm in agreement with my colleagues. I was confused. I agree.

THE CHAIR: It's going to be based on the availability of the Department of Finance and Treasury Board, but how about if we just leave it and see if we can find a Wednesday for a couple of hours that are available at regular committee hours, although the committee won't be meeting, but we can have it then.

Ms. Lohnes-Croft.

SUZANNE LOHNES-CROFT: May I suggest, since we did this in 2017, maybe the shorter version would be better - if they could do it in an hour - if it's possible.

THE CHAIR: That would be left to the discretion of the Department of Finance and Treasury Board but if everybody agrees, we'll just pick a date that's suitable for Department of Finance and Treasury Board and contact everybody after that.

Our next meeting is on October 9<sup>th</sup> and we have an 8:30 to 9:00 a.m. in camera session. The session will be the Public Service Commission, Departments of Agriculture, Community Services, and Justice concerning diversity and inclusion in the Public Service from the May 2019 Report of the Auditor General, Chapter 1.

Is there any further business to come before the committee? Any further business? If not, we stand adjourned.

[The committee adjourned at 10:54 a.m.]