



*House of Assembly
Newfoundland & Labrador*

Standing Committee on Public Accounts

50th General Assembly – Report 2
Review of the Auditor General's Report on
the MV Veteran & MV Legionnaire

April 2023

This report is privileged until tabled in the House of Assembly.



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Committee Members

Members of the Public Accounts Committee during the period of the Committee's work on this matter were:

Helen Conway Ottenheimer, Harbour Main, Chair (appointed to Committee as of October 19, 2022; acclaimed Chair on April 19, 2023)

Sherry Gambin-Walsh, Placentia - St. Mary's, Vice-Chair

Brian Warr, Baie Verte - Green Bay

Pleaman Forsey, Exploits (as of April 3, 2023)

Jordan Brown, Labrador West

Lucy Stoyles, Mount Pearl North

Tony Wakeham, Stephenville - Port au Port (up to January 24, 2023)

Scott Reid, St. George's - Humber

Lloyd Parrott, Terra Nova (up to October 18, 2022)

Unless otherwise noted, Committee members were appointed by motion on June 1, 2021.



Transmittal

Speaker,

I am pleased to present Report 2 of the Public Accounts Committee for the 50th General Assembly. This report reflects the Committee's review of the Auditor General's report respecting the MV Veteran and MV Legionnaire. I thank members of the Committee for their diligence and hard work on this matter and I recommend this report to the House of Assembly.

Respectfully submitted,

Helen Conway Ottenheimer, MHA
Harbour Main
Chair



Mandate & Order of Reference

The Standing Committee on Public Accounts traditionally reviews the annual reports of the Auditor General, selecting matters from the report on which to hold hearings. The Committee reviews the audited accounts of the House and the Clerk's role as accounting officer. It also inquires into other matters it may determine relating to the Public Accounts of the Province and may request special reports from the Auditor General on issues it deems to be of concern.

The Committee is dedicated to improving public administration, including how government delivers services to its citizens, by overseeing the implementation and effectiveness of government programs and operations in accordance with intentions of the Legislature. It uses powers vested in it by the Legislature to ensure recommendations of the Auditor General are implemented.



Statement of Values

The Standing Committee on Public Accounts is dedicated to improving public administration in partnership with the Auditor General. The Committee examines the administration of government policy, not the merits of it. The Committee strives to achieve consensus in its decisions, whenever possible, and Members take a non-partisan approach to their work on this Committee.



Background

In March 2018, the Public Accounts Committee requested the Office of the Auditor General (OAG) undertake a review of the process used to purchase two vessels, the MV Veteran and the MV Legionnaire, including the mechanical issues experienced since the two entered service.

Further to the request of the Committee, pursuant to Section 16 of the *Auditor General Act*,¹ the OAG undertook a performance audit of the Department of Transportation and Infrastructure focused on the issues outlined above, with the following objective:

“To determine whether the Department of Transportation and Infrastructure effectively managed the construction, operationalization and initial operations of the MV Veteran and MV Legionnaire.”

The audit period covered April 2009 to March 31, 2019.

In August 2021, the PAC received the MV Veteran and MV Legionnaire report, which concluded that the department did not effectively manage the construction, operationalization and initial operations of the MV Veteran and MV Legionnaire. The Auditor General found a number of concerns related to the department’s management of the project that may have contributed to the significant operational delays, service disruptions and unplanned costs.

In its report, the Auditor General issued the following recommendations:

1. The department should establish and follow a project management process for the procurement of vessels that follows leading practice, with particular attention paid to risk management, onsite supervision, document management and training.
2. The department should ensure root causes for significant mechanical issues and recurring mechanical issues of vessels are identified and addressed in a timely manner.
3. The department, with co-operation from other departments, should ensure that all opportunities for potential industrial benefits are identified, pursued and documented.

¹ This authority is found in section 22 of the *Auditor General Act, 2021*.



The complete report is available on the Public Accounts Committee webpage at: www.assembly.ni.ca/Committees/StandingCommittees/PublicAccounts/ga50session1/.



Summary of Work

Following receipt of the [MV Veteran and MV Legionnaire](#) report, the Public Accounts Committee issued correspondence to the current Deputy Minister of the Department of Transportation and Infrastructure, requesting information pertaining to the department's response to the Auditor General's recommendations. Further to the response, the Committee desired more detailed information and notified the department that a public hearing would be scheduled in the near future.

The Committee conducted public hearings to follow up on matters contained in the report on March 21 and 22, 2022 and November 9, 2022. The witnesses appearing at those hearings included current and former officials of the Department of Transportation and Infrastructure, a list of which is provided in [Appendix A](#).

Hansard transcripts and audio recordings of the public hearings are available on the Committee's webpage at:

www.assembly.ni.ca/Committees/StandingCommittees/PublicAccounts/ga50session1/



Findings

Key themes emerged throughout the Committee’s public hearing deliberations, which were used to summarize findings into four categories, as follows.

