



House of Commons  
CANADA

# **Standing Committee on Government Operations and Estimates**

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OGGO • NUMBER 008 • 1st SESSION • 39th PARLIAMENT

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**EVIDENCE**

**Thursday, June 8, 2006**

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**Chair**

**The Honourable Diane Marleau**

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## Standing Committee on Government Operations and Estimates

Thursday, June 8, 2006

• (0800)

[Translation]

**The Chair (Hon. Diane Marleau (Sudbury, Lib.)):** Ladies and gentlemen, we will start the meeting. Today we are hearing from the Honourable Michael Fortier, the Minister of Public Works. We are meeting to discuss the estimates, which are the main task of our committee. I believe the budget of Public Works and Government Services Canada appears at Votes 1, 5 and 10. Thank you for accepting our invitation, Mr. Fortier.

In the first round, members will have seven minutes to ask questions. That will include response times. If a member asks a question that is too long, the witness will not have time to answer. We will start with the Liberals.

Minister, do you have anything to tell us? I'll allow you 10 minutes.

**Hon. Michael Fortier (Minister of Public Works and Government Services):** First, thank you for inviting me. I want to apologize. I was supposed to be here a few weeks ago, but that was the day Mr. Howard, the Prime Minister of Australia, was here.

**The Chair:** With the consent of the whips, we cancelled all the committees. It wasn't really your fault.

**Hon. Michael Fortier:** I want you to know that I would have cancelled in any case. At least I'm honest.

Thank you very much for inviting me here today. I have a brief statement to make.

As you know, this is my first appearance as Minister before a Committee of Parliament. I can assure members of the committee that I will answer their questions to the best of my ability and I will, of course, carefully listen to their views.

Several senior officers of my department are in attendance with me today. They include Mr. Marshall, who is the Deputy Minister, Ms. Aloïsi, who is Associate Deputy Minister, Mr. Bennett, who is Acting Assistant Deputy Minister, Acquisitions Branch, Mr. McGrath, who is Acting Assistant Deputy Minister, Real Property Branch, and Mike Hawkes, who is our Chief Financial Officer.

Madam Chair, I know that many of the members of this committee have been in Parliament for several years and will have surely formed their views of Public Works and Government Services Canada. As I informed my opposition critics, who are focussing mainly on my department, those that I have had the time to meet

since I became minister, I will always be open to suggestions aimed at improving the Department of Public Works.

I would also like to say that I was very honoured last February when Mr. Harper called on me to serve in his Cabinet as the Minister for Public Works and Government Services and the minister responsible for Greater Montreal. The Speech from the Throne, as you know confirmed the five priorities our government will pursue in the coming weeks and months. Cleaning up government is at the top of the list. The Federal Accountability Act, with which you are quite familiar, will be the cornerstone of our efforts to change the way business is done in Ottawa.

The reforms contained in this bill are comprehensive. They will have a particularly positive impact on my own department, but will be felt in all institutions and in all corners of government.

[English]

Members know a legislative committee is currently studying the bill, but I believe it is important for this committee to be seized with two elements of the proposed FAA that will have direct implications on my department.

Bill C-2 contains a number of measures to clean up federal contracting, an important common service role provided by Public Works and Government Services Canada. We are the government's experts in procurement, and we will lead the way in reforming the process to ensure it is fair, open, and transparent.

Once Bill C-2 is proclaimed, it is the government's intention to create the new position of procurement auditor with a mandate to review, on an ongoing basis, the government's procurement process to ensure fairness and transparency, and to make recommendations for improvements. The procurement auditor will also establish a process to review complaints from vendors and will manage an alternative dispute resolution process for contract disputes. Bill C-2 anticipates the procurement auditor will be appointed by Governor in Council and will report to the Minister of Public Works and Government Services. An annual report will be tabled in Parliament.

In addition, I will soon be launching the consultation process with industry associations, research institutes, and other stakeholders on a code of conduct for procurement. This code, which I hope to have in place by this fall, will consolidate all existing conflict of interest and anti-corruption measures into a comprehensive and transparent statement of expectations for government employees and suppliers alike.

As another measure to clean up government contracting, integrity provisions will be included in all bid solicitation and contract documents to provide a clearer statement of the existing obligations of contractors under the Criminal Code, the Competition Act, and the Lobbyists Registration Act. Taken together, the code of conduct and integrity provisions will clearly define, for public servants and suppliers, acceptable conduct when contracting with government.

● (0805)

[Translation]

The proposed Federal Accountability Act also re-enforces the commitment of our government—and my personal commitment as minister—to improve access to government business for smaller vendors and vendors in all regions of Canada.

Small and medium enterprises account for 43 per cent of Canadian GDP, 66 per cent of all jobs in the economy and much of Canada's economic growth. Creating opportunities and rewarding the hard work and innovation of Canada's small and medium enterprises is a key commitment of the government. For this reason, the Office of Small and Medium Enterprises has been established within Public Works. The office has already begun to address the concerns of small and medium enterprises in order to ensure that firms have fair opportunities to compete, regardless of their size and location.

Six regional offices of Small and Medium Enterprises have been established. They are a critical element of the Federal Accountability Action Plan, and represent a major commitment to small and medium suppliers to government. With a presence of these offices across the country, the government can ensure that smaller vendors and vendors in all regions of Canada receive due consideration in bidding for government contracts. The government as a client and, indirectly, taxpayers will benefit from having more suppliers compete for government business. Prices should go down and innovation and creativity rise.

[English]

The second aspect of the proposed FAA of particular significance to my department relates to public opinion research and advertising. As a first step in rebuilding public trust in this area, we will make it mandatory that all public opinion research reports commissioned by the Government of Canada be provided in writing, and that a copy be submitted to Library and Archives Canada. As well, Bill C-2 will require departments to make all such reports public within six months of the completion of the project.

I will soon appoint an independent adviser for a term of six months to review, assess, and report on government procurement practices for public opinion research, including issues raised in the Auditor General's 2003 report, and to recommend whether further action or inquiry is required. This individual will be selected pursuant to the special appointment regulations issued under the Public Service Employment Act and will report to me as minister. His or her findings will be made public.

The business transformation agenda that is now under way within Public Works and Government Services Canada shows that the management and staff of this department have only one goal, to serve the public interest in the best way possible by making the right business decisions on behalf of Canadians.

We are committed to developing the most efficient, effective, and lowest-cost accommodation strategy for the Government of Canada—work that I wholeheartedly endorse and will continue to support. Key decisions need to be made about our aging real property inventory, and I have been looking at this issue for a while now. In addition, my department is also reducing the average space per employee, rigorously applying fit-up standards throughout the government, and taking a more aggressive negotiation approach to leases.

● (0810)

[Translation]

I have also endorsed the procurement reforms that are underway in my department. Every year, the Government of Canada purchases over \$20 billion in goods and services, the majority of which is bought by Public Works and Government Services Canada. By leveraging the buying power of the government as a whole and taking steps to reduce the cost and time it takes to purchase goods and services, we will achieve better value for Canadians.

Our Shared Travel Services Initiative is an example. This initiative is targeted to reduce the government's annual \$1.2 billion travel bill by \$375 million over five years.

Madam Chair, members of the committee, I appreciate the opportunity to make these brief opening remarks. I welcome any questions the committee might have at this time.

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

We'll begin with Mr. Alghabra, from the Liberal Party.

Mr. Alghabra, over to you.

[English]

**Mr. Omar Alghabra (Mississauga—Erindale, Lib.):** Thank you, Madam Chair.

Thank you, Minister, for coming here.

Thank you, everybody, for being here this morning.

I have several questions for you. I will start by trying to understand the increase in acquisition services by 20%, based on the estimates we have. Those were \$127 million and now they're \$152 million.

**Hon. Michael Fortier:** Ian, would you like to take this one?

**Mr. Ian Bennett (Acting Assistant Deputy Minister, Acquisitions Branch, Department of Public Works and Government Services):** Madame Chair, the increase in the overall expenditures for the acquisition branch, I think, is in part due to the attribution of full costs, including overhead costs. The actual business volumes and expenditures for the acquisition branch, in terms of incoming work and the size of the branch, has remained reasonably stable. What has happened is that with the government accounting system and the attribution of the indirect costs, some of the corporate costs are now being shown against the acquisition function to give the total cost of the operation, and I believe that increase of 20% is attributable to that accounting transfer.

**Mr. Omar Alhabra:** Where were these costs accounted for before?

**Mr. Ian Bennett:** I believe they would have been attributed—and I'll let the CFO speak to this—to the corporate overhead function. Now a portion of that has been attributed to the acquisition function.

