



Office of the Auditor General

Auditor General's Statement to the Media

**Release of Bluenose II Restoration Project Special Report to the Nova Scotia House of Assembly
1/28/2015**

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Good morning ladies and gentlemen. Thank you for coming today and for your interest in our work.

I am pleased to have tabled my report on the Bluenose II Restoration Project with the Speaker of the House of Assembly, for distribution to the Members of the House. This morning I met with the Public Accounts Committee of the Legislature for three hours to discuss the results of this audit. This is to assist them in their role of holding the government accountable for its management of Nova Scotians' money.

This report addresses the question of whether the Bluenose II restoration was adequately managed by the government and, in particular, the Department of Communities, Culture and Heritage as the lead department. The audit focused on whether the government did what was expected in terms of planning the project, managing the project and overall oversight.

Before outlining the results of our audit, I would like to take a minute to express thanks.

Firstly, I want to thank the senior government officials, civil servants at all levels, and the numerous private sector parties that we dealt with during the course of our audit. I can assure you that we had complete cooperation from all parties to get us where we are today. This includes acceptance by government of the findings and conclusions, including recommendations, made in this report.

Secondly, I want to thank the executive team and staff in my Office who rose to the challenge to produce a report that I believe adds value for government, for the legislature and Nova Scotians at large. We are providing independent assurance on whether the Bluenose project was well-managed. In addition, we make recommendations where appropriate so that government can improve efficiency and effectiveness in the future. We can't change what has been done but we fully expect government to do better in the future by acting upon our recommendations.

Before detailing our results, I want to remind people of some key facts about this project.

The \$14 million total budgeted refurbishment of the Bluenose II is now at \$20 million, with an additional \$5 million in dispute that could bring the total cost to \$25 million. It was originally planned to have a net cost to Nova Scotia of \$7 million after federal funding, but that amount now stands at \$15 million, with the potential to be \$20 million, depending upon resolution of the disputed amounts with the builder.

Let's be clear. This means the actual costs to Nova Scotia is now nearly two times the initial budget, with the potential to go three times over budget, depending upon how the dispute is resolved.

As well, originally scheduled for completion in May 2012, the project is still ongoing today. This means we are currently looking at least three years late and a total project length since initial approval of five years at this point. The first contracts for the Bluenose II were signed back in 2009.

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Was this appropriately managed by government – this is the key question answered in this report.

Overall, it was clear from our audit that the Bluenose II restoration project was poorly planned, lacked appropriate project management and there was inadequate oversight by government.

Communities, Culture and Heritage was the lead Department for this project; yet staff had little experience with large construction projects. Nobody has been able to provide a good answer as to why this Department was given the lead and to this day everybody within government is left scratching their heads as to why this Department was in charge.

It is baffling that the senior leadership of government allowed this to happen. Not only did it happen at the beginning, but it continued throughout even when signs of trouble existed.

Early decisions were rushed as the government tried to meet federal infrastructure funding deadlines. This contributed to many problems over the course of the Bluenose II restoration.

The initial Bluenose restoration budget of approximately \$14 million was not based on detailed cost estimates and did not include significant cost drivers; yet it was used as the final budget.

A realistic project budget and schedule for completion were never developed. Little was done to consider project risks and potential mitigation strategies.

Poor planning meant Communities, Culture and Heritage was not ready to move forward with procurement but did so anyway. Contracts with key stakeholders such as the builder, designer and project manager lacked details concerning project expectations.

Appropriate project management was also lacking. The process to make project changes was poorly defined and has contributed to the pending dispute resolution.

As the project continued, a lack of oversight contributed to issues which arose. Poor planning ultimately led to project delays and \$4 million to \$5 million in disputed costs.

As well, relationships between key project stakeholders were strained. Communities, Culture and Heritage was aware of these issues but were not successful in addressing them.

The implications of working with a classification society were not fully addressed in the construction contract. This became a significant problem which took longer and cost more than expected.

Both the designer's and project manager's contracts lacked penalty clauses and both were routinely extended throughout the life of the project.

In summary, the case is clear that the government did not sufficiently plan and budget the Bluenose II restoration from the beginning. Moving from the initial budget and timeline, the government did not

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adequately manage the project to prevent and deal with issues along the way. Government oversight throughout this project did not meet what Nova Scotians should reasonably expect.

The impacts of weak management include: a project that could be nearly three times the initial planned net cost and many years past due.

I am disappointed by the failure of government leadership to effectively prevent and resolve these many issues and to be unable to manage their way out of this situation for so long. It is little wonder they are now in the situation they find themselves.

Given the financial state of this province and the need to effectively manage limited resources, the government cannot continue to manage this way or it will face the same results on future projects. Nova Scotians expect better.

I will now take your questions.