1. Project management

- The Committee heard from witnesses about the lack of capacity and resources for project management during the time of procurement and construction of the vessels, and that project management resources were not incorporated into the cost estimates for the project. Further, it was articulated that responsibilities for project management were not clearly defined, and there was a lack of interdepartmental coordination/communication in this regard.
- The Committee also heard from witnesses that capacity and resource deficiencies in project management were a contributing factor to risk management issues experienced during the project.
- The Committee heard from some witnesses that there have been changes and improvements to project management processes since this project, including:
 - Cost estimates for major infrastructure projects now include a project management component.
 - A project management manual was developed and is currently in use. Witnesses referenced a 2014 version, but indicated that updates were in progress at the time of the hearing testimony (March 2022).
 - Project agreements established for major infrastructure projects now cover aspects from construction to operations, including risk management.

2. Human resources

Key themes in this category were further sub-categorized as follows:

a. Training:

- The Committee heard from witnesses there was a belief that the training strategy for the vessels was good and robust, but that perhaps it could have



been executed earlier. Overall, witnesses did not believe training was the root cause of the issues experienced.

- The Committee heard that personnel constraints (i.e., the ability to continue to operate vessels on the ferry routes impacted, while employees were away from regular duties to undergo training) resulted in execution of the training strategy in a shorter-than-anticipated time frame.
- The Committee also heard from witnesses that there appeared to be a culture issue at that time, which impacted how the training strategy was received by employees.

b. Recruitment and retention:

- The Committee heard that retention issues were being experienced at the time vessels came into service, as employees were leaving to work in other industries offering more competitive wages and benefits (e.g., offshore oil and gas).
- The Committee also heard that recruitment and retention issues continue to be experienced in the marine industry, as well as across government with many skilled trades and technical jobs.

c. Succession planning:

- The Committee heard from witnesses about the lack of transition planning, particularly when there were changes in executive and senior management positions during the time of procurement and construction of the vessels.
- It was noted that this loss of corporate memory likely contributed to, or further exacerbated, some of the issues experienced during the life of the project.

3. Duty to document

- The Committee heard from witnesses that duty-to-document processes were not well established.
- Further, it was noted that resources for information management were lacking across government at that time, and there was an inconsistent approach between departments.



4. Industrial benefits:

- While there was indication that an industrial benefits agreement had been formally established, the Committee heard that it was not a legally binding agreement, but rather informal commitments from the contractor at the time of contract negotiations for the second vessel. Testimony indicated that there was not a clear understanding of the nature and context of this agreement across departments.
- While it was an informal arrangement, the Committee also heard that processes should have been implemented to document actions that were undertaken, timelines and other pertinent information toward execution of the commitments. It was noted that the lack of interdepartmental coordination, as well as lack of clarity overall in terms of the responsibility for and accountability to monitor and execute the arrangement, likely contributed to this shortcoming.



Recommendations

The Committee recommends that the House of Assembly urge the provincial government to:

1. Finalize and implement revisions to the 2014 version of the project management manual referenced in testimony by the Department of Transportation and Infrastructure by January 1, 2024, if not already completed;
2. Implement duty-to-document requirements;
3. Develop and implement formal protocols for transition in executive-level positions across government;
4. Review and update practices with respect to recruitment and retention in skilled trades and technical positions across government;
5. Ensure the Marine Services Division of the Department of Transportation and Infrastructure:
 - a. is provided with sufficient resources to meet the training requirements for employees in vessel operations within the provincial fleet while maintaining safe, continuous operations;
 - b. establishes and communicates clearly defined timelines for existing draft training manuals and/or guides to be finalized and implemented; and
 - c. develops and implements strategies aimed at improving the organizational culture respecting the value of ongoing training;
6. Consider the following with respect to industrial benefits agreements:
 - a. whether there should be an industrial-benefits-agreements lens applied to Cabinet submissions respecting major projects; and
 - b. clearly defining and communicating the responsibilities for, and management of, such agreements, should they be pursued.



Acknowledgments

The Public Accounts Committee wishes to acknowledge Auditor General, Denise Hanrahan, and employees of the Office of the Auditor General for their work on this audit and their support to the Committee in completing its review and follow-up.

The Public Accounts Committee also wishes to thank the current and former public servants who participated in the public hearings for their cooperation and thorough testimony.

Additionally, the Committee would like to acknowledge its support team in the House of Assembly Service.

Finally, the Committee acknowledges the service of Tony Wakeham, Member for Stephenville - Port au Port, who served as Chair during much of the Committee's work on this matter.



Appendix A

The following witnesses appeared at public hearings on the dates noted:

March 21, 2022

Department of Transportation and Infrastructure

Robert Smart, Deputy Minister (2009-2011)

Brent Meade, Deputy Minister (2014-2015)

Tracy King, Deputy Minister (2017-2020)

Paul Alexander, Assistant Deputy Minister (2007-2011)

Weldon Moores, Assistant Deputy Minister (2011-2013)

Max Harvey, Assistant Deputy Minister (2013-2016) – by videoconference

March 22, 2022

Department of Transportation and Infrastructure:

Lori Anne Companion, Deputy Minister (2015-2017)

Cory Grandy, Deputy Minister (current)

John Baker, Assistant Deputy Minister, Air and Marine Services (current)

November 9, 2022

Department of Transportation and Infrastructure:

Jamie Chippett, Deputy Minister (2011-2013)

Industry Energy and Technology:

Alastair O’Rielly, Deputy Minister (2013-2016)