**Mr. Omar Alhabra:** Can you give me an example of what that is?

**Mr. Ian Bennett:** An example is the access to information function, which is a corporate function. Each branch benefits a portion of that, so part of those costs are now attributed to the acquisition branch.

**Mr. Omar Alhabra:** But wouldn't those costs, even though they were part of the corporate costs, have been part of the estimates?

**Mr. Ian Bennett:** They would have been part of the total departmental estimates, Madame Chair, but now they are attributed at a much granular level to the acquisition branch.

**Mr. Omar Alhabra:** Where would they have been in these categories that are in front of us right now?

**Mr. Mike Hawkes (Chief Financial Officer, Department of Public Works and Government Services):** They would have been covered under what we call corporate services in the budgets of the previous years.

As a result of the implementation of the new program activity architecture, there has been a decision to charge the full costs of operating programs to the program, so whereas several years ago in the estimates you would have seen a line for finance, for human resources, for IT management for the department, this year we have allocated all of those costs against the programs to demonstrate the full cost of operating—the cost of the acquisition, of the real estate, or any other program.

**Mr. David Marshall (Deputy Minister, Department of Public Works and Government Services):** If I may, Madame Chair, we'll be pleased to give you a much more detailed breakdown if you like. There is also the fact that from our own budget we have recently established an office of small and medium enterprises, which is now in the acquisition branch.

If you look overall at our budget, you're going to find that it has actually dropped year over year. What is going forward is \$150 million less than the year before. There are some internal allocations and some things we've taken on, but overall, despite our managing much greater volumes, our overall cost has dropped. I have a graph here to show the increased demand versus the cost of the department. I can leave that with you, if you like.

**Mr. Omar Alhabra:** Sure. Thank you, Mr. Marshall.

Minister, you've talked about making sure the acquisition process for the department becomes more competitive and offers an opportunity to find ways to increase competitiveness and reduce costs for taxpayers. I want to confirm that competitive situations are always the best way, in your opinion, for the department to acquire whatever services or products it acquires. Is that correct?

• (0815)

**Hon. Michael Fortier:** It should be the rule.

**Mr. Omar Alhabra:** I want to share with you a motion the committee passed a few days ago, on Tuesday, and I want to get your opinion on it. If you'll allow me, I will read the motion.

**Hon. Michael Fortier:** I've read it. If you want to read it...sure, it's your nickel.

**Mr. Omar Alhabra:** If you don't mind. It's just for the record—well, it's our nickel.

The motion reads:

That the Committee report to the House that it recommends that the acquisition, by purchase or lease, of any significant property, such as the former JDS Uniphase campus in Ottawa by the Government of Canada for use by its departments and agencies, be the result of a competitive public call for tenders process.

Can you tell the committee how you feel about this motion?

**Hon. Michael Fortier:** I understand where you're driving with this concept. I think, as a rule, when we're contracting, whether we're buying pencils or out there seeking additional space, we should always be on the lookout for what the comparables are, and hence try to get the best product at the best price. With real estate one needs to be careful, because having done this myself in a prior career, when you're already in a building somewhere, and your lease comes up for renewal, you're likely to get a better deal from the current landlord—and this is not 100% of the time, but 80% of the time, depending obviously on the vacancy rate in the city you're in—given that you don't have to move and don't have all the inconveniences of moving to another building.

When you take all of that into consideration, plus the fact that at Public Works they have a number of professionals who keep abreast of the costs of particular space in every city, every day, I would say that if we get an unsolicited offer from a landlord in a building where we are, and the offer is attractive, I think we should take it.

**Mr. Omar Alhabra:** We had the Auditor General here last week telling us how your department has been doing a better job over the last few years in evaluating these properties and measuring whether to acquire or buy them. In fact there was a case study on 800 Victoria Place in Montreal, where the tenants have done an assessment and have decided to stay, even though it is not the most competitive place. In the Auditor General's opinion, there was a duplication of expenditure of taxpayers' money, unfortunately, and they should at least have decided that from the start. I think this makes the opposite case: there are times that by doing a good analysis, you can find better properties and can save taxpayers' money.

**The Chair:** Thank you, Mr. Alhabra. You're already over time.

**Mr. Omar Alhabra:** But they spent some time looking for the answer.

**Hon. Michael Fortier:** Can I respond? I think I know what the question was.

**The Chair:** I think that's fine. You'll have lots of time to respond.

Madame Thibault.

[*Translation*]

**Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ):** Thank you, Madam Chair.

Mr. Fortier, thank you for being here with us. Thanks as well to Mr. Marshall and all the senior officials who are with him.

As you undoubtedly know, we are quite pleased to be able to ask you questions. Since this isn't a question period, I'm sure we all hope to get some answers.

My first question, to which you referred in your address, concerns the fact that, for a number of years now, Public Works has been trying to find ways to innovate and achieve savings. Over the next hour and a half, my colleague and I will be able to ask you questions, mainly about supply, real property management and risk management in information technology, among other things. Here we're talking about better potential innovations for your department.

The previous government said it wanted to save a few billion dollars by grouping government purchases together. As you've already said, the idea for you is to optimize purchases in order to achieve your objective, lower prices.

First, I'd like to know whether your objective is the same.

Second, I'd like to know whether you're motivated by a sense of fairness towards the regions. By that, I don't mean you should buy in Manitoba if that means paying three times the price. However, I'd like you to tell me whether, when your department tries to get the best possible price, it will keep in mind the cross-Canada reality, that is to say that businesses are established right across the country. As you know, this is a very important issue for the survival of certain regions. If this is indeed an objective of your department, how will it manage it?

Lastly, I'd like to know approximately how purchases are allocated by province, in Quebec, and by subregion, if you're willing.

• (0820)

**Hon. Michael Fortier:** I'll answer your questions in the order in which you've asked them, if you see no objection to that.

I believe in savings. One program began under the aegis of the last government, but I don't think this is a partisan issue. When the State spends this much money annually, anyone in my place would try to find ways of saving money.

We spend colossal amounts, and that's entirely normal, because we support all the departments.

However, I want to reassure you: We are committed to making substantial savings. I refer you to Mr. Flaherty's budget, which clearly states that our department expects supply savings of nearly \$2.5 billion over five years. Those savings are already set out in Mr. Flaherty's budget. I believe we must make these efforts on behalf of taxpayers.

Your second question, which concerns regionalization, is a good question. It refers to the principle of balance between getting the best possible price and a quasi-industrial policy to permit or encourage the growth of small and medium enterprises across the country.

As a result of the creation of the Office of Small and Medium Enterprises, if we as a department do our work right, there will be, in the coming years, more smaller businesses in the regions entering into contracts with the Government of Canada.

Small and medium enterprises currently contribute 43 per cent of Canada's gross domestic product. I don't have the exact figures. It's a bit complicated because Public Works and Government Services Canada is not entirely responsible for all government acquisitions. However, I would say that, as government suppliers, small and medium enterprises probably don't win more than 30 per cent of the value of government contracts. There's already a major gap between what actually exists in the economy and government supply.

I hope that, over the next few years, we'll be able to tip the balance in favour of small and medium enterprises. I believe that, since they are located in large part in Canada's regions, the SMEs will indirectly increase the share of the regions.

We're proceeding with regional calls for tenders for the purchase of certain goods. Ms. Thibault, the senior officials present here will forward much more accurate information to you, today or later, on each of those regional calls for tenders.

As for your last question, which concerned the breakdown of purchases by region, I don't have any information, but I remember previously having it.

• (0825)

**Ms. Louise Thibault:** Minister, I consider this issue very important. Like some of my colleagues, I've previously played the role of municipal councillor in my community. When we accounted to the public every month for our purchases and actions, citizens saw that 80 per cent, for example, of the goods we had purchased were local. People said those purchases created jobs at home, and so on. You shouldn't buy at just any price, but this is a highly motivating factor.

We've received the document on the next stages at our offices. If you sent it with a strategic purpose in mind, I congratulate you. We received it at 7:30, and we were here at 8 o'clock. That's extraordinary.

Do you have a concern related to your green program. Are you keeping that concern in mind to ensure that suppliers—that supply goods or services to Canadians—also have green policies in order to produce goods as green as possible? Do you require that respect for a sustainable environment be taken into account, both when buying a good from a private sector supplier and when you acquire the product internally, on the hill or elsewhere, for example when you install a green roof? Do you set that requirement for suppliers?

**Hon. Michael Fortier:** Yes, a policy has applied to all supply contracts since April 1 of this year. Instructions have been given to our professionals.

**Ms. Louise Thibault:** Minister, how are you going to measure progress? What performance measure have you established to ensure, without sending the police everywhere, that these people comply with the criteria you've set?

**Hon. Michael Fortier:** I'll let Mr. Bennett answer that question.

[English]

**Mr. Ian Bennett:** Yes, *exactement*.

Madam Chair, what we have tried to do as a department is to look at greening opportunities in all our areas, including real property, which is obviously the operation of our buildings, but also specifically with respect to the acquisition function. As the minister was saying, we include that in all of our major commodity strategies.

The performance measures that we would include are quite specific. For example, in the area of office paper, we have very stringent performance measures that they must comply with, in terms of the highest environmental standards. Similarly, we have very standard specifications for printers—which are a major procurement, and which have a very significant ecological and greening impact, as you can all imagine. So we track with—

[Translation]

**Ms. Louise Thibault:** Are they available? I assume we can ask you for them if we want to know them?

**Mr. Ian Bennett:** That's correct.

**Ms. Louise Thibault:** Do I have any time left?

**The Chair:** Unfortunately, that's all.

[English]

Mr. Wallace.

**Mr. Mike Wallace (Burlington, CPC):** Thank you, Madam Chair.

Welcome, Minister, and everyone.

A few weeks ago I met with my local chamber of commerce and other business organizations in the city of Burlington, the riding that I represent. I talked about the office's small and medium enterprises. I don't think they were terribly convinced that it's going to work for them.

So my questions are twofold on that particular office, which I think is a great opportunity. What's the department doing in terms of marketing and making sure that small business understands what the opportunities are?

My second question in the same area is in terms of performance evaluation. How are you going to evaluate whether the office has been effective? What criteria are you using for that?

**Hon. Michael Fortier:** Thank you for the question.

I'm not surprised people are skeptical about this effort. I understand that the small and medium business community and the industry have been lobbying Ottawa for several years. It's not a partisan thing; they've been around here, and they've noted

something that anybody, really, could have observed: if you're trying to do business with the Government of Canada and you're provided with an 80-page RFP with links to various websites that have other criteria for the supply of desks, and if you're a small company with six or seven people in the head office who are doing all sorts of other functions, you don't have time to go through all this, while the bigger guys can have staff totally devoted and dedicated to understanding how to do business with us—so there's an imbalance in terms of the competitive environment.

The first part of what we need to do was the easiest. It was to announce this. That was the easy part: you announce this and say we're going to do this. The really tough part, where the rubber meets the road, is exactly what you said: how are you going to measure this and how are you going to bring these people to the table?

I think we're going to bring small and medium business people to the table by doing a number of things. Among those things, we need to simplify the rules. Rather than face 80-page RFPs, they have to face 12-page RFPs. Rather than facing 25-page RFPs, they should be facing 8-page RFPs.

Right now in Mr. Marshall's department, a review is going on of what has been built of standard clauses over decades. A clause becomes a standard clause because there was a case, and somebody said you have to put this clause in or the Supreme Court will reverse this in some other case. Finally, you end up with a million of these standard clauses. The fact of the matter is, when small business owners go into our system and read the RFPs, they're confused and discouraged after the first four pages, so they just chuck the thing and don't move on, and that's sad. It's sad because we lose.

As I said earlier, normally the more people we have at the table—and I think this was your comment—the better the prices we'll have.

More importantly, small and medium business enterprises in this country have always been very creative and very innovative, but we're closing ourselves off from this wonderful basket of innovation and creativity. We can't allow this to continue; hence, the Office of Small and Medium Business Enterprises is out there to help these folks do business with us. While that's happening, Mr. Marshall's department is looking at all these RFPs, taking out the mumbo-jumbo that doesn't need to be there anymore, and facilitating the MERX system.

In a small shop in Truro or in your riding in Burlington, when somebody who is, let's say, a supplier of microphones or some sort of a technology goes on the system, they click on technology and can immediately see what's on offer. They double-click on the stuff that interests them and within a reasonable time—not four hours, but perhaps half an hour—they know what's on offer and what the conditions of offer are, and that's really critical.

● (0830)

**Mr. Mike Wallace:** Do I have more time?

**The Chair:** Yes.

**Mr. Mike Wallace:** I used to sell to the Government of Canada and the provincial government. I was on commission and I always loved February, because lots got bought, as long as it was delivered by the first of the month. As a citizen, I didn't think it was necessarily the appropriate way to do business, but as a commissioned sales rep, I didn't mind; you've got to take advantage of what's there.

It's been a few years since I've done that.

**A voice:** Did you inhale?

**Mr. Mike Wallace:** Sorry, that's a Liberal thing.

Has there been any change to that procurement process? What's the vision for Public Works on that? Is there a way we can avoid the we've-got-it-so-we-need-to-spend-it approach?

**Hon. Michael Fortier:** I'm not aware of that actually happening on a large scale. What we're trying to do now with this new system Mr. Marshall is implementing is that we have 34 large standing offers that'll be implemented over the next six to nine months. We want to make sure.... For example, when we're buying cars, we realize that if you buy cars in a certain quarter of the year, you'll have more options for free than if you buy them in a different quarter. As the lots are full of cars and the inventories go up, they'll obviously be interested in selling cars. Folks at Public Works are taking a hard look at it from that end.

In terms of people piling up at the end of February to get stuff in by early March, I'll let you answer, David. Maybe it's only in Burlington.

**Mr. David Marshall:** Thank you, Minister.

I think Madame Chair is probably familiar with this phenomenon, having been involved with Public Works.

What happens is that departments are very conscious of not overspending their appropriation, so they try to be cautious and allow some headroom. Then, as they get toward the end of the year, they find they have some extra money, and they tend to buy goods that can be purchased, such as computers, cars, and so on.

• (0835)

**Mr. Mike Wallace:** I was selling cabinets.

**Mr. David Marshall:** Cabinets, furniture, yes....

At that point it's very hard to negotiate a good price, because you want delivery very quickly. This does not give good value to the government.

So we did two things, as Minister Fortier pointed out. We are putting in a procurement system called the Government of Canada marketplace. It allows people to buy throughout the year, but it also allows us to track procurement behaviour. If we look over two years or three years and discover you're buying an average of 5,000 computers a year, let's not pile it up at the year-end. Let's guarantee you're going to buy a certain number and get you a good price; then you can draw down through the year. We are smoothing out that bulge. I think it will be very valuable.

**Mr. Mike Wallace:** Thank you very much.

**The Chair:** Thank you.

Ms. Nash.

**Ms. Peggy Nash (Parkdale—High Park, NDP):** Thank you.

Good morning, Mr. Fortier, to you and to your team. Thank you for coming this morning.

I have a couple of questions. The first one is about procurement in general. You have stated as your goal—and I think it's a goal Canadians support—getting a grip on the costs and getting the most efficiency possible—the best acquisitions, the best purchases possible for our tax dollars. Canadians work hard for their money, and they want to make sure it's spent as wisely as possible.

My question is around domestic or North American procurement. I appreciate that we do want to get the best value for our dollar and that we are also bound by trade agreements. Can you tell me, within the confines of those two areas, and perhaps other confines, is there any weight given to domestic production? I feel that when we are procuring domestically, we're obviously keeping people employed; we're supporting their families; there are tax dollars that get paid back to the government; there are a lot of spinoff benefits from domestic procurement. Can you tell me if this is a factor within our overall procurement policy?

**Hon. Michael Fortier:** As you stated in your question, we are bound by several trade accords. I thought the deputy was going to give me a piece of paper giving me the breakdown between what one would call non-Canadian purchase versus Canadian purchase. I know I've asked the question in the past; I know I had the answer, but you'd be surprised at how little non-Canadian purchases are. Most of the buy actually takes place north of the 49th.

Obviously some of the buy is with Canadian affiliates of U.S. companies, but I think it's fair to say that a large percentage of our procurement is with Canadian-based companies. Isn't it, Mr. Marshall?

**Mr. David Marshall:** That's correct. It is.

In cases of very large purchases like military procurement, for example, we are obliged to buy in Europe or in the United States because the equipment is manufactured there, but we work very closely with the Department of Industry to ensure that an equivalent amount of money is spent with Canadian businesses. These are called industrial regional benefits; you would have several billion dollars of that kind being procured by these companies like Boeing and others within Canada, and to assist Canadian industry, so we're very conscious of that.

**Hon. Michael Fortier:** Obviously the military is different. I view these large tickets as.... It depends how we want to do this and it depends what we want to buy, but if you exclude—

**Ms. Peggy Nash:** Sometimes military equipment is not built here in Canada, so you really have to get it someplace else.

**Hon. Michael Fortier:** Well, that's it. We used to have a very robust and vibrant defence industry several decades ago. Unfortunately, we lost that, but if you exclude those large tickets, a very large majority of our buy is here in Canada. It's *de minimis* what isn't.

**Ms. Peggy Nash:** Just out of curiosity, is this a policy decision, a policy requirement, or is it just seen as good for the country—a kind of nation-building exercise?



**Hon. Michael Fortier:** No, we're just following the rules. Basically anybody—an Australian company could bid today on anything we have on our screen.

• (0840)

**Ms. Peggy Nash:** Do I still have...?

**The Chair:** You still have about four minutes.

**Ms. Peggy Nash:** Excellent. My other—

**The Chair:** You don't have to use it all up.

**Ms. Peggy Nash:** Are you kidding?

My other question is similar to Madame Thibault's question around the greening of our government operations. Because the government is such a large property owner and property leaser, what are we doing to invest in retrofitting these properties to ensure that they are as energy efficient as possible?

**Hon. Michael Fortier:** That's a very good question. As an example, this week I opened, officially, the roof at the top of the C. D. Howe Building. The roof needed to be redone, and it was redone with the greening in mind. I'm not an expert on how they did this, but they laid out a lot of soil and different types of materials, and on top of the building are a number of plants. These plants will help insulate the building from cold and warm weather, even those we don't own. We don't own the C.D. Howe Building; we're only a lessee.

When we're a large lessee in a building and we're aware that the landlord is about to do major work, or if we own a building and there is significant retrofit required, we put the policy in place; we use the opportunity of investment having to be done, capitalization having to be done to the building, to put into place our greening policy.

**Ms. Peggy Nash:** All right.

Do you foresee any acceleration of that, or any desire to intensify the kind of work that had been planned previously? Given the heightened concern about the rise of greenhouse gases in Canada, are there any plans to intensify?

**Hon. Michael Fortier:** We can't force landlords to make changes. Where we're a large lessee renewing a lease, obviously we've got some leverage, so as I said earlier, that's when we'll use the leverage.

When we own buildings... Some of the buildings in our portfolio are not young. The average age is 43 years, so many of those buildings require investment. We are looking at this, and as we retrofit buildings—not just the roofs, but looking at energy savings of all sorts—we will make those investments.

[*Translation*]

**The Chair:** Mr. Proulx, over to you.

**Mr. Marcel Proulx (Hull—Aylmer, Lib.):** Thank you, Madam Chair. Good afternoon, Minister, and welcome.

[*English*]

Good morning, Mr. Marshall. I thank you and your colleagues for coming in so early this morning.

[*Translation*]

Minister, we spoke to you briefly a little earlier about the transaction involving the former campus of JDS Uniphase, a property of Minto Developments Inc.

Could you tell us how that transaction, or the idea of that potential transaction came up in your department after the election on January 23 of this year.

**Hon. Michael Fortier:** In fact, I can't answer, because we're currently negotiating with the owner. Some aspects of the transaction obviously can't be shared with you.

However, to give you a good answer to your question, we have to go back a little in time. As you may know, the origin of this transaction goes back well before the 2006 election. I'd even say that it goes back to before the 2004 election. The people from Public Works Canada, the professionals directed by Mr. Tim McGrath, had their eye on this site. Like everyone else, we had knowledge of the problems the high tech sector had experienced in Ottawa and elsewhere, but especially in Ottawa.

So these people had established that this site might be interesting, since JDS Uniphase wanted to part with it, because things were not going as well as they previously had. Talks were held with JDS Uniphase more than two years ago, before the 2004 election. We talked about moving a unit. The talks didn't come to anything because of the negotiations with JDS Uniphase and because the unit in question didn't want to move, because that didn't suit them.

Subsequently, when there was talk of perhaps moving another unit to the same site, it was still available. It also suited that other unit. Consequently, Mr. McGrath's group began talks with the owners. However, there was change of owner after the end of the talks, which broke down. You should know that we're negotiating for the units, not for us. That unit didn't want to go there any more. However, in 2005, another service said that it might be suitable.

• (0845)

**Mr. Marcel Proulx:** Pardon me, Minister, but I only have five minutes.

Tell me about how things have sped up since the election of January 23 last? I'll be more direct. What roles did Mr. Fred Doucet and Mr. Fred Loiselle play?

**Hon. Michael Fortier:** I'm going to answer your question. I think it's important that you know... When I arrived—

**Mr. Marcel Proulx:** Mr. Marshall was here a few weeks ago. Unfortunately, I wasn't here, but I read the minutes. We received an explanation—

**Hon. Michael Fortier:** All right, I'll answer you.

I was sworn in on the 6<sup>th</sup>. My first briefing on real property affairs was on March 1. At that time, I was told we were negotiating with the owner of that site. I simply let the people do their job. They're doing a good job and I'm going to let them to their job. When they present a finalized transaction to me for approval, I'll study it.

**Mr. Marcel Proulx:** Can your people tell us what roles Mr. Doucet and Mr. Loiselle played in negotiating that transaction?

**Hon. Michael Fortier:** Mr. Loiselle had nothing to do with the talks or the negotiations. No one from my department played any role—

**Mr. Marcel Proulx:** Did you in fact say that no one from your department—

**Hon. Michael Fortier:** No one from my office had any role to play.

I'm told the letter of intent was signed on January 10 or 15, before the election was held. So the acceleration... As I said, I let the people do their job.

**Mr. Marcel Proulx:** Are you saying that Mr. Doucet played no role, Minister?

**Hon. Michael Fortier:** I don't know what role you're talking about.

**Mr. Marcel Proulx:** The experts from your department, Mr. McGrath, who is in charge of negotiations, and Mr. Marshall, who is your Deputy Minister, are here.

**Hon. Michael Fortier:** Do you want to know whether Mr. Doucet met them? Is that your question? Ask your question.

**Mr. Marcel Proulx:** What role did Mr. Doucet play in that transaction, Mr. Minister?

**Hon. Michael Fortier:** As Minister, I answer that he did not play any role. Mr. McGrath, who is responsible for the file, may want to answer your question.

[English]

**Mr. Tim McGrath (Acting Assistant Deputy Minister, Real Property Branch, Department of Public Works and Government Services):** Yes, I can: there was absolutely nothing. A letter of intent was signed prior to the election. There were absolutely no discussions with Mr. Doucette prior to the signature of the letter of intent. He has had absolutely no influence in terms of the negotiations or the discussions. That's the answer.

**Mr. Marcel Proulx:** So as far as you are concerned, Mr. Doucette has not been involved in any way, form, or fashion?

**Mr. Tim McGrath:** He has not been involved—

**Mr. Marcel Proulx:** He never touched the file?

**Mr. Tim McGrath:** —in shaping this agreement whatsoever.

[Translation]

**Mr. Marcel Proulx:** That's fine, thank you.

Minister, did you ask your department or the Department of Justice for a legal opinion on the potential problems caused by the lobbying work previously done by the present Minister of National Defence? He acted as a lobbyist for Raytheon and General Dynamics Canada.

As regards the call for tenders for your supply ships, it's possible suppliers may be frustrated since the contract will go to one of those companies for which your Minister of Defence previously worked as a lobbyist. Have you obtained a legal opinion on the danger or risk of a lawsuit against the Government of Canada as a result of the work of your Minister of National Defence in a previous life?

**Hon. Michael Fortier:** Mr. O'Connor has answered that question a number of times in the House. I don't know whether you asked it.

**Mr. Marcel Proulx:** I asked it yesterday, but unfortunately you were absent from the House. It just so happened that way.

**Hon. Michael Fortier:** That's it.

The Minister and the Prime Minister clearly explained all the rules on those activities to Mr. O'Connor before he became a minister. The Department of Public Works handles procurement.

Whether it's the department you referred to, the Department of the Environment, or Mr. Prentice's department, when one of those departments let's us know it needs goods and services, Mr. Marshall's team gets involved.

● (0850)

**Mr. Marcel Proulx:** Minister, your department is responsible for the acquisition and call for tenders process. Have you, your department or yourself, asked the Department of Justice or a law firm for a legal opinion on the risk?

**Hon. Michael Fortier:** We don't need to request a legal opinion, Mr. Proulx, since Mr. O'Connor complied with all the acts and rules regarding the position he occupied before becoming a minister and, of course, since he has been a minister.

**Mr. Marcel Proulx:** So no legal opinion was requested?

**Hon. Michael Fortier:** Personally, I didn't request one. Mr. Marshall, did you request a legal opinion?

**Mr. David Marshall:** I didn't request any.

**Mr. Marcel Proulx:** Do I have any time left, Madam Chair?

**The Chair:** No, it's over to Mr. Kramp.

**Mr. Marcel Proulx:** Thank you, Minister; I may come back to this.

[English]

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** Thank you, Madam Chair, and welcome, all.

I have a number of small questions.

I see you've definitely taken some steps to increase the efficiency of Public Works, and one of them, of course, is your shared travel initiative. Could you elaborate a little further on that?

**Hon. Michael Fortier:** You were looking at the deputy; do you want him to answer?

**Mr. Daryl Kramp:** I'd like the answer on that from whoever the bean-counter is who delivered the result.

**Mr. David Marshall:** Can I try, Mr. Kramp, Madam Chair?

**Mr. Daryl Kramp:** Yes.

**Mr. David Marshall:** Thank you.

The shared travel initiative is really a very major effort on the part of the government. The government spends about \$1.2 billion a year in travel each year. That is airfare, hotels, car rentals, meals, and so forth. We have created a central travel service that consolidates what the government is buying in this area and is able to negotiate better prices with suppliers; it also provides a very efficient service for booking and so forth for travellers.

This initiative has been going on for some time. Public Works inherited the initiative a couple of years ago. We have put in place a full team to take advantage of this opportunity.

What we've done is created a system that allows people to do online booking. As well, we are going to expand that into creating the expense reports on the system; we will then be able to answer all kinds of questions about where people are travelling to, why—

**Mr. Daryl Kramp:** Have you had clearly defined results?

**Mr. David Marshall:** We've had some very defined results from this service. We've been able to provide, on average, airfare reductions of about 11% for the government as a whole. When we were approached by the school of public administration to accommodate students coming from across the country, travel and hotel, we were able to negotiate bulk prices that gave us a 25% improvement even above government rates. We are now going to extend that to the rest of the government.

**Mr. Daryl Kramp:** Thank you, Mr. Marshall.

While I'm there, Mr. Marshall, I see on the main estimates that the costs of business integration services are down significantly—64.5%. It seems to be a bit odd there. There's obviously a movement to increase efficiencies and save money, and this appears to be a mechanism by which to do so, yet you're reducing it. Does that make any sense to you? Does it make any sense to me? Could you explain that a little further?

**Mr. David Marshall:** Sure.

I began this division to act as a sales force, if you like, so that clients could deal with one group, and then they would integrate all the services of Public Works to the departments.

What we found as we were operating the group was that the individual businesses were very large and needed a great deal of direct contact with counterparts in their client departments—for example, the real property people really needed to get at the planners and the people organizing real property in a large department like the Department of National Defence, and vice versa for procurement, information technology, and so forth. As well, we were making so many changes in how our service was going to operate that we really needed direct contact for that reason also. We came to a decision that it was wiser to fold that business integration group back into individual departments so that they each had their sales force, if you like, to go in. That's part of the increase in the cost of the acquisition group.

It's actually working very well. Once we're a little bit more mature, we might go back to a common sales group.

**Mr. Daryl Kramp:** Thank you.

I have one other question. I can recall that on a number of occasions the Auditor General has been leading the charge for

accrual accounting. I see your department is responsible for the remediation of contaminated sites. I'd like to know how far along the path you are, or where your costing comes into play on the actual remediation of contaminated sites. In other words, do you have  $x$  billions of dollars of cost of remediation? Where does it sit on the balance sheet? Is there an accrual cost that comes forward every year, or is this just sitting on a lump-sum liability?

• (0855)

**Mr. David Marshall:** There is, of course, a cost estimate defined before we begin. We go to cabinet for approval, to the Treasury Board and so forth. Ministers and everyone else are aware of the size of the whole obligation, but in fact the funding comes annually, so it could get changed, for example, through the life of a remediation. That is an issue.

**Mr. Daryl Kramp:** I have one more question. It relates to the comments earlier from the minister and my colleague here, Mike Wallace, when we were talking about the year-end spending binge. I think many of us have seen departments.... A number of us have worked on municipal councils and at the various levels of government, and we've seen very much of that at all levels of government. I certainly have seen it at all levels of government. In order to curb it, though, there is a mentality out there that we have to provide some form of incentive, not just a level of control for which most of your observations will be on past expenditures.

Would the department have any plans to go forward to find some way to put an incentive in place to curb this year-end spending binge, Minister?

**Hon. Michael Fortier:** On this, what will help significantly is....

Perhaps because I've come from the private sector, I don't understand it. If you need a desk, you need a desk; you don't buy it on February 28. The needs come up regularly; some of them might be seasonal, but the needs come up, and they come up regardless of the month of the year.

With the super standing offers that Mr. Marshall is putting together for 34 commodities, we are always going to have the best price for 34 significant commodities across the board, so it won't matter if you're buying them on January 1, June 1, September 1; we will always have the best price. Hence, if people are just not administering their budgets properly and waiting until February, if the system works well—and it will—there will be no negative cost effect on the government or on taxpayers, because you'll be getting the same price you would have paid if you had bought it in December.

**Mr. Daryl Kramp:** The same price is one thing, but possible unnecessary purchases might be different.

**Hon. Michael Fortier:** It's difficult to ask Public Works to monitor every single department here in Ottawa. We are the back office. I'm not trying to find an exit to this question, but we're the back office.

We set up the systems for people to buy. People have to use their common sense and be diligent in how they buy, but we're not doing the buying; we're setting up the system to allow these people to buy.

**Mr. Daryl Kramp:** Thank you very kindly.

All I'm asking you to do is consider some form of incentive. If there happened to be 10% of the budget left at some particular point at the end of the year and they could save 5% instead of just spending that 10%, they might be able to do a carryover on a certain prescribed amount of it, so there could be some potential incentive. Let's put a carrot there, as well as a stick; that's my only thought.

**The Chair:** My understanding is that it exists now. I think there is a 5%. I think it exists now.

We will go to Monsieur Bonin.

**Mr. Raymond Bonin (Nickel Belt, Lib.):** You're all signalling that yes, there is a 5% retainer you can carry over, as we do with our budgets. Why didn't you say it?

To the deputy minister—if you knew this, why didn't you solve the problem the first time the question was asked?

[*Translation*]

Minister or senator, I don't know how I should address you—

**Hon. Michael Fortier:** Who are you angry at? Were you angry at me?

**Mr. Raymond Bonin:** I understand that you didn't know that Don Boudria corrected this situation 10 years ago. It had been established that we could reserve 5 per cent of our budget. That was corrected in the departments. When Mr. Wallace asked the question, why didn't the deputy minister mention it? I'm sure the officials are aware of that 5 per cent.

• (0900)

**Hon. Michael Fortier:** Probably because I answered the question, Mr. Bonin, whereas it was put to another person. Pardon me.

**Mr. Raymond Bonin:** I understand, but I wasn't attacking you, sir.

**Hon. Michael Fortier:** I know.

**Mr. Raymond Bonin:** Should I address you as senator or minister? I want to know because this is a new protocol I'm not familiar with.

**Hon. Michael Fortier:** You can call me senator, if you wish.

**Mr. Raymond Bonin:** Senator, as you no doubt understand, you have major responsibilities as a minister of the Crown. Despite the past conduct of your colleagues—I'm thinking of false accusations made in the House by people who were protected by the House—if there were a thief in your department, would you let your reputation be destroyed in the eyes of your family and friends simply because you are the minister responsible?

If you believe it would be illegitimate to publicly destroy your reputation as the minister in the eyes of your children and grandchildren, shouldn't you apologize to the previous ministers who were subjected to those false accusations by people who were protected by the House, by your colleagues?

**Hon. Michael Fortier:** Everyone here knows that there was a commission of inquiry on this subject. I imagine you're referring to what happened.

**Mr. Raymond Bonin:** No I was talking about the false accusations.

**Hon. Michael Fortier:** I'm sorry, but I don't know what you're referring to. Do you want to talk about what happened in the sponsorship scandal? Otherwise, I don't know what you're talking about.

**Mr. Raymond Bonin:** An individual from your department was found guilty, but I'm not talking about that.

I'm talking about the false accusations that were made in the House by your colleagues who were protected by the House. That destroyed the reputation of some ministers in the eyes of their families, children and grandchildren. That could happen to you as well. Do you think that's right? If not, don't you think that you should apologize on behalf of your colleagues?

**Hon. Michael Fortier:** I won't apologize on behalf of anyone. However, I will try to be respectful, because if you're asking the question, that's because it concerns you.

**Mr. Raymond Bonin:** My question is a serious one. This is about my reputation and your reputation—

**Hon. Michael Fortier:** If you're asking me whether I would allow my reputation to be tarnished over something I'm not responsible for, my answer is no, of course, like yours, Mr. Bonin. I said things I wouldn't be responsible for.

**Mr. Raymond Bonin:** If we give you some examples, do you think you should apologize to the previous ministers on behalf of your colleagues?

**Hon. Michael Fortier:** I'm not a judge, and I didn't come here today to make judgments about all kinds of statements that might have been made.

Mr. Harper asked me to handle the Department of Public Works and Government Services. I'm handling it to the best of my ability, and I think things are off to a good start.

A commission of inquiry was asked to examine what had happened. There are tribunals and courts that are still examining files. So I don't think it's appropriate for me to comment on this subject or on hypothetical situations.

Would I like my reputation to be tarnished over something for which I am not responsible? No, definitely not, like everyone here.

**Mr. Raymond Bonin:** Thank you.

**The Chair:** Ms. St-Hilaire.

**Ms. Caroline St-Hilaire (Longueuil—Pierre-Boucher, BQ):** Thank you, Madam Chair. Senator and Minister, Madam, gentlemen, thank you for being here before us this morning. I have two questions to ask you briefly, since I'll share my time with my colleague, who has a lot of questions.

With regard to C-17, can you play a role with regard to any kind of commitment? You aren't unaware that this is important for Quebec. You who claim to have Quebec's interests at heart, can you commit to making a contribution so that that's done in Quebec?

**Hon. Michael Fortier:** First of all, I don't claim to have Montreal at heart, although I do, as you do as well I hope.

When the government's ready to announce that it will acquire military assets, if it does, it will accept its responsibility for the economic impact on Canada.

**Ms. Caroline St-Hilaire:** All right, but as Minister of Public Works and Government Services, do you have a role to play in those acquisitions?

**Hon. Michael Fortier:** With regard to supply, it's the Minister of Public Works and Government Services, or rather the department, that will help the Minister of National Defence prepare the bids, if there are any bids. If that's your question, the answer is yes. The Department of Public Works and Government Services is always in the background, whether it's for a helicopter or for computers.

● (0905)

**Ms. Caroline St-Hilaire:** All right.

In the House, we have a reference work entitled *House of Commons Procedure and Practice*, edited by Robert Marleau and Camille Montpetit. On page 27, it states:

By custom, members of the Ministry have seats in Parliament and, apart from the Leader of the Government in the Senate, normally sit in the House of Commons. Persons appointed to the Ministry from outside Parliament are expected to stand for election at the earliest possible opportunity. If they are unsuccessful at the polls, custom requires they resign from the Ministry.

Do you intend to comply with the custom?

**Hon. Michael Fortier:** I have said, as the Prime Minister has, that I would stand at the next general election.

**Ms. Caroline St-Hilaire:** And to respect the custom, if you are unsuccessful, do you intend to resign from Cabinet?

**Hon. Michael Fortier:** Pardon me? I didn't understand your question.

**Ms. Caroline St-Hilaire:** I was talking about the custom as a whole. You shouldn't just respect the part that suits you.

**Hon. Michael Fortier:** Let me finish, and you'll see it suits you as well.

When the election is called, I'll immediately resign from the Senate and from the Cabinet. Then, if I'm elected, I will come back as a member and, let's hope, as a minister. If I am not elected, I'll have to look for another job.

**Ms. Caroline St-Hilaire:** Thank you, that's all for me.

**Ms. Louise Thibault:** Earlier we talked about acquisitions and about responsibility for leasing and purchases. I asked you a question about those purchases, and you answered with regard to what I call regional fairness.

Mr. Fortier, in the National Capital Region, do you have a healthy concern to transfer, not to Gatineau, but to the Quebec side, leases that in all fairness, are its due? When a department or an organization that wishes to acquire new premises, whether or not all its staff are in the same building, are you concerned about having this reality respected and about giving the Quebec Outaouais what in all fairness, is its due?

**Hon. Michael Fortier:** There's a policy on the percentage per square foot or square metre of commercial space in the greater Ottawa area. That rule, which has been around for more than 20 years, is called the 75-25 rule, and I believe it was the Liberals who introduced it in the early 1980s. All my predecessors have tried to stick to that rule, but in the past few years, the ratio has unfortunately slipped to 77-23, which has caused an imbalance in the real estate market.

My objective is to restore the ratio to 75-25. Since several millions of square feet are involved, moving the needle from 23 to 25 represents a few hundreds of thousands of dollars. However, we shouldn't just give up.

**Ms. Louise Thibault:** In other words, when a new initiative is introduced, a museum or something else, your department, under the new leadership, will do a more serious job of examining the possibility of restoring that balance. That's a commitment.

**Hon. Michael Fortier:** If it's a museum, I'm not sure. I'm talking about buildings that house government employees. That's the rule. I probably misunderstood your question. I thought that's what you were referring to.

**Ms. Louise Thibault:** No, I said a museum because the question was asked about a museum. That's an example that I was giving.

**Hon. Michael Fortier:** As regards—

**The Chair:** I now turn the floor over to Mr. Moore.

**Mr. James Moore (Port Moody—Westwood—Port Coquitlam, CPC):** Thank you. I thought it was interesting to hear the remarks by Mr. Bonin, who was attacking the—

**Mr. Raymond Bonin:** Did you feel concerned?

[*English*]

**Mr. James Moore:** No, I just found your intervention interesting, because you pointed to me.

In my nearly five and a half years years as a member of Parliament, I've never unfairly attacked the integrity of any individual. As a matter of fact, during the whole sponsorship process in the House of Commons, I never attacked the integrity of Ralph Goodale when he was the public works minister, nor Mr. Valeri, nor Mr. Brison; it was all, of course, on the issue itself. I've never given anybody the Gwyn Morgan treatment, if you can put it that way.

My question to the minister is with regard to the sponsorship scandal itself. We saw in the courtroom what happened with Mr. Guité, and I think what my constituents—and everyone's—are interested in is the recovery of funds with regard to the sponsorship program. What is that process? Where are we, in terms of recovering taxpayers' money?

● (0910)

**Hon. Michael Fortier:** I will respond to this, and then perhaps Mr. Marshall can give you more details.

A number of civil suits are currently before the courts in the province of Quebec. We're seeking, all told, very near \$60 million; we have already recovered, I believe, north of \$5 million. If I'm wrong, I'll be corrected. It is our government's and this department's intention—because we're quarterbacking these lawsuits—to recover as much as we can, given the colossal amount that was misspent in the context of the sponsorship scandal.

**Mr. James Moore:** Recently the federal government expanded the number of people as well.

**Hon. Michael Fortier:** Correct. That's a good comment. We have indeed instituted additional suits against other people and companies that participated in the sponsorship scandal, so the total number of individuals, including companies, currently being sued by the federal government would be.... Does somebody know that number?

It's 30.

**Mr. James Moore:** I think Mr. Albrecht had a question, so I'll cede my time.

**Mr. Harold Albrecht (Kitchener—Conestoga, CPC):** Thank you.

Minister Fortier, thank you for being here.

Obviously we're all concerned about green policies that will not affect our environment negatively. However, those policies should be based on science, not folklore.

I became aware recently of a brochure that disparages polyvinyl chloride as a building material for pipes—plastics. How can we be sure that this kind of...?

I think it's important, not just for—well, especially for.... We talked about aging of our infrastructure; it's been shown to be one that has a high lifespan. Could you comment on that?

**Hon. Michael Fortier:** I will let Tim give you more specs on this, but we have teams of architects and engineers within Public Works who advise us on all sorts of infrastructure projects that we undertake for clients on the Hill. A good example is the restoration of the library. I would invite all of you to go and visit the library. You all had the good fortune of seeing it beforehand; I didn't. I have only seen the restoration work, but it's amazing, and I've seen pictures of what it looked like in the past.

They use whatever products they believe are appropriate in the context of those renovation undertakings. In terms of the greening aspect, whether we own a building or we are a large lessee, if the building will undergo a significant retrofit, we are always involved in the background—obviously as an owner, but even as a lessee—just to make sure it's done in accordance with our standards.

With respect to this particular material, I don't know if Tim wants to comment.

**Mr. Tim McGrath:** Actually, a mistake was made by the real property branch when we identified that particular product as being hazardous. We've since reviewed it and have been in contact with the representation made by the plastics association. We have since removed it from our technical document; it is an acceptable product.

**The Chair:** I'm going to use my prerogative as chair to ask you a couple of questions. I'm going to do that based on my past experience.

I noticed with Bill C-2 that you're going to put down some rules on contracting and so on; that's great. Have you considered the challenge of the subcontractors who get involved? Sometimes there are three or four, and they subcontract out. Have you considered the challenge that occurs when they don't follow the rules? I tried to address that; I'm not sure I was particularly successful at it, but it's a very difficult area.

The other one I wanted to bring forward is that when I was Minister of Public Works, I was responsible for the privatization of the Queen's Printer. There was an awful lot of competition on the printing front. My experience since then is that while we've privatized the Queen's Printer, the departments have now gone holus bolus into printing from within. I don't know if there's anything you can do about this or even whether it continues, but it was ongoing at one point.

● (0915)

**Hon. Michael Fortier:** I'll let the deputy answer your second question. I can answer the first.

I think what we need to do in the first instance is we need to have the right infrastructure in order to have the right terms and covenants in our contracts with the primes. I applaud you for having tried to go to the subcontractors, but my humble opinion this morning is that we have an issue with the primes.

Let's deal with those guys first. Let's have fair and open and transparent rules so that the prime folks understand what they're getting into—the terms, the conditions, what have you. Then, perhaps naively, I think the subcontractors who also have access to the terms and conditions of a particular contract—particularly if they're fair, open, transparent, and written in plain English on MERX—will find it'll simplify their lives as they tag on with the prime. My focus in the near term is to make sure that our initial step, our initial foray, will be to improve the way we do business with the folks on the first line.

**Mr. David Marshall:** Madam Chair, the initial program to privatize the Queen's Printer was, in my opinion, a very successful one, in that you now had a private company using its efficiency to provide the government's needs.

In the initial years there was a privilege or preference given to the Queen's Printer to make sure it was given a certain amount of volume in order for it to be efficient. Since then the whole printing industry has undergone drastic change. There are very-high-speed copiers and printers; you don't normally have to go out for print jobs as departments had to do in the past.

The whole industry structure has changed; departments have been using their own copiers and so on to do some of that work, but now it's coming full circle again, because we're finding that while we're getting good prices on printers through our volume buying, there are now companies willing to provide what we call managed printing services, meaning we can reduce the number of printers we need by almost 30%. It keeps evolving, and we're trying to keep up.

**The Chair:** That's a particular interest of mine, basically.

Mr. Alhabra.

**Mr. Omar Alhabra:** Thank you, Madame Chair, and thank you, Minister.

I just want to make a comment, and then I have a question. I come from the private sector, and I know how sometimes you may have very specific requirements for certain products or services. What you can do is to make sure that your RFP meets the requirements you're looking for, and when that happens, you'll be surprised by the number of other offers you can get; not only do you get other offers, but you can also incentivize the original suppliers that you thought had the best solution to give you a better deal.

So I'm still wondering if there is an opportunity here for us to go through this exercise to ensure that we're doing the right thing. We probably are doing the right thing, but why not go through an open RFP process?

**Hon. Michael Fortier:** Is that your comment or your question?

**Mr. Omar Alhabra:** That's my comment.

**Hon. Michael Fortier:** Okay.

**Mr. Omar Alhabra:** My question is, how many employees does the ministry—because I know there will be no answer....

**Hon. Michael Fortier:** No, I'd be happy to. Do you want me to...?

**Mr. Omar Alhabra:** Okay, go ahead.

**Hon. Michael Fortier:** I'm with you; we are not in disagreement. I'm just saying that with respect to real estate, what do we want at the end of the day? We want the best deal for taxpayers. So let's not tie up the hands of the professionals at Public Works on the real estate side, tying them up with procedural processes that will actually do the reverse. Remember my rule. You asked me a good question, but remember the rule that we should always go out for tenders—always. But there are exceptions, and I gave you an example. When we're already in a building.... We've got people in Tim's group who know the real estate markets in every large city in Canada; he could tell you this morning what the going rate is for a B building of 4,000 square in Regina today—seriously.

● (0920)

**Mr. Omar Alhabra:** But Minister, sorry, just for the sake of time, we've just had an example from the Auditor General, where they found a better, less expensive place that met the requirement in the original RFP, yet the department still ended up renting both properties.

**Hon. Michael Fortier:** But Mr. Alhabra, I have to answer this. I know that building; I'm from Montreal. It's the most expensive building; they were in that building, but it was the wrong building for them to be in the first place. That's why the professionals knew there was a better deal elsewhere, but the ministers told each other, no, we're going to stay there because we prefer the spot.

**Mr. Omar Alhabra:** Well, it wasn't the ministers. According to the official, it wasn't the ministers, but let me....

**Hon. Michael Fortier:** No, it was. I'm sorry. We have letters. It was from the ministers.

**Mr. Omar Alhabra:** Let me ask this. How many employees does the ministry have?

**Hon. Michael Fortier:** Excuse me?

**Mr. Omar Alhabra:** How many employees does the ministry have?

**Hon. Michael Fortier:** Do you mean the entire department?

**Mr. Omar Alhabra:** Yes.

**Hon. Michael Fortier:** There are 13,000.

**Mr. Omar Alhabra:** Okay.

There is a statement in the budget that says “the Government proposes to modify the benefit formulae of the public sector pension plans to better respect their original policy intent”. Can you please tell me what the department or government has in mind in modifying the pension plans of the employees?

**Hon. Michael Fortier:** “Modifying”, that doesn't fall under Public Works, Mr. Alhabra.

**Mr. Omar Alhabra:** So we have 13,000 employees.

**Hon. Michael Fortier:** Yes.

**Mr. Omar Alhabra:** So wouldn't you be aware or informed about any changes to a pension plan that includes the 13,000 employees?

**Hon. Michael Fortier:** It's kind of nice of you to think that I should be aware, and maybe I should, sir, but I am not aware this morning. I am happy to make myself aware in the next few days, if you want me to, but I'm not aware of how the tweaking is taking place. Finance is probably the door you want to knock on.

**Mr. Omar Alhabra:** I am very interested in knowing.

**The Chair:** Treasury Board would have a good idea.

**Mr. Omar Alhabra:** Do I still have time?

**The Chair:** A minute.

[*Translation*]

**Mr. Marcel Proulx:** Mr. Fortier, I'd like to clarify some aspects of the 75-25 ratio. For Public Works and Government Services Canada, it's a square foot management policy. However, the original policy focused more on the jobs in the departments and agencies as a whole, in short everything that directly or indirectly concerned the Government of Canada.

I've tabled a private member's bill on this subject, and I would appreciate it if we studied it later. If you take into account not only the departments for which the Treasury Board is the employer or Public Works and Government Services is the space manager, but also the Public Service and Government Services as a whole, you see that the 77-23 ratio no longer applies. The 77-23 ratio concerns the square feet managed by Public Works and Government Services.

In the Outaouais, on the north side of the river, the big former Zellers store beside Highway 50 represents thousands of square feet. However, I believe there are only three employees in that building: one to monitor the sprinklers, another unlock the doors and a third to replace either one in case they're sick. So it serves no purpose in terms of jobs.

I'd like us to see whether all Government of Canada jobs are really compiled. Then we'd see that the percentage is much closer to 85 per cent on the Ontario side, in Ottawa, and 15 per cent on the Quebec Outaouais side.

Thank you, Madam Chair.

[*English*]

**The Chair:** Merci.

Mr. Warkentin, go ahead, please.

**Mr. Chris Warkentin (Peace River, CPC):** Thank you, Ms. Chairperson.

Thank you for coming in. Thank you, Minister.

I want to pick up one of the questions Mr. Alghabra was talking about. He was discussing the building in Montreal. For the record, obviously Public Works was involved in trying to get a better deal. Who was it that put a stop to that move? I want to get some clarification. Was it Public Works that limited the moving or was it somebody else?

**Hon. Michael Fortier:** It's probably more appropriate for you to answer.

**Mr. David Marshall:** Madam Chair, the way it works is that the department, the client, has to give a request for what they want to do. We've talked a little bit about the history of this thing. Ultimately the minister responsible for the agency in Quebec sent a letter to the Minister of Public Works at the time requesting that his department remain where it remains, and we acted on that.

• (0925)

**Mr. Chris Warkentin:** So it was the minister that made the request to the other minister?

**Mr. David Marshall:** Yes, the minister was responsible. He made the request.

**Mr. Chris Warkentin:** So Public Works was not involved in putting a stop to that move, then?

**Mr. David Marshall:** That is correct. We responded to that request.

**Mr. Chris Warkentin:** Thank you very much. I appreciate the clarification.

Certainly last time we spoke, Mr. Marshall, we talked about real property and obviously the aging property that the federal government has. I wonder if the minister might talk with us a little bit about his feeling about the aging infrastructure, and about what we might do to ensure that the money is allocated now so that we don't come up with huge deficits and huge incurrences of cost down the road. Is there money being allocated? Are we, in our accrual accounting systems, ensuring that there are funds being allocated for the future retrofits of the buildings that are going to need major overhauls in the next number of years?

**Hon. Michael Fortier:** Thank you for the question. Actually that's a very important topic.

We own about 325 buildings across Canada. These are everything from strip malls in small urban areas, rural areas, to large buildings downtown here and in Vancouver and Montreal and what have you. The average age of the portfolio, as I said earlier, is 43 years. We have this wonderful portfolio. So we're sort of a real estate magnate, except that we don't conduct ourselves as a real estate mogul would with this type of portfolio. The reason we don't is simple. You need long-term planning to look after these assets. Governments, by definition, don't have long-term planning. When they do their budgets, they're 12 months by 12 months. So you accumulate deficits in terms of undercapitalization of assets.

In our case, that deficit, I'm told, is close to \$4 billion, which is a humongous number. It's just a huge number. We've accumulated this deficit, so we can't allow this to continue. We close our eyes and just pass it on to the next guy after me and the next person after him or her. The reality is we need to be creative about this and find a way to address this significant undercapitalization. We've been looking at this for the past few months and are hoping to come up with a few ideas before the fall.

**Mr. Chris Warkentin:** I appreciate that. It was a suggestion that was made, and maybe it isn't something that the federal government should look at. I'm wondering about a condo association type of process. I'm thinking in terms of having the funds available for particular buildings so that when a building is moved into, funds can be allocated on a yearly basis as part of the cost of running that building, and can be put towards the future retrofit of that building from the get-go.

**Hon. Michael Fortier:** That would certainly cover the future.

**Mr. Chris Warkentin:** It would work from here on in, but we can't go back.

**Hon. Michael Fortier:** We've got this accumulated deficit, which we need to seriously consider.

I know you're all aware of what the Auditor General had to say about the department when she met with me before tabling her report. In particular, there was some reference to the fact that it's better to own than to lease. I disagree with her, because if you own, you have to have the means to own. As a government, as a Parliament, we're either going to give ourselves the means to own, or else we're not going to own, and we're going to lease. Owning entails responsibilities. It's not just having the key to the door; it's taking care of the place and maintaining the place.

**Mr. Chris Warkentin:** Absolutely.

**Mr. David Marshall:** Excuse me, Madam Chair, I just want to help you understand the issue on the funding.

There is, in fact, a formula in which a certain amount of the necessary repair is allocated in a budget each year, but it's not enough. One large anomaly, for example, is when we lease to purchase, which makes sense in many cases. This is considered a leased building and not an owned building, so we don't get any money to maintain it, and so on. There is a formula, but it's not enough, even for ongoing.... But there is a substantial amount.

• (0930)

**Mr. Chris Warkentin:** But maybe there are ways we can—

**Mr. David Marshall:** Improve on that, yes.

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

Madame Thibault.

[Translation]

**Ms. Louise Thibault:** Thank you.



Mr. Fortier, I take this opportunity to address Bill C-2, more specifically the provisions on the Procurement Auditor. Obviously no one can be opposed to virtue. However, citizens need to understand what this is about. Internal audits are conducted in the departments, and there is an Auditor General. Now we have an Office of the Comptroller General at the Treasury Board, and that's very good.

However, since this is about creating an auditor position and assigning a group to serve that person, I'd like to know whether you can assure us that that won't cause any duplication, in any form whatever. I'd also like to know whether the auditor will examine acquisition practices. 22.1(3)(a) states:(a) review the practices of departments for acquiring material and to assess their fairness—

I'd like to know whether the work of this procurement auditor will focus only on the departments, that is your clients, or whether it will also include auditing existing internal practices. I'd like to know how that will differ from the findings of your normal internal audit and from those of the Auditor General.

**Proposed subsection 22.2(4) states:** (4) the Procurement Auditor may not recommend the cancellation of the contract to which the complaint relates.

The masculine includes the feminine. I say that with a smile, but I'd like to know what the powers of this auditor will be. I'm concerned that he may be able to cancel a contract where a complaint is filed and not well documented. We're going to audit, but we won't be able to do anything on the subject.

I'll give you the example of the Public Service Commission. If a department misuses its delegated power, it may be revoked. The department would then be put under trusteeship for a period of time. An appointment can even be revoked, if ever evidence is brought that it violates the established rules. I imagine this kind of situation would be very rare. One of my colleagues is a member of the legislative committee responsible for studying Bill C-2. I wonder why this kind of power wasn't given to the auditor.

Wouldn't you have liked to give these duties more teeth?

**Hon. Michael Fortier:** You're talking about the auditor. You have to be careful not to confuse the terms. I'm not saying that's what you're doing, but I want to point out that his role is proactive. Since this morning, we've been talking a lot about the efforts being made to clean up the rules, about facilities and procurement. There's talk about getting closer to small and medium enterprises.

It's easy to make these kinds of announcements, but the devil is in the details. Long after I or my successor are gone, this auditor will have responsibility for ensuring that our rules are transparent and fair, that the entire process, the procurement code, for example, is maintained, and even improved. That person will have a proactive role. He or she will help Mr. Marshall and his team ensure that they are always at the forefront of procurement.

You attach a lot of importance to the word "auditor", which makes you think of Ms. Fraser's duties. Whatever the case may be, that's the term used.

**Ms. Louise Thibault:** But we're talking about "procurement auditor" in English and "*vérificateur*" in French. We're also talking about examining complaints.

**Hon. Michael Fortier:** I was getting to complaints. I'm going to talk about the matter of duplication, since you referred to it first. Nothing will prevent Ms. Fraser from looking into the department or any given sector. As for complaints, there are already tribunals for that purpose. The fact remains that this person will be able to help and advise suppliers who feel they have been harmed or claim should have won their case. You'll be able to hear their complaints and, in certain cases, immediately resolve the matter by directing those people to the appropriate remedies.

**Ms. Louise Thibault:** If you're creating these duties, that means they don't already exist at the department.

Furthermore, you said in your remarks that you would soon be appointing an independent advisor who would report to you and who'd be responsible for examining contracting practices for public opinion research. You say the findings will be made public. Does that mean you'll table that report in the House?

● (0935)

**Hon. Michael Fortier:** Yes.

**Ms. Louise Thibault:** Essentially what will that person analyze?

**Hon. Michael Fortier:** I hope we'll start with Ms. Fraser's 2003 report. As for the amounts allocated for these kinds of surveys by the Government of Canada, they totalled \$6 million or \$7 million in 1993, but rose to \$28 million in 2002 or 2003. So they quadrupled. That's a major increase. It's not so much the amount, but the way in which the services of these polling firms have been retained that causes a problem.

As you know, no written report was provided in some cases. Mr. Alghabra spoke earlier about fairness and the need to contact a larger number of persons. From what I understand, in a number of cases, calls to tender were not made. Someone was simply selected. Even worse, that person's report wasn't even submitted.

We want to know what happened. I also hope that this person will advise us about the future. I want that person to tell us how the government should proceed when it conducts surveys. So that person will make recommendations to the government in that area.

**The Chair:** Thank you.

Ms. Nash.

[English]

**Ms. Peggy Nash:** Thank you, Madam Chair.

Speaking more generally, in the wake of the sponsorship scandal, the Auditor General, Sheila Fraser, obviously made a number of recommendations in an effort to help the government put in place practices that would prevent this kind of problem in the future. I appreciate there are actions you are taking from the get-go to try to achieve that as well.

Can you tell us which of the Auditor General's recommendations you have trouble with or do not intend to implement because you disagree with them? You talked about leasing and purchasing, but can you tell us which of her recommendations you don't intend to follow up on?

**Hon. Michael Fortier:** The department answered and replied to each one of her observations and recommendations. What I said earlier about leasing versus purchasing, she didