



House of Commons  
CANADA

# Standing Committee on National Defence and Veterans Affairs

---

NDDN • NUMBER 012 • 1st SESSION • 38th PARLIAMENT

---

EVIDENCE

**Wednesday, December 1, 2004**

—  
**Chair**

**Mr. Pat O'Brien**

All parliamentary publications are available on the  
"Parliamentary Internet Parlementaire" at the following address:

**<http://www.parl.gc.ca>**

## Standing Committee on National Defence and Veterans Affairs

Wednesday, December 1, 2004

•(1530)

[English]

**The Chair (Mr. Pat O'Brien (London—Fanshawe, Lib.)):** I would now like to call to order the 12th meeting of the Standing Committee on National Defence and Veterans Affairs.

I'm very pleased today to welcome to the committee the Auditor General of Canada, Sheila Fraser. Mrs. Fraser is joined by Hugh McRoberts, Assistant Auditor General; Wendy Loschiuk, principal; and Frank Barrett, director. Welcome to you all.

Mrs. Fraser, I know you have an opening statement, and we're happy to hear that. Then, of course, as you know, there will be a number of questions.

We weren't able to give you a lot of notice, but we thank you for joining us. I've always found the times when you've been at the committee very useful.

I think I can speak for all members on both sides of this table and in the House in saying that members of Parliament, and the Canadian public generally, value very highly the work you do. So we congratulate you for that work, and we thank you for being here. We're anxious to hear your comments.

**Ms. Sheila Fraser (Auditor General of Canada):** Thank you, Mr. Chair. I thank you for your kind words and your invitation to discuss with the committee today two chapters of our November 2004 report. Chapter 3 concerns the upgrading of the CF-18 fighter aircraft, and chapter 4 is on the management of federal drug benefit programs.

As you mentioned, I'm accompanied today by Hugh McRoberts, who is an Assistant Auditor General; Wendy Loschiuk, who is the principal responsible for our audits at the Department of National Defence; and Frank Barrett, who is the director on the audit of the federal drug benefit programs.

Chapter 3 focuses on the \$2.6 billion program to address capability deficiencies in the CF-18 fleet. As you know, this is a two-phase program. Phase one is now under way, and phase two should start in 2006. We looked at how well phase one is progressing and how the money is being spent.

We examined the CF-18 upgrade because, first, it is a major expenditure of the government, and secondly, findings from previous audits of the Department of National Defence have indicated that this project could be at risk.

From earlier statements, I think you know that overall I am satisfied with the results National Defence has achieved so far in this

program. Phase one is within costs, and the aircraft that are currently coming off the production line are meeting the expectations of the department. In fact, upgraded aircraft are now being flown at Canadian Forces Base Cold Lake and Base des Forces canadiennes Bagotville.

[Translation]

Of course, the program is not without its problems, and we found that there are delays in two of the upgrades—the simulator acquisition and the cockpit display. Staff shortages and problems in getting projects approved contributed to these delays. National Defence needs to improve its project and risk management to better cope with problems that cause delays. In that sense, the upgrade of the CF-18 is not unlike other major equipment projects we have looked at.

For example, in 1998, we looked at six major equipment purchases at National Defence and we found that the department needed to improve project management and the way it identified and managed risks. We followed up on our 1998 audit two years later and were encouraged by the improvements that had been made. Yet in 1998, in 2000 and again in 2004, we consistently found that National Defence cannot ensure that the right people, with the right skills are available for major equipment projects.

Nevertheless, the CF-18 project team worked very hard to get phase 1 of the modernized aircraft into operations. Phase 2, however, could be more challenging to manage. I would like to see the department strengthen its ability to manage the difficulties that it could reasonably expect to encounter in phase 2 or in any major acquisition project. Senior management needs better information on how well projects are performing and on whether risks are being addressed.

Phase 2 should be completed by 2009. After that, the Air Force expects to get at least eight years of flying time with its upgraded fighters. If the upgraded aircraft are not in service by 2009, the Air Force will not be flying these aircraft for the expected eight years. The longer these aircraft can be used in their modernized version, the more value the Air Force will get out of them. Therefore, National Defence should be assuring this committee that it will be able to deliver fully upgraded aircraft on time.

•(1535)

[English]

Once these aircraft are fully modernized and delivered to the squadrons, there should be assurances that the air force will optimize their use—that is, there should be pilots to fly them, technicians to keep them maintained, spare parts, and funding. We expressed concern before about the shortage of maintenance technicians for the Canadian Forces. In 2001 we reported that there were too few technicians for the jobs required and many that were available did not have the qualifications needed. In 2002 we reported on the shortage of pilots. We are still concerned, but encouraged by the department's response that it is putting additional funding into training for more technicians and recruiting more pilots.

Let me turn to chapter 4, on the management of federal drug benefit programs. The use of pharmaceutical drugs is a fact of life for many Canadians and has fundamentally changed the face of health care. Federal drug programs spent \$438 million in 2002-03 funding drug benefits for about one million Canadians. The cost of these programs has risen 25% over the past two years. Six federal organizations manage drug benefits programs: Health Canada for first nations and Inuit, Veterans Affairs Canada for veterans, the Department of National Defence and the RCMP for their members, Citizenship and Immigration Canada for certain designated classes of immigrants, and Correctional Service Canada for inmates of federal penitentiaries and some former inmates on parole.

[Translation]

Recognizing this committee's interests, I will focus on the programs of Veterans Affairs Canada and National Defence.

Veterans Affairs Canada has the second largest federal drug benefit program. In 2002-2003, it provided benefits to 133,400 veterans, and filled over 4 million prescriptions at a cost of \$106 million. In the Veterans Affairs program, we found some areas for improvement but also some good practices that could be models for other departments. For example, the department has a system that alerts pharmacies if multiple narcotics or multiple benzodiazepines are being dispensed at the same time. The department also conducts various types of retrospective analyses. In contrast, Health Canada's alert system does not send these alerts and has stopped conducting retrospective analyses.

Our report found that greater attention needs to be focused on the drug use patterns of clients who are seniors, the majority are whom are veterans. Our audit found almost 9,000 senior clients taking two or more high-risk drugs at the same time and 4,000 who were prescribed 10 or more drugs at the same time. Neither Veterans Affairs Canada nor Health Canada analyze their data for these patterns.

With respect to cost, we found that Veterans Affairs Canada approves drugs in a less restrictive fashion than is recommended by the Federal Pharmaceutical and Therapeutics Committee. It also approved at least 18 drugs that were not reviewed by the committee.

[English]

We also found that Veterans Affairs Canada spent \$21 million in 2002-03 on the top 20 drugs used in Canada. If it had used the best prices and purchasing practices of British Columbia and Quebec, it

could have saved 32%. The federal drug programs also paid higher dispensing fees than the provinces.

The Department of National Defence has the third-largest federal drug program. Although its program is considerably smaller than those of Health Canada and Veterans Affairs Canada, in 2002-03 it provided prescription drugs to 61,600 soldiers, at a program cost of \$16 million. We found that National Defence has been proactive in pursuing cost savings. It closely follows the advice of the federal pharmacy and therapeutics committee, restricts the availability of many drug products, and obtains the drugs it most commonly uses at negotiated prices. It also uses reference-based pricing.

Mr. Chair, this provides a very brief summary of those two reports and concludes my opening statement. We would be pleased to answer any questions the committee might have.

•(1540)

**The Chair:** Thank you very much, Mrs. Fraser.

Just before we do go to questions, members know we set aside our study of the procurement of submarines in light of the Auditor General's report. So we have shifted our focus today to specifically chapters 3 and 4 of the most recent Auditor General's report.

I just want to be clear for the committee members, Madam Auditor General, and for yourself, do you want questions restricted to these two chapters? As you might know, and I know I've chaired at least one committee meeting when you were there, given the nature of your work and the curiosity of members, there's a temptation for us to get into some pretty wide-ranging questions. So, in fairness to you, I want to know what your expectation is. Are you here really for chapters 3 and 4, or are you prepared to entertain questions outside of chapters 3 and 4?

**Ms. Sheila Fraser:** Obviously, Mr. Chair, the focus of our opening statement has been on chapters 3 and 4, but we will certainly attempt to answer any question that committee members can put to us. Some of the areas you may have questions on we may not have done audit work in, and we would have to respond accordingly.

**The Chair:** Fair enough. So I guess I'll try to allow a bit of latitude on the questions about DND. If you feel you haven't had an opportunity to be prepared for a question, I know you won't hesitate to say so.

Colleagues, when we have a minister, we have 10 minutes questions. It's my understanding as chair, and I stand to be corrected by my colleagues here, that we put a witness such as the Auditor General in that category, so we'll start with an opening round of ten minutes. Is that all right with everybody, so that we're all on the same page?

Okay, very good. So we have a 10 minutes questions and answers, opening round, and we'll start with Mr. Casson, please.

**Mr. Rick Casson (Lethbridge, CPC):** Thank you, Mr. Chairman.

Auditor General, thank you very much for being here today. We want you to know that we appreciate the detailed work you do and the way you present it. It's something most of us can understand, not having an auditing background. We certainly do look forward to your visits. Hopefully you can shed some light on some of the issues we've been facing.

Before I get into some of the broader questions I have, in your presentation in paragraphs 16 and 19, you say in paragraph 16 that "we found that Veterans Affairs Canada approves drugs in a less restrictive fashion than is recommended by the Federal Pharmaceutical and Therapeutics Committee. It also approved at least 18 drugs that were not reviewed by the Committee." Then we go down to paragraph 19, and you say that National Defence closely follows their advice.

Is there a difference between them—National Defence and Veterans Affairs—in how these two handle the drug acquisition costs?

**Ms. Sheila Fraser:** Yes. In fact each of the six departments that run drug benefit programs manage the programs themselves. There is this committee that has been set up to develop what they call formularies and to recommend drugs, but the departments are then free to follow that or not. We noticed that National Defence was following it very closely, which, I think we can make the link, is probably the more cost-effective way. Veterans Affairs was not and was being more liberal in the number of drugs they were accepting outside the formulary that was recommended by the committee.

• (1545)

**Mr. Rick Casson:** Is this something that can be done? These drugs that do not look to have been approved by this committee, can they be applied?

**Ms. Sheila Fraser:** Of course they can be permitted under the drug benefit program. The department has the ability to authorize that the benefits will be paid for these drugs, even though they have not been examined by this particular committee.

**Mr. Rick Casson:** Good.

You mentioned also that staff shortages and problems in getting projects approved contribute to some of these projects going on and on. I think I read somewhere that you were quite concerned about the length of time it does take for a lot of these issues. We can look back, and we're looking at the submarine issue right now, and it just seems

to go on for years. The ADM of materiel told us that he felt that some of these timelines were acceptable. But when you're looking at a 16-year project such as this, and 11 or 12 years to acquire submarines, there seems to be a real problem with getting things approved and getting them streamlined enough that they can proceed.

Have you ever detected that there is a problem between the military aspect of DND and the civilian approval process? Are they at loggerheads, or is there not the right communication that goes on there to do the job properly?

**Ms. Sheila Fraser:** I don't think we analyzed it in that respect as to whether it was military or civilian. You will see in the report that we do have the timelines on how long it took at various stages to get approval.

We were trying to make the point that the delays are very long. In fact, the first phrase we have in the report is that 14 years will have elapsed from the time National Defence identified the need to modernize until the phase one upgrades are done on 80 of the aircraft. Fourteen years is a very long time when you're talking about essentially high-tech upgrades. If it takes that long to do it, you have to question, will... Anyway, we have raised that in the report.

The department has indicated that they too feel it is too long and that they are trying to take steps to reduce it to about eleven years, I think they were saying. We haven't done the benchmarking, but I think we all recognize there are longer delays than a lot of people would expect. There are a number of reasons for the delays. I would suspect that funding and funding priorities are probably a large part of that.

**Mr. Rick Casson:** Were you able to quantify what it would have cost the department through these delays? You initially start out on a project and there are just so many dollars put towards it, but as time goes on, costs change and things vary. Is there a way to say that because it's taken so long, costs have increased by a certain percentage?

**Ms. Sheila Fraser:** No, we haven't done that.

In fact, what is interesting in this particular case is that there are other defence organizations, in Australia and the U.S., that are doing the same kinds of upgrades, and Canada is slightly behind them. There may in fact have been a benefit to being behind the others in that we have learned from the lessons learned from their upgrades. Canada may have benefited from that, so there probably were advantages as well to this.

We note in the report, though, that the delay in the simulator is likely to have costs just because they will have to continue using aircraft until they can get the simulator in place. There's a delay, I think, of about two years—

**Mrs. Wendy Loschiuk (Principal, Office of the Auditor General of Canada):** It's two years right now.

**Ms. Sheila Fraser:** — which will incur additional costs from additional wear and tear on the aircraft that would not have been, but we haven't tried to quantify that.

**Mr. Rick Casson:** There was an issue raised at our last committee meeting by the former minister, Mr. Eggleton, and it's an intriguing one. I was just going to ask you if you've run across this or if you've considered it. It's the fact that when foreign countries come in and use our training facilities and pay for them—and some of it has to do with flight training—those funds realized do not all go into the DND budget. Have you looked at that or are you aware that happens?

**Ms. Sheila Fraser:** I'll ask Mr. McRoberts, perhaps, to answer that one.

**Mr. Hugh McRoberts (Assistant Auditor General, Office of the Auditor General of Canada):** Yes, we are, and in fact that's proper. The normal procedure is that unless there is specific permission for re-spending, those amounts are deposited in the CRF precisely so they cannot be used to circumvent Parliament's control of the department's budget.

● (1550)

**Mr. Rick Casson:** Now, there have to be costs incurred by DND to put on these training sessions. Are those costs then a dead loss to them? There are no means for them to recover them through the charges the other countries pay to use a facility; is that what you're saying?

**Mr. Hugh McRoberts:** I wouldn't say they're a loss. They are accounted for in the department's budget and in the money voted to them by Parliament for their operations.

**Mr. Rick Casson:** So that money does eventually go back to them through a parliamentary approval process?

**Mr. Hugh McRoberts:** It can, yes.

**Mr. Rick Casson:** It can but not necessarily does?

**Mr. Hugh McRoberts:** Yes.

**Mr. Rick Casson:** One other area we seem to be having some problems with, I believe, is communication. You indicate in your comments that people of authority sometimes aren't kept fully up to speed on what's actually happening in the projects, though maybe that's not exactly the way you worded it. Have you made recommendations as to what needs to be done at the project level so the people in charge of the budgets and funding and the directing of personnel are fully informed as to what's happening?

**Ms. Sheila Fraser:** We do have recommendations on project management and risk management. Perhaps I'll ask Ms. Loschiuk to take you through some of the recommendations and findings of the audit.

**Mrs. Wendy Loschiuk:** We directly looked at that. We wanted to know what was going into the systems to inform senior management about how well the projects were performing, and we found two key things.

Number one, the systems weren't reliable. You could easily change the information that was in there to reflect your current status rather than performance. Therefore, senior management had no way of measuring how well you were doing against expectation.

The other important thing we found was that some of the information itself just wasn't there at all. There were no performance measures. It was very difficult for anybody to understand what the project should have accomplished at what point, how much should

have been spent, and whether or not it was meeting its milestones, simply because that information wasn't being captured.

**Mr. Rick Casson:** You also indicated you're concerned that as the project proceeds as slowly as it seems to be proceeding in years, the personnel needed for repair and upkeep and even the pilots to fly these might not be available once they're prepared. Is there a double track going on here, where we are working on the machinery but we are still working on personnel, or do you see a disconnect there?

**Ms. Sheila Fraser:** We have in past audits noted shortages in qualified personnel, be they the technicians or the pilots, and in the stream of the training programs as well. Obviously, if you go through a modernization approach like this to modernize the planes, you have to have all of those elements in place to make full value from your investment.

There are, I think, concerted efforts going on now to recruit more technicians in order to address some of these concerns. We haven't done a specific audit on that yet. I think we will be looking at it in coming audits to see what the recruitment program is, how successful they've been at identifying the shortages, first of all, and then at addressing the specific shortages we've noted in the past.

**Mr. Rick Casson:** Thank you.

**The Chair:** Thank you, Mr. Casson.

Now *monsieur Bachand*.

[*Translation*]

**Mr. Claude Bachand (Saint-Jean, BQ):** Thank you, Mr. Chairman.

I'm looking at the booklet you presented and it is, as always, very well put together. I have a lot of questions with regard to the competence of people. There doesn't seem to be a lead manager of the program, which seems to be fractioned into pieces. I'll ask you a question on that subject.

First, I believe your study is on a modernization project, the cost of which is estimated at about \$2.6 billion. But in reading your document, one realizes that if the contracts awarded under this project are distributed right and left, and if there is a delay in one area, this may have a domino effect.

So that's my first question. There seem to be delays in the simulator program. The contract was awarded to L-3. Everyone knows that this caused a huge uproar. CAE claimed it was the simulator expert, but L-3 nevertheless got the contract. So if the simulators are not ready on time, training will have to be conducted on the platform of the CF-18 itself. Is this realistic? If the simulators are not delivered on time, as is expected, and if the pilots spend more time flying F-18 aircraft for training, don't you think there's a good chance the bill will be higher than \$2.6 billion? As well, at a certain point, we will lose our training capacity, because the life expectancy of the CF-18s will be reduced.

Do you agree with me that there is a domino effect? If one of the parts of the project cannot go ahead, alternate measures must be found, which will lead to increased costs. Do you agree with this statement?

•(1555)

**Ms. Sheila Fraser:** Yes, indeed, in our chapter, we say that phase 2 is slated for completion in 2009 and that the aircraft have a lifespan which will expire in 2017. This means that we expect the modernized aircraft to be in active service for eight years. The longer phase 2 is delayed, the less time we will have to recover our investment, which is indeed significant.

We noted in the report that there were problems in phase 1, but that National Defence personnel had worked very hard to overcome these problems and that, apart from a few exceptions, the project was finished on time.

Phase 2 is also very complex, and we can reasonably expect that problems will crop up. Everything has to be done to minimize these risks to ensure that the project will end on time.

You are right to say that the simulator project is behind by two years, if not three. This means that during that time, instead of using the simulators, pilots will have to train on the aircraft, which obviously affects costs and the availability of the CF-18s. We did not try to quantify the impact this would have.

**Mr. Claude Bachand:** You did not quantify the monetary consequences?

**Ms. Sheila Fraser:** No, we did not.

**Mr. Claude Bachand:** I also read in your report that there were about 15 different projects linked to modernization and that you audited five. Can you tell us what the other 10 projects were about? Are the other projects on time? Do you even mention the 10 other projects in your report?

**Ms. Sheila Fraser:** In Table 3.2, you will find a list of all the projects. We audited those which were part of phase 1, which began in 2001 and will end in 2006. The other projects are coming up. We did not review them in the course of this audit. They have not even begun yet.

**Mr. Claude Bachand:** The report also mentions a main implementation plan and a program management plan. It says, among other things, that the main implementation plan was in the drafting stage until 2004. To my surprise, there's actually no management plan for the program.

I read the project description on page 7 and found the organizations responsible for the project. There is Boeing and L-3. There's also an Australian company which will produce the multipurpose colour display screens. Further, there are various departments involved, such as Treasury Board, the Department of National Defence, of course, and Public Works.

When you finish reading that, you realize how complex the entire project is, since the plan must be followed and the various work carried out by the companies must be coordinated. But if a problem arises somewhere, it may have a domino effect on everything else. I don't quite understand why there is no management plan and why there is not an individual or an organization in charge of managing the project and of assessing progress on a daily basis. If a problem did arise, this person or organization could immediately intervene and make sure that none of the other parts of the project are delayed.

But everyone seems to be working in a vacuum, which has led to the situation we are familiar with today.

•(1600)

**Ms. Sheila Fraser:** I completely agree. In fact, we recommend that there be an overall plan with a breakdown of all critical components and critical dates for the project as a whole. This recommendation we made in paragraph 3.56. National Defence indicated that it agreed with us and that it had a team currently working on it.

Unfortunately, I can't give you any more details about how far the work has progressed. That would be a question for the department.

**Mr. Claude Bachand:** What do you think of the awarding of contracts? After all, we are dealing with significant amounts of money and major equipment. As regards the awarding of contracts and the development of important projects, don't you think that this job should be given to a manager, an organization or a specific department, someone or an organization which would be entirely in charge of the project rather than awarding one contract for simulators, another contract to Boeing and another to L-3?

If we want companies to act responsibly, shouldn't we ask a single organization to carry out the project from beginning to end? This person or organization could deal with anyone they wanted to, but at least there would be one focal point for the entire project.

**Ms. Sheila Fraser:** I will ask Mr. McRoberts to answer your question.

[English]

**Mr. Hugh McRoberts:** I think it is unlikely that one would find all of those skills in a single company. What the department has done is quite usual on large, complex, major crown projects of this type—major capital projects of this type. The department establishes a project management office that is a permanent organization of military officers, engineers, and procurement specialists, who essentially act as the general contractor for the project. They set out the specifications for the contracts, let them to the various firms, and manage the critical path so they hopefully don't get in each other's way too much.

[Translation]

**Mr. Claude Bachand:** I'm still very surprised. I realize that you can't ask L-3, Bombardier or Boeing to carry out the entire project. However, you can put a company in charge of the project, and this company will partner with other organizations which will live up to their contractual obligations at each stage of the project.

But everyone is working on their own, and it says that there's no management plan for this program. In my opinion, this means that contracts are simply awarded to companies and that the companies have to try to meet the deadlines. And if they don't, we'll see what happens.

I hope there will be penalties for companies which miss their deadlines. When you are responsible for something, when you commit to abiding by a contract, but when you miss a deadline and that as a result the rest of the project is affected, it has financial consequences.

I'm afraid that this will end up costing more than \$2.6 billion. Take the simulators. It's obvious to me that if we don't get them on time, the aircraft will be flown, and the resulting stress will reduce their life span. An amount of \$2.6 billion is being invested to modernize a fleet which may not last until 2017 because of additional wear and tear.

I think we need a formal management plan before going ahead. Instead, however, everyone is doing their own thing, and if things don't work out, well, an alternative solution will be found.

**Ms. Sheila Fraser:** We agree that there should be a management plan for the project as a whole. We made that recommendation. We did not go back and analyze the decision to manage the project, nor did we assess the risk, because if you put one organization in charge, that also involves risks. We did not try to analyze that. We accepted the management model adopted by the Department of National Defence.

All we can say for now is that the contracts involved, apart from a few exceptions, including the simulators, came in on time and on budget. But there are problems, and this is something we pointed out with regard to phase 2, which may become critical if the project is to be financially viable in the long term.

• (1605)

**The Chair:** Thank you, Ms. Fraser and Mr. Bachand.

[English]

That completes the opposition side in the first round. Now I'll go to the government side for ten minutes.

Mr. Bagnell, please.

**Hon. Larry Bagnell (Yukon, Lib.):** Thank you.

Thank you for coming again. It's always great to have you. You have interesting things to say. When we have a government of a quarter of a million people, it's good to have an independent review to make sure things are going according to Hoyle.

My first question is related to numbers 5 and 6 in your speech on the CF-18s. Both of them talk about the need to improve project and risk management to cope with potential problems. It says "the Department needed to improve project management and the way it identified and managed risks".

First of all, I assume these types of purchases are somewhat different from your run-of-the-mill government purchases. It's not just like buying a Chevy, or something off the shelf. There are probably very few suppliers in the world that are capable of doing this type of work. Is that true, and would that partly lead to some of these delays?

**Ms. Sheila Fraser:** On the first part, you are right that there are limited suppliers for many of these. We did look at this and the contracting, and said the department had respected the contracting rules. If there was only one supplier, they went through the proper documentation to indicate that, and then used that exception in the contracting rules appropriately. So we have no issues in this audit with the way they did the contracting. But it's my understanding that's not the reason for the delay. I can perhaps ask Ms. Loschiuk to explain, for instance, the delay in the simulators.

**Mrs. Wendy Loschiuk:** Mr. Chair, we found that the reason for the delays was mostly internal rather than external. There were a lot of issues about getting approvals within the government. That had to be resolved. It slowed things down sometimes. It may be good for the department to find out why projects did not get approved when they expected them to be approved.

I think you referred to the project management side of it. We found that if they were able to get the skills they needed, and the people they needed when they needed them, and have a better plan to manage some of the risks and some of these delays, it might have helped them out. In this particular case, they were able to work very hard in phase-one projects and keep much of them on track.

As we mentioned in the chapter, phase two could be a little more difficult, and we really hope the department will put more effort into better project management and better identification of risks. We expect there may be difficulties that they will have to resolve.

**Hon. Larry Bagnell:** The point I was trying to get at is if there's a delay, it may be harder to solve it if there are fewer people who can solve the problem.

I have another question. In this particular instance, has the delay in approvals, or whatever... Hopefully if it didn't achieve anything it will be improved. Had those been sped up, for some reason or other, would the decision have been different? What I'm trying to get at is have those delays caused us to save money—maybe changing circumstances or something—that may have resulted in a better decision at the time? Are the delays warranted for good reason, in that we didn't rush ahead and it didn't cost us more money?

• (1610)

**Ms. Sheila Fraser:** It's hard to give an answer to that overall, because we didn't really compare it to what the situation would have been if they had done the project in a much shorter period of time.

If we take the example of the simulators, I don't know if they would have changed their choice of simulators. I suspect probably not, because I can't imagine that there were a lot of different options available. The fact it's been delayed two or three years is costing the department more because they have to use the aircraft to do training, rather than using the simulators. There's a clear case there that the delay is costing them additional resources.

**Hon. Larry Bagnell:** In your discussion with the department, did they give any answers for why it would take two or three years extra? If there are only one or two providers of simulators, why didn't they just order them?

**Ms. Sheila Fraser:** I would hazard a guess that a lot of it has to do with funding, but you may want to ask them specifically. They have a limited amount of funding, and they have to prioritize. I know we raised the fact that even in the National Defence electronic warfare suite, there's an issue of funding for the whole suite. They're only buying portions of it. So funding seems to be a recurring theme in some of the delays in the way the project is advancing.

Ms. Loschiuk, do you want to add anything?



**Mrs. Wendy Loschiuk:** When we discussed this with the department, we were looking at timelines and how long things were going to progress until the department actually received what it was waiting for. When we asked the department why these were occurring, in most cases the project management office indicated to us that these were outside their control, that they were not able to manage whether or not something was sitting there waiting to be approved. We discussed that with senior management as well, and they indicated to us that in some cases some tough choices had to be made, and sometimes decisions just didn't get made when they needed to be.

**Hon. Larry Bagnell:** I think in budget 2004—it might have been in 2003—substantial new money was put in for equipment specifically. Do you think that will alleviate some of these types of generic problems occurring in the military?

**Mrs. Wendy Loschiuk:** A lot of the funding the department is getting is going to operations. We've looked at—

**Hon. Larry Bagnell:** It was just specifically for equipment in the last budget.

**Mrs. Wendy Loschiuk:** I've only looked at the past spending on equipment in the capital budget, and it has stayed pretty steady. On what the department is going to do with it, I really can't comment, but we have noticed that while the department has been getting more money in its budgets, it still hasn't affected capital spending.

**Ms. Sheila Fraser:** Perhaps I could just add, Mr. Chair, that in the report, in exhibit 3.1, we have a graph that shows the total budget and the capital budget. You will see that the capital spending has remained fairly constant, whereas the total budget has increased in recent years.

**Hon. Larry Bagnell:** I'd like to move to point 12, with regard to the drug section, and specifically the drug benefits for Inuit people under Health Canada. Is that the uninsured health benefits program?

**Ms. Sheila Fraser:** Yes.

**Hon. Larry Bagnell:** A while back we were having some problems with the delivery of that program. In your review of that, did you find any problems? Were you satisfied that those problems have been corrected?

**Ms. Sheila Fraser:** This is in fact the third time we have audited this program. We did audits in 1997, in 2000, and now in 2004. The problems are the same, and in fact they're probably getting worse, to be blunt. When we look at the number of people with more than 50 prescriptions, the number has tripled.

So the issues are not getting the attention they should.

•(1615)

**Hon. Larry Bagnell:** The problem you brought up is one on the other side of the one I was thinking of. Were there also difficulty of access problems in terms of first nations people accessing the program efficiently and effectively?

**Ms. Sheila Fraser:** We didn't specifically look at that in the audit, and it didn't come up as an issue in the audit.

**Hon. Larry Bagnell:** Okay.

How much time do I have? One minute, okay.

In paragraph 11 you mention that in the last two years there was an increase of 25% in these federal drug programs. I'm curious as to how that compares with the average all across Canada. Was it more or less?

**Ms. Sheila Fraser:** We haven't done that analysis or that benchmarking. It was sort of a statement of fact, to show that this is a rapidly increasing program. What I could mention, though, is that this audit was done in parallel with many provincial auditors general who are also looking at drug benefits programs. In fact, there are eight provincial auditors general who will be reporting on this within the next six months or so. We will give some consideration as to whether there is some message overall, or some comparatives overall, we can draw after everyone completes their audits.

**Hon. Larry Bagnell:** Thank you very much.

**The Chair:** Thank you, Mr. Bagnell.

That completes the first full round of ten-minute questions. We'll go to a second round now. I'll just remind colleagues and friends that it will be five minutes for both questions and answers. It goes a lot faster that way. So please bear that in mind.

I'm going to start now with Mr. O'Connor, please.

**Mr. Gordon O'Connor (Carleton—Mississippi Mills, CPC):** Ms. Fraser, I'm going to ask a question about the number of aircraft involved. The number you've identified is 80. My recollection, and I may be wrong, is that the 1994 white paper called for the air force to have, I think, 36 fighters available. Even if it's 48, as you indicate here, they're upgrading 80, which leaves a difference of 32 aircraft.

Even using the formula of attrition, which accounts for eight or nine aircraft, it still seems outrageous to have 23 or 24 aircraft available for testing, training, or whatever. I'm not justifying the number; obviously, the air force is. It seems to me that based upon the number of aircraft they intend to fly, they're upgrading too many aircraft.

**Ms. Sheila Fraser:** We note in the report that we found no analysis as to the number of aircraft being upgraded. That was one of the questions we asked: Why 80? Why not more? Why not less? We did not receive an analysis of that.

I would perhaps suggest that the committee might wish to discuss that with the department. I'm afraid I can't give you any more information on it.

**Mr. Gordon O'Connor:** I know; you're not in the military. It just seems that having a spare 22 or 23 aircraft around, upgrading them, seems excessive for what they're doing. If they had five squadrons to put out 60 or whatever, it might be more justified, but right now they seem to be upgrading a lot more aircraft than they'll ever consume. And each one of these upgrades costs money.

I think they built in there a waste factor, or whatever you want to call it, and it probably exceeds what they need.

**Ms. Sheila Fraser:** I'm afraid we can't add anything more to that.

**Mr. Gordon O'Connor:** Thanks.

**The Chair:** Just for clarification, Auditor General, you indicated that you asked for an analysis from the department on a number of aircraft, as my colleague has just mentioned, and did not receive that. What recourse do you then have? Do you just report that lack of cooperation—or “lack of cooperation” is the way I would put it—to the government through the appropriate committee? Or do you have any powers under the act by which you operate to take any further steps?

**Ms. Sheila Fraser:** Our sole mandate is to report to parliamentarians, to make recommendations. We did make a recommendation, in fact, that is related to that. In paragraph 3.26 we recommended that the Department of National Defence review the modernized fleet's ability to meet Canada's commitments, which would mean the analysis would be done on how many you need and whether the appropriate number is being modernized.

But we can only recommend. They have indicated, I think, that they will be doing that.

• (1620)

**The Chair:** So it would fall to the appropriate standing committee, in this case SCONDVA, to pursue that matter by bringing in whoever we'd like to talk to from DND, correct?

**Ms. Sheila Fraser:** That's right. We will do follow-ups on previous recommendations, or recommendations of committees in the future, if we go back to look at these issues, but we can only report to Parliament. That is our role, to provide you with the information.

**The Chair:** I thank you for that clarification.

I'm not counting my question as part of my friend's time slot. There are three minutes left.

Do you have a question, Mr. MacKenzie?

**Mr. Dave MacKenzie (Oxford, CPC):** Sure. My question is similar.

We bought a number more than that, and we have a number more aircraft than even the 80 we're going to modernize. What are we doing with those aircraft?

**Ms. Sheila Fraser:** You are correct; I think we have 119 in all. I could ask Ms. Loschiuk, but I think we mention in the report that some are being used for spare parts.

I'll ask Ms. Loschiuk if she has more specifics on that.

**Mrs. Wendy Loschiuk:** Mr. Chair, at the time of the audit the department hadn't yet decided exactly what it was going to do with all 39 it had left, but it did know that it was going to be using a certain number for spare parts.

**Mr. Dave MacKenzie:** Does that make economic sense? I guess that would be my next question. That seems to be a lot of inventory for spare parts. Perhaps if there's one part that wears out, it frequently wears out in all of them?

**Ms. Sheila Fraser:** Again, I think it comes back to the analysis of why 80, why not more, why not less, and taking into account what you do with the other numbers that you haven't modernized. That analysis we did not obtain from the department.

**Mr. Dave MacKenzie:** The other issue we've talked about is delay. I think my friend might have indicated that a delay has some beneficial effects. But you talked about other countries. Are we out of line with most other countries, or with some, in that kind of thing?

**Ms. Sheila Fraser:** Actually, I was making the point that, as you will note in the chapter, the U.S. and Australia are also going through the same kind of modernization projects. Canada has probably benefited by learning from them, and there is a joint project going on with Australia. So there are, perhaps, economies from doing it at approximately the same time as other countries.

**Mr. Dave MacKenzie:** In the bigger picture, not just these aircraft but in other upgrades and procurements, are we faster, slower, or average in terms of military procurement, time-wise?

**Ms. Sheila Fraser:** I'm afraid I can't answer that. It's not something we've specifically looked at. We can talk about this particular project because we've done the comparisons, but overall I don't have that information.

**The Chair:** Very good.

Thank you, Mr. MacKenzie.

Maybe I would direct that question to our researchers for a future meeting. Certainly there are others experiences we can draw on from other countries, whether it's about the subs or not. When we're talking about our subs, and our problems, then they're real problems—but we're not the only country with problems. We're here to get the facts. We want to point out real problems with our DND, but if a problem exists with other countries, we want to have a good look at the picture. I'd ask our researchers to bear that one in mind.

Thank you, Mr. MacKenzie.

Now we come over to Mr. Martin, please, for five minutes.

**Hon. Keith Martin (Esquimalt—Juan de Fuca, Lib.):** Thank you, Mrs. Fraser, and your team, for being here. I really appreciate the advice you've given us to enable us to be more responsible and to spend the taxpayers' money in a better, more effective way. So thank you very much for your constructive suggestions.

Looking at the big picture on the drug issue, perhaps you can help us.

When I'm back in B.C., if I'm prescribing certain drugs for people, particularly controlled substances, certain narcotics, and certain other substances that have a propensity to addict, I have a very special prescription pad that is different from my other prescription pads. It is called a triplicate pad. When I put that person's name down, and the drug and the dosage, it goes into a special category that's kept control of. So if somebody is abusing them, if they see me in the evening and they've seen another physician in the morning, it will automatically come up in the drug profile when that person goes to the pharmacy. It will be red-flagged. I'll get a call, and the prescription will not be filled unless I can explain to the pharmacist why that person ought to have that.

Why do we not have a similar system where a CF person or a veteran, or anybody, quite frankly, in those six groups you spoke about, would be under the same kind of envelope? In that way, we can keep very good control not only of what they're doing, if they're abusing it, but also, if they pop into an emergency room and they don't know what they're taking, I can bring that up in emergency and can get a complete medication profile of that person, of what they're taking and what they've taken.

Can you see that the six groups you're talking about could be integrated into the civilian system we already have?

• (1625)

**Ms. Sheila Fraser:** In fact, Mr. Chair, Dr. Martin is talking about the system in B.C., which I know my team is aware of and which I think is certainly a model for others. That is one of the recommendations we have in the report, that there be a better alert system. Veterans Affairs I believe does have an alert system; Health Canada does not. So, again, there are differences between the various departments.

I know that Health Canada has brought up issues around privacy concerns. We think there are things that can be done, irrespective of privacy issues, which even the department could be doing with some of the data. You'll note in the report that there are examples of people going to multiple pharmacies, multiple doctors, and one person who had 900 pills prescribed in one month. There are clearly cases of misuse at the least, and abuse at the worst. We think the departments have a responsibility to be doing some analysis of this.

**Hon. Keith Martin:** I really appreciate your bringing this up, but if we can get the six departments sitting down at the table and coordinating this, I can't see any rational reason why they can't adopt some of the programs used for the civilian population outside of these groups. This addresses the exact issues you're bringing up, of polypharmacy abuse, narcotic abuse, benzo abuse, and selling the stuff on the street, if they want to, to make money, and keeping control of what people are taking. It seems to me that we can adopt those for the six groups; there's no real reason why we can't.

The other add-on to that is do you see that we can bulk-buy therapeutics for the six groups, so that the six groups can get together and say, "We're going to work as one to bulk purchase on one formulary the meds we all agree on"?

**Ms. Sheila Fraser:** Very much so.

While we're hesitant to get into what we call the machinery of government and to tell all departments they have to work together and adopt one system, we've certainly said or recommended that, as a minimum, there should be central coordination; there should be sharing of best practices; and the federal department should be looking to the provincial governments to see what they're doing, because in the sharing we are doing with our provincial colleagues, we are aware of best practices going on. And with examples like B. C., we say, "Why doesn't the federal government adopt some of these?" I think much more attention should be given to this, and that it be more proactive.

One of my frustrations, quite frankly, as I mentioned earlier to Mr. Bagnell, is that with Health Canada this is the third time we've brought this up. We are really talking about a very serious issue that is affecting the health of Canadians. What does it take to get them to

move on it—and to save money at the same time? I guess I will express that frustration.

**Hon. Keith Martin:** I have one last point, if I could.

I'm very interested in the procurement process. This is outside the realm of the two big issues we're talking about here today, but I'm very interested in the way we procure in the Department of National Defence, and I'm intrigued to see if your team can provide us with any ideas and solutions of better ways we can do our procurement process. It's not for today. I don't expect you to answer that, but if you have something on it, I'm sure we'd really be grateful to see any work you've done on improving the procurement process with respect to the Department of National Defence, and particularly the interface between DND and Public Works, and if there's a better way of actually doing this.

**Ms. Sheila Fraser:** I can ask Mr. McRoberts, perhaps, to just mention some of the past work we might have done, and we can certainly give some thought to that as well and perhaps respond to the committee.

**Hon. Keith Martin:** That would be great.

• (1630)

**Mr. Hugh McRoberts:** We have raised this concern with the Department of National Defence, Mr. Chairman, in a number of previous audits. The department, the Treasury Board Secretariat, and Public Works have all committed to working to reduce the timeframe. A 1998 departmental study indicated that the average for a major capital procurement was 16 years, from concept to project completion. We report this, by the way, in 3.39 in the chapter.

The department is now working with the two other actors that have to be involved—the Treasury Board Secretariat, as the overall rules-maker, and Public Works, as the procurement agent for the department—on trying to develop procurement reform procedures that will reduce that by about 30%, or down to 11 years. But that work has yet to come fully to fruition.

**Hon. Keith Martin:** Thank you.

**The Chair:** Thank you.

If I might, what strikes me is that we're all into this program review—and some of us have been around here for a while, going through program review—and the biggest hit was probably to National Defence, with a 23% cut since I've been here in 1993.

It boggles the mind why the Auditor General is raising something for a third time that can save taxpayers' money in Health Canada. That same department is facing program review, to come up with savings. It seems to me like a proverbial no-brainer to do this, and maybe between the government and opposition members we can help you to get this message across. So we'll try.

[Translation]

Mr. Perron, please. You have five minutes.

**Mr. Gilles-A. Perron (Rivière-des-Mille-Îles, BQ):** Thank you, Mr. Chairman. Ms. Fraser, I would like to welcome you and your team to our committee.

I would like to begin with paragraph 6 of your opening statement. You say that in 1998, you looked at six major equipment purchases. In 2000, you followed up on your audit and you state, in the past tense: "We (...) were encouraged by the improvements that had been made." But now, in 2004, nothing seems to have changed since 1998 with regard to the F-18 modernization project: there are delays and cost overruns and so on.

At the time, we were told this was due to a lack of qualified personnel. Has DND tried to find qualified people to do the job, or is the department simply ignoring you?

**Ms. Sheila Fraser:** In 2001, we conducted an audit on the Department of National Defence's capacity. We studied, amongst other things, the issue of technicians, and we realized there were problems in that area. First, you have to realize it takes a long time for a technician to acquire the necessary experience. Furthermore, there were staff cutbacks at National Defence. At the time, we developed a graph which showed the personnel situation and the estimated dates of retirement. Many National Defence employees will be eligible for retirement over the next five years. So we projected a decrease in the number of personnel.

For a while, National Defence slowed down its recruitment activities. I assume this was because of program review, which was happening at the time, and under which restrictions were imposed with regard to the hiring of personnel. The department could not hire anyone new. So there will be a serious problem, because many qualified and experienced people will retire and there won't be enough people to take their place.

The department has already started recruiting, but as we noted in the report, in certain categories or with regard to certain positions, it's hard to find people for various reasons. The department recruited personnel in categories which already had a surplus of staff. It needs to improve its recruitment strategy.

You can't expect a technician to learn everything he or she needs to know overnight. It's a matter of experience. This is a serious problem National Defence must address. As I said earlier, the problem is partly due to the financial envelope and partly due to the decision to impose hiring restrictions.

Another reason which was pointed out at the time was the rate at which employees had to learn new skills. Many employees working in operations did not have time to undergo proper training, even in the areas of administration, recruitment and elsewhere. There really was a problem with regard to the overall management of personnel. At the time, we said that, in our opinion, this represented one of the biggest risks.

• (1635)

**Mr. Gilles-A. Perron:** I want to pick up where my colleague Mr. Bachand left off and talk about the simulators. Simulators mimic combat or flight situations—or navigation in the case of seamen who also have a simulator for their training—in extreme conditions. These are conditions which a pilot may never experience in the normal course of work or in training with regular aircraft. But

training on a simulator may help a pilot save his life one day and it also extends the life span of an aircraft. Indeed, in training, the pilots are always working at maximum capacity, which puts a great deal of stress on the equipment which is being used.

Do you believe that our pilots will be less qualified because of the delays with a simulator? If they train on aircraft, they will not be able to experience extreme situations which they would otherwise experience with a simulator.

**Ms. Sheila Fraser:** We indicated in the report that the available hours of flight were not being used because there were not enough pilots. Further, each pilot may fly for a maximum number of hours. For that reason, pilots cannot participate in scenarios which are deemed very high risk.

I suppose that the mission and flights are classified based on their risk factor. But Canada cannot participate in some missions with other countries because our pilots have not logged enough flight hours and lack the necessary experience and training.

**Mr. Gilles-A. Perron:** With regard to training on a simulator.

**Ms. Sheila Fraser:** Even with regard to training on aircraft.

**Mr. Gilles-A. Perron:** Really?

**Ms. Sheila Fraser:** That is specifically due to the fact that there is a limit on the number of available hours of flight. I think it is mentioned here, in point 3.79. It says that each pilot receives a maximum of 182.7 hours a year. But to participate in very high risk missions, pilots have to have flown 240 hours. But they are not allowed to fly enough hours to qualify them for very high risk missions, and that limits them.

**Mr. Gilles-A. Perron:** When you address the issue of modernizing aircraft, you mostly talk about electronic, technical and other such types of modernization. Did anyone talk to you about mechanics, in other words, stress on the aircraft, the quality of the airframes and other related issues?

**Ms. Sheila Fraser:** I could ask Mr. McRoberts to respond as well, but I believe that as far as airframes are concerned, their life span will end in 2017. For that reason, we say that the project will have to meet the 2009 deadline. If it does, we will have eight years to recover our investment.

It goes without saying that if the capital project is delayed, the time available to recover our investment will also be shortened.

[English]

**Mr. Hugh McRoberts:** Yes.

I should mention as well, Mr. Chairman, that in addition to this program, which is focused on upgrading the overall capability of the aircraft, there is also a separate program the air force is running, focused on dealing with certain stress problems in the aircraft. A number of the aircraft have used up the number of hours in what are called the "fuselage centre barrels". Those are being taken out and replaced where needed.

There is also refurbishment work being done on a number of the flying control surfaces to deal with cracks in some of those surfaces, and the remedial work is being done on an as-needed basis.

•(1640)

**Mr. Gilles-A. Perron:** Do those programs run well?

**Mr. Hugh McRoberts:** We haven't audited that program.

[Translation]

**The Chair:** Thank you, Mr. Perron.

[English]

We come to Mr. Rota, please, for five minutes.

**Mr. Anthony Rota (Nipissing—Timiskaming, Lib.):** Thank you.

Ms. Fraser, I have a series of short questions just to clarify the funding process that goes into modernizing and upgrading military equipment.

It's my understanding that about 13% of DND's budget of about \$13 billion goes to capital expenditures. Is that correct?

**Ms. Sheila Fraser:** It's \$2 billion annually. In the last reports we had, it was about 15%.

**Mr. Anthony Rota:** Okay, 15%.

**Ms. Sheila Fraser:** That might have changed slightly, but it's about 15%.

**Mr. Anthony Rota:** It's in the ballpark; that's good.

Does the money for upgrading come from that general budget, or is there a capital budget out there? If there is a capital budget that's set aside for upgrading and buying new equipment, how does that affect it if we're putting that money into acquisition?

**Ms. Sheila Fraser:** The budget for the upgrading is coming from the capital budget. The capital budget is, as I mentioned, about \$2 billion annually, and we note in the report that it has remained fairly steady at \$2 billion annually since... well, we track it from 1998-99. But while the number has stayed the same, as a percentage of the budget it has decreased—from about 19% to about 15%.

When we talk about funding and priorities, there is a certain envelope there for capital expenditures. There are a number of areas where there are needs and demands, so it's the ranking of the priorities in terms of what projects will be funded and when that would appear to be causing some of the delays in actually getting the projects on track.

**Mr. Anthony Rota:** Okay, so if we're purchasing some new equipment, it is slowing down the upgrading somewhere else.

**Ms. Sheila Fraser:** There is an envelope of \$2 billion—

**Mr. Anthony Rota:** That's all you have to work with.

**Ms. Sheila Fraser:** — so it's a whole question of establishing the priorities, yes.

**Mr. Anthony Rota:** Okay.

One of the other areas you mentioned is the project management office. Where does their funding come from, or who do they report to?

**Ms. Sheila Fraser:** I'll ask Ms. Loschiuk.

**Mrs. Wendy Loschiuk:** The project management office is part of the operational funding in the department, so most of their expenses,

really, are salary expenses of the people involved. The money for the upgrades that are happening comes out of the capital budget.

**Mr. Anthony Rota:** If I could just follow on the project management end of things, in chapter 3, page 14, you mention there's a lack of project management skills. You identify something fairly basic—identifying a critical path. I'm not a project manager, but I've run a few projects. Critical path is fairly basic. Can you explain to me what you're seeing there? Are they not doing their job correctly, or is it that loose that they're just kind of hoping things fall together well?

**Ms. Sheila Fraser:** I'll ask Ms. Loschiuk.

**Mrs. Wendy Loschiuk:** We found that most of the people in the project management offices are military people posted on a three-year posting to work on that, and a lot of them are posted in because of their professional skills. They're engineers. They could be flight engineers involved with the CF-18. They could be finance officers. They would have the general skills that a project management office would need, but they don't have project management experience, which is something else entirely, as you've pointed out.

We see then that individuals spend much of the three years that they're posted learning these skills, but then they're transferred again and the cycle starts all over with new people being posted in. The stability of trained people who are joining the job with the skills already in place would greatly enhance their ability to understand that they need critical paths and the other tools that would help them in these projects.

**Mr. Anthony Rota:** I'm going to ask for your opinion on this. This is a military function. Should it be a civilian post that is permanent, so that the projects are managed correctly and efficiently?

I guess I'm asking you the question as if you were an auditor coming in and looking at a plant. Tell me what you think, how you think I should run this.

•(1645)

**Ms. Sheila Fraser:** We certainly have a recommendation that the Department of National Defence should look at the resources it assigns to managing projects. There are the qualifications, if you will, or the expertise in project management. There is also an issue about the number of people. They have a cap on the number of people who are assigned to project management generally within DND, which is irrespective of the number and the complexity of the projects they're doing.

We've raised the whole issue that they should have the number of people with the right skills that they require to manage the projects that are under way, taking into account not only the number of projects but also the complexity of them.

Yes, project management skills have to be a key part of that. There are probably different ways they could do that, but there has to be some continuity through a project too, especially since these projects are not done in two years.

**Mr. Anthony Rota:** Three-year projects.

**Ms. Sheila Fraser:** There should be a continuity of those skills through a project to the extent possible.

**Mr. Anthony Rota:** Very good.

I could stay on that one all day, but I have a couple of other questions.

**The Chair:** You have time for one more very short one.

**Mr. Anthony Rota:** On the best-pricing practices that you've talked about, you mentioned that B.C.—and I'm not sure which other province—has savings of up to 32%. That's a quite substantial saving. To what do they attribute that 32%? Is it the cost of the drugs? Is it the dispensing fees? Are they negotiating dispensing fees? How do you account for that 32%?

**Ms. Sheila Fraser:** Mr. Chair, I'll ask Mr. Barrett to respond.

**Mr. Frank Barrett (Director, Office of the Auditor General of Canada):** Thank you, Mr. Chair.

The short answer is that several of the provinces will be negotiating with the manufacturers. They have different processes they use to do that. Also, the dispensing fees are another area where they often obtain better prices than the individual federal departments have obtained.

**Mr. Anthony Rota:** Should that be unified in some way?

**Mr. Frank Barrett:** Certainly there are some advantages to unifying it, and in fairness, the Department of Public Works has been working with some of the provinces and the federal government for what they purchase for their own use, which is outside the scope of our audit. Similarly, we did see this. That is what DND latched onto in its purchases that it distributed on a just-in-time basis.

**The Chair:** Thank you very much, Mr. Rota. We'll maybe come back.

Now we go to Ms. Gallant, please, for five minutes.

**Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC):** Thank you, Mr. Chairman.

Auditor General, in the report you mentioned that a number of CF-18 aircraft are being used as spare parts rather than being updated or sold. Recognizing that the money was not there to update all of the CF-18s, and that based on the current experience, the funding probably never will be there, was it a wise use of resources to strip the CF-18s for parts rather than sell the craft and purchase the spare parts new on an as-needed basis? What I'm really getting at is isn't it really an expensive way to buy spare parts—cannibalizing existing aircraft?

**Ms. Sheila Fraser:** I'm afraid that is not something we looked at in this audit. It links back, in a way, to the whole analysis of the number of planes to be upgraded and what you do with the ones you don't. You would expect that analysis to continue into the various options that would be available for those situations, but we obviously would not do that kind of work.

We asked the department if such an analysis had been done. It has not been done, but it does indicate that it will be doing the analysis for meeting future needs.

**Mrs. Cheryl Gallant:** Should Parliament be looking to modernize the CF-18s, or would it be more cost-effective to replace these aircraft?

**Ms. Sheila Fraser:** That again would have to be asked of the department. But obviously the cost of purchasing new is significantly more expensive than modernizing.

**Mrs. Cheryl Gallant:** In the analysis you mentioned the sole-source contracts and that in some situations they were required. Based on what was required in terms of having to sole-source the contracts, did these upgrades and these sole-source contracts meet the test when it came to the public interest?

● (1650)

**Ms. Sheila Fraser:** We indicate in the report that we found the department had met all the requirements of the contracting policy. The contracting policy would generally say you have to compete unless you can demonstrate that there is only one supplier. We were satisfied that when there was a sole-source contract given, that was an appropriate decision by the department and that there was the proper justification for it. So I would say yes, by meeting those requirements.

**Mrs. Cheryl Gallant:** I have some general questions on acquisitions and particularly using the bartering system. Have you audited any other purchases using the bartering system?

**Ms. Sheila Fraser:** I am not aware that the department has used bartering. I know that there was some discussion about the possibility of bartering being used in the submarines. Bartering was not used in the submarine purchase. Other than that, I don't know if Ms. Loschiuk knows of any bartering.

**Mrs. Wendy Loschiuk:** I only know of one other example of bartering with the Department of National Defence, and that occurred at CFB Galetown in the nineties when they were clearing land. I believe we commented on that in our audit a few years ago on environmental stewardship for training and test areas. We had a case study in there on bartering arrangements that the department had made to have land cleared.

**Ms. Sheila Fraser:** Can I just add, Mr. Chair, on bartering, it is government policy that you would have to record that transaction and you would have to indicate what you gave up and what you received. So it would appear on the books of the government.

**Mrs. Cheryl Gallant:** Thank you.

Now I'd like to go to the drug plan. When the Minister of Veterans Affairs was in last week and was questioned on the drug benefit program, she denied that there was any problem in Veterans Affairs with the multiple dispensing of drugs. You had mentioned that since 2000 the number of clients who were receiving 50 or more prescriptions in a three-month period had increased significantly.

**Ms. Sheila Fraser:** This is in Health Canada in the program for first nations and Inuit people. Veterans Affairs, I think we mentioned in the opening statement, in fact has an alert system. So they do have a system. Health Canada does not have that system.

**Mrs. Cheryl Gallant:** With this multiple doctoring and therefore prescriptions, is there any evidence of that in Corrections Canada?

**Ms. Sheila Fraser:** I'll ask Mr. Barrett to respond.

**Mr. Frank Barrett:** Thank you, Mr. Chair.

Within corrections services it's much more tightly controlled because it's mostly internal. So we haven't observed any of that.

**Mrs. Cheryl Gallant:** Thank you.

**The Chair:** Thank you.

I remember the discussion about the drug plan with the minister. As a matter of fact, if I recall, she pointed it out, and I think you've cited her or Veterans Affairs, Auditor General, as being almost a best practice.

**Ms. Sheila Fraser:** We have. There are some good practices in Veterans Affairs. I would also mention too that the department has been very responsive to the recommendations in the audit and has already started working on addressing some of the concerns we raised. They have been very good about this audit and very responsive to it. I look forward to doing a follow-up that will show they don't have to be told three times.

**The Chair:** Yes, well, we all look forward to that too.

I think it's important that we hear your constructively critical comments about them. But if they are doing some things well, we want to acknowledge that too. Let's make sure we can have everybody try to do that. So thank you very much for the clarification.

Now we go over to Mrs. Longfield for five minutes, please.

**Hon. Judi Longfield (Whitby—Oshawa, Lib.):** Thank you.

Mr. Chair, I don't suspect I'll take the full five minutes, so one of my colleagues may prepare for something additional.

Following up on your response with respect to the responsiveness of Veterans Affairs, you've been auditing for a good number of years and you've been before us and you've made recommendations, and there's generally a response from the department. This is two-part. Have you been in the main pleased, satisfied, with the response from the department? And then I'll wait for the second part after.

• (1655)

**Ms. Sheila Fraser:** From Veterans Affairs?

**Hon. Judi Longfield:** Veterans Affairs and National Defence.

**Ms. Sheila Fraser:** I would say Veterans Affairs, most definitely, and National Defence as well. We didn't, quite honestly, have as many issues with National Defence in this particular audit on the drug benefit program.

On the other audits we do, yes, they're responsive. I think they would get a varied—

**Mr. Hugh McRoberts:** They're a bit lukewarm on a couple.

**Ms. Sheila Fraser:** We get varied degrees of responsiveness.

**Hon. Judi Longfield:** I guess that's not an A-plus, but it's not a failing grade. Is that the suggestion?

**Ms. Sheila Fraser:** That's right.

**Hon. Judi Longfield:** So let's move beyond the response. In terms of putting the response into action, have you been satisfied... And I know we can always point to ones where there hasn't been satisfactory application of the response, but in general, do you feel

there have been good efforts to live up to their commitments and to actually try to resolve the problem?

**Ms. Sheila Fraser:** Again, with Veterans Affairs, we haven't done a lot of work there in recent times, but certainly on this audit we can see that action is being taken.

With National Defence, I can perhaps ask Mr. McRoberts if we have seen concrete action.

**Mr. Hugh McRoberts:** I really can't quantify it. I haven't looked at the data sufficiently recently. But the record, frankly, is mixed. DND sometimes does very well, and sometimes when we come back and look, they really haven't made a lot of progress. So it's a bit of a curate's egg.

**Hon. Judi Longfield:** So is it that you make the recommendations on a specific audit and you read the response? Is there not a specific follow-up? Do you just catch it if you're back in the department doing another audit, or do you actually try to follow through?

**Ms. Sheila Fraser:** No. Of the four reports that we produce each year, we now have one report that is strictly dedicated to follow-up, because in the past we would go in after two years and do a review and then issue a very short report. I found that the follow-up wasn't getting the attention it deserved, both from the department and perhaps from Parliament. And really following up on commitments is what accountability in many ways is all about. So we have moved and now are going back to re-audit issues that we believe are of significance. We have a status report, as we call it, which will be coming next February, where we indicate whether progress is satisfactory or not in addressing it. We do not systematically go back to all audits. We do it on a risk basis. We are trying now with the departments as well to see: if they agree with our recommendations, do they have an action plan; what would be a good time; and when do they think their actions will actually be completed. We will come in at that point to see if they've actually moved or not.

**Hon. Judi Longfield:** I look forward to that update, because I think that would give a lot of information this committee would be very interested in.

Thank you.

**Ms. Sheila Fraser:** Thank you.

**The Chair:** Now, there's one minute in this time slot, so Mr. Bagnell, do you want to...

**Hon. Larry Bagnell:** Related to the uninsured health benefits for native people, you've said you've asked three times and it hasn't been corrected. There has been one suggestion that it be transferred to the provinces and territories so that it could be run properly. Do you think that would be feasible?

**Ms. Sheila Fraser:** I really can't... That is really a question that almost gets to policy. I think it could be run better in Health Canada.

**Hon. Larry Bagnell:** Here's just a really short question. In these large military procurements, Industry Canada has historically been involved in order to maintain good local Canadian benefits. Was there any problem with that in this particular case? Was that continued? Were they liaised in this case?

• (1700)

**Ms. Sheila Fraser:** Ms. Loschiuk will perhaps respond.

**Mrs. Wendy Loschiuk:** We didn't see any particular problems. Because the contracts really were very limited as to who could fulfill them, we didn't notice that there were any particular issues in that regard.

**The Chair:** Thank you, Mr. Bagnell.

The last questioner in the second five-minute round is Mr. Casson, please. Five minutes.

**Mr. Rick Casson:** Thank you, Mr. Chairman.

I want to talk about the claims administrators who are used for the drug part of your report. There's \$43 million that is expensed to these people for doing this business, and I understand it's quite extensive. You seem to indicate there's a lot of authority given to these administrators. They act on behalf of Veterans Affairs in particular to a great extent, dealing directly with pharmacies and dealing with contracts and how things are going to be issued. According to your audit, is that system Veterans Affairs is using superior to others that don't use an administrator?

**Ms. Sheila Fraser:** I'll ask Mr. Barrett to respond to that.

**Mr. Frank Barrett:** Mr. Chair, our comment was not so much on the quality of the work that was done, say, for the drug utilization review analysis, though we do comment elsewhere that Veterans Affairs does do some DUR on their top 20—high cut-off points, for example. The concern we do express in paragraphs 4.84 and 4.85 relates to the fact that a lot of the key functions of the department, things one would expect to be run by the department such as doing the analysis internally to know the shape of their clients, are really being contracted out.

In fact, their contractor was participating on their formulary review committee, their contractor was representing them to industry, and their contractor was representing the department in meetings with other government departments, for example. The dynamic did seem to be a little concerning, but the issue didn't lead us to a specific recommendation because our recommendation in paragraph 4.106 says if you do have a more centralized process, it should take care of itself.

**Mr. Rick Casson:** Did you dig into the \$43 million or whatever was being charged to make sure there was value for dollars?

**Mr. Frank Barrett:** One of the key features of the contract with Veterans Affairs is an "as and when" clause. The as and when clause really allows the contractor to do far more than what's in the original contract. We didn't see anything that caused us to be concerned about the amount that was charged, but we were concerned merely by the fact that a lot of the activities, as we point out in paragraphs 4.84 and 4.85, were charged against the as and when clause.

**Mr. Rick Casson:** This was first brought to my attention by the son of a veteran who brought in a receipt or a bill; I just can't remember, but I think it was Blue Cross. Is that who...

**Mr. Frank Barrett:** Atlantic Blue Cross, yes.

**Mr. Rick Casson:** He was surprised, and he compared it to some other transactions the government has made using a third party to take care of these things.

But do you feel, then—and I get back to my question—this is a better way to proceed, for taxpayers' dollars to be spent wisely, having an extensive contract like this rather than doing it in-house? Do you have any comparison there?

**Ms. Sheila Fraser:** Well, all of the departments use claims processors or administrators. I think we have to recognize that these are very complex systems. They would be administering this for several people, and to set up those systems and to administer them would be quite complex.

We didn't particularly have a concern with the fact that they were using claims processors; it was more in the nature of the activities the claims processor was doing. There were certain functions we thought might more properly be retained within the department, and we thought they had perhaps gone too far by giving too many responsibilities to the claims processor.

We think, though, when we talk about the centrally managed system, that there might be economies as well in bringing some of this more together rather than having the departments all do it separately.

• (1705)

**Mr. Rick Casson:** Thank you.

**The Chair:** Thank you, Mr. Casson.

I wonder, Mrs. Fraser, if you could give the chairman a shot now after two full rounds. I understand you're having a function for members, and I want to promote all of us trying to go there, especially new members. Can I give you a chance for a commercial on the function you're going to hold?

**Ms. Sheila Fraser:** Thank you.

We've invited the chairs and vice-chairs of all the various House committees to come to a reception. It's more to get to know each other a little bit better so I can tell you about the work of the Office of the Auditor General and the commissioner of the environment—who is part of the office—and the scope of the work we do. It's also to introduce you to some of the people who will be assigned to the committees to work with the committees and the researchers and others. It's really for us to get to know the chairs and vice-chairs of the committees.

**The Chair:** Thank you, and I hope to be there for that.



Is there an opportunity for all MPs, particularly new MPs, to have a briefing on the exact terms of reference you operate under?

**Ms. Sheila Fraser:** Very much so. We are working, actually, with the Library of Parliament, and I believe there might be something scheduled in January or February. I know there is something scheduled.

We are also working on and developing something—and hopefully we'll have it very soon, within the next few days—we will send to you in order to give you information, a sort of kit that explains what our mandate is, how we pick our audits, and the kinds of audits we do.

If ever the committee would like us to present a briefing on the work we have done in National Defence or Veterans Affairs, we'd be more than pleased to do that.

**The Chair:** Thank you very much for that.

I think there are one or two other questions from colleagues. We won't have a full third round, but if you're willing to take this opportunity...

I've heard this before when auditors general have been at various committees, that in answering a couple of questions you and your predecessors have said, well, that's getting into policy—and rightly so. But sometimes I'm not sure we're really clear on how you draw the line.

Let's take CF-18s. Your mandate, obviously, I would take it, is to determine how those funds are expended, whether it's for refurbishing equipment or for buying new equipment, and whether the money is expended properly and accounted for and so on. It's very important work, and as Mr. Martin has noted, you're doing it very well and it's much appreciated.

Where do you draw the line with policy? It can't be your decision, I wouldn't think, to decide that if the department wants to carry out its white paper, it doesn't have enough CF-18s, or do you see that as part of your mandate?

**Ms. Sheila Fraser:** One good example I would use is that we would never say there's not enough funding for national defence. That is basically a policy decision, the allocation and the level of the resources. What we will say, though, is this: here are the expectations and here are the resources; there is a gap between the two. But we would not say you have to give more funding to this. We would not comment on broad policy issues.

We would not make comments, for example, on a defence strategy or those sorts of things. Nor do we do comment on what we call “machinery of government” issues. Government has the right to organize itself as it wishes, so we will not comment if departments are brought together or separated or if activities are moved. We might in future audits talk about difficulties resulting from it or issues that may have arisen in it, but we would not actually comment on that decision per se.

We really look at systems and practices. We do not do evaluation. That is specifically excluded in our mandate. We can look to see if government departments have put in place proper procedures to evaluate programs, but we do not carry out evaluations.

In this audit we look at the project management processes and ask, what were the underlying analyses for decisions? We would say, why 80, but we would not then say, well, it should have been *X* or *Y*. That's how we try to draw the line.

Obviously, I'd be honest in saying that sometimes when you talk about really bad implementation of a policy, it does tend to cast doubt on the policy itself.

• (1710)

**The Chair:** Right.

**Ms. Sheila Fraser:** We try to be careful not to do that.

**The Chair:** I understand that. Thank you for that.

I would just finish with this. When the government of the day lays out a white paper, which is its statement of its defence aims and objectives, if you will, and then the government of the day dedicates *x* taxpayers' dollars in any given year to DND in this case, it would then fall within your mandate as you see it to say that given these expectations, these resources, you're going to have a problem. Would that be valid?

**Ms. Sheila Fraser:** Yes, and we have in fact been saying that in recent history. Obviously, there are two ways to close that gap. One is to redefine the expectations, and the other would be to modify the funding.

**The Chair:** Thank you very much.

We hope to have the white paper before this committee before it gets too long in the tooth, so that we can help this government to look at its priorities. We are aggressively trying to get more funding. I think members on all sides are aggressively trying to get more funding for DND, and we make no apologies for that.

I'm going to suggest that I give each party one succinct question, before we thank the Auditor General. Who would like to question?

I'll start here: Mrs. Gallant, one question.

**Mrs. Cheryl Gallant:** You noted that DND is currently undertaking a multi-million-dollar program to recruit the CF-18 pilots. Taxpayers recall a similar recruitment exercise for the EH-101 helicopter pilots who ended up not being hired. The taxpayer was left on the financial hook to pay for those individuals' education in a buyout of a job guarantee. So this time around, what safeguards do taxpayers have that what happened during the recruitment exercise for the EH-101 won't be repeated again on the CF-18s?

**Ms. Sheila Fraser:** I'm afraid, Mr. Chair, that I can't respond to that because we haven't looked specifically at it, but we do have an audit on recruitment coming for...

**Mrs. Wendy Loschiuk:** It will be 2006.

**Ms. Sheila Fraser:** Yes, 2006, in the spring, and we will be looking at the recruitment generally through the department. We'll see if those issues come up in our audit.

**Mrs. Cheryl Gallant:** Thank you.

**The Chair:** Let me go to Monsieur Bachand, and then we'll finish on the government side.

Monsieur Bachand, your preferred last question.

[Translation]

**Mr. Claude Bachand:** I would like to ask you a question about your mandate. You have given us a good overview of your mandate, but I would like to know if you can choose which areas you audit. You are completely free in your choice. Aren't you?

**Ms. Sheila Fraser:** The Auditor General decides which audits will be carried out. Of course, if we receive a request from a committee, we take it into account, but we do not take orders from a member of Parliament, from any other person or any other group. Over a certain period, we follow a fairly stringent risk analysis process with regard to the departments. We determine which risks can be audited and then we establish an audit plan for a three-to-five-year period.

If you are interested, we could tell you a little more about the plans we have for the coming years with regard to National Defence and Veterans Affairs Canada.

**Mr. Claude Bachand:** Since we are in the process of studying the submarine situation, I was wondering whether it might not be a good idea to ask the Auditor General to carry out a brief audit of the entire issue, particularly of the procurement process.

As regards the F-18s, I think the personnel has done an excellent job. However, based on what I have read until now, I note that very few studies have been conducted on the submarines by the Auditor General. Given the current situation, I was wondering whether it might not be a good idea, through a committee resolution, to graciously ask the Auditor General to audit the submarine situation.

My question is for you, but also for the chairman.

• (1715)

**Ms. Sheila Fraser:** I don't want to disappoint Mr. Bachand, but I must point out that our audits take about 18 months to complete. If we began our study today, you would get it in about two years.

[English]

**The Chair:** That's the only thought I had. I don't know that these audits are quickly done, but—

**Mr. Claude Bachand:** They'll be given back to Great Britain.

**The Chair:** That's right, we'll be looking for the next used subs.

I'm going to go over here and then I think I'm going to give the last word to Mr. O'Connor, and then we will excuse the Auditor General and her staff, and there are just one or two reminders to members and then we'll conclude.

Mr. Rota, the last shot's for you.

**Mr. Anthony Rota:** I'm going to read a quick quote you expressed a concern on in page 16 of your report, chapter 3. What you're basically saying is "a risk management plan was not developed at an earlier stage in the project to manage risks to the successful completion of the CF-18 modernization".

Aren't risk management testing and evaluation integral parts of the procurement process in the testing and evaluation? Aren't they integral to the project going out, or the process taking place? Shouldn't they have been done before they went out to the contractors?

Finally, given the complexity of military equipment, you have a list of six themes, risk management themes, that should be practised, and they're on page 17. Given the complexity of military equipment, should we even expect to meet those risk management objectives? Are they a little bit too stringent for the projects we're applying them to?

**Ms. Sheila Fraser:** I'll perhaps answer the second question, and I'll ask Ms. Loschiuk to give more precise information on the first.

The six themes for evaluating risk management are pretty standard practice, and one would certainly expect in a complex project like this, which involves \$2.6 billion, that all of those would be respected. It is a project that has to be considered as high risk. And when you take into account all the other elements—the technicians, the pilots, the funding, the spare parts—there are a lot of complexities to this. It would require very good risk management to make sure that the project is successful and that there is an appropriate return on that investment. So one would expect even more rigorous risk management as the complexity of projects increases. So we would certainly expect that this should have been done and should have been done very rigorously.

I'll ask Ms. Loschiuk for the specifics regarding testing and evaluation.

**Mrs. Wendy Loschiuk:** On the testing and evaluation in this particular case, yes, it is a very important part of risk management. I think what we were encouraged by is that they did their testing and evaluation in a reasonably good amount of time to a reasonably good level, which left them with assurances that the airplane was going to work. For us that was good news. We've seen it in the past. I think in 1998 we reported that testing and evaluation had occurred after the equipment had already been received and was in the field and being used. In this particular case, we can say that things did go better.

**Mr. Anthony Rota:** Thank you.

**The Chair:** Thank you very much.

Mrs. Fraser and your colleagues, thank you very much for joining us. We really do appreciate the oversight that you bring and the insights you share with us. We very much enjoyed that today. We thank you very much, and we look forward to meeting with you again in the future.

**Ms. Sheila Fraser:** I thank you, Chair, and the members of the committee for your interest in our work. I look forward to further hearings. If at any time you would like briefings or explanations, we are at your service.

**The Chair:** Thank you. We appreciate it very much.

Colleagues, about next week, maybe I can ask Ms. Crandall, our committee clerk, to tell us what our lineup is for next week.

• (1720)

**The Clerk of the Committee (Mrs. Angela Crandall):** On Monday we have Petty Officer O'Keefe coming to testify before the committee, and we will have a representative from the department as well, to speak to the issues he's going to raise.

On Wednesday the committee had planned to have a committee business session with the researcher providing a précis for the committee about where we're at with the study.

The following week, on the Monday, we have the former minister, David Collenette, who will be appearing.

**The Chair:** And December 15, a Wednesday, Ms. Crandall, are you trying to set up a bit of an academic panel that day?

**The Clerk:** I've been talking to some witnesses to see about their availability, but I haven't had any confirmations for December 15 as of yet.

**The Chair:** It's getting close to the Christmas break at that point, so we may have trouble. You may want to think about what else we might want to do on that day.

On Wednesday, as the clerk said, we have Mr. O'Keefe and someone from the department. I think it's very important. If you can be here at all, make sure you're here on—sorry, it's Monday for Mr. O'Keefe. Next Wednesday, it's the summary from the researchers.

So far, we've heard a few options on where this committee might want to go as we proceed with the study, and how long we think it might take. We might want to revisit any priority for witnesses we haven't heard.

We're very anxious to get an update on the documentation request from this committee. We would like the clerk to give us something by next Wednesday, if possible. I know there was a request for many documents, but we want a response from the department on where the request stands, whether we'll be able to get these documents, and whether they foresee any problems, etc. We'll put it there.

A couple of members have also mentioned individual things to me. Let me give you a chance to raise those now. I know that Mr. O'Connor has something of interest.

Gordon.

**Mr. Gordon O'Connor:** Yes. On retired flight lieutenant Wenzel, I brought this forward to the veterans subcommittee, but I was told it actually is a matter for this committee. It is alleged that this person was unfairly deprived of his pension. He's about 80 years old. He fought through World War II flying bombers, and was in Korea and Malaysia, etc. He spent about 20 years in the RCAF, and he asked for permission to leave early, just short of a pension. I'm only giving you the outline of the story. He was told no, whoever above him decided no, and he had to leave for other opportunities. He went on to serve eight years in the air force reserve.

I have a file. According to Mr. Worthington, a journalist, Mr. McCallum was Minister of Defence and Veterans Affairs at the time. He took an interest in it and said he was going to do something, but events overtook him. Mr. Pratt then became minister, but not for very long. Maybe the issue has been raised now with the current minister.

This gentleman is in his eighties, and on the surface there appears to be something. By the way, they found out that a lot of other people were granted pensions under these conditions, but he wasn't, because the guy above him didn't like him. This was alleged, anyway.

I think there would be some benefit to squeezing this in, with all the highfalutin things that we do, to bring one human being into our committee to listen to his problem. It's probably a pension problem that other people may have.

**The Chair:** That's a very good point.

Mr. Martin, do you want to speak to it?

**Hon. Keith Martin:** Gordon, has this person gone through the whole series of complaints and through the department to try to get this resolved? Has he exhausted all possibilities?

**Mr. Gordon O'Connor:** I'm only going from the article; I don't have the file with me. It would seem that he did approach Bill Graham. The answer that came back from Bill Graham was that they were basically following the rules.

**Hon. Keith Martin:** Has he approached you directly with the problem? I'm happy if you want to do it, or I can do it. I can take it to the department. He can contact us and I can deal with it to try to resolve it.

**Mr. Gordon O'Connor:** Well...

**The Chair:** I was going to suggest this. In a former time, I was parliamentary secretary to the Minister for International Trade, and it's one of the functions. I know there are arguments both ways about having a PS on a committee, but one of the values about having a PS accessible at least to a committee is that something, as you're raising, Gord, could be given—

• (1725)

**Mr. Gordon O'Connor:** I'm not objecting to that.

**The Chair:** I know you're not.

**Mr. Gordon O'Connor:** If there's justice, and they give him his justice—

**The Chair:** Absolutely.

**Mr. Gordon O'Connor:** — I don't care how it comes.

**The Chair:** We all agree with that, and I think you've raised a very valid point. Certainly as a member you would be within your rights to move a motion, at some point in time, that the committee hear this gentleman. I'd certainly entertain it.

I think that what Mr. Martin is saying is the normal course. We have a parliamentary secretary with resources available to him that may well be able to help you, and all of us, resolve this gentleman's situation. If you want to work with Mr. Martin on it, and we can resolve it that way, great.

**Mr. Gordon O'Connor:** Sure.

**The Chair:** If there's a need to bring this gentleman to this committee, I agree with you: we're not here just to talk about multi-billion-dollar programs; we're here to talk about real people and their problems, too.

Let's proceed that way, and we'll see how it works out.

Now, are there final points before we adjourn?

Mr. Bagnell.

**Hon. Larry Bagnell:** Who is the person we have from the department on Monday?

**The Chair:** On Monday, we have former submariner Mr. O'Keefe. I don't know who the individual from the department is.

**The Clerk:** The individual hasn't been identified to me yet. I've been trying to get that information from them. I hope to have it, at the latest, tomorrow. The notice will be on the website.

**The Chair:** The department knows, because the clerk and I have both made it clear, that we want someone from the department there Monday. We've been assured there will be someone. I'd ask Mr. Martin to help us with that.

What I said the other day I think is the way to proceed. We'll have Mr. O'Keefe give his testimony and raise his points, we'll question

him, and then we'll hear from the department, so that we don't get into an open debate. I don't think that would serve our purpose.

Thank you very much, colleagues. I appreciate it.

The committee's adjourned.

---







**Published under the authority of the Speaker of the House of Commons**

**Publié en conformité de l'autorité du Président de la Chambre des communes**

**Also available on the Parliamentary Internet Parlementaire at the following address:  
Aussi disponible sur le réseau électronique « Parliamentary Internet Parlementaire » à l'adresse suivante :  
<http://www.parl.gc.ca>**

---

**The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.**

**Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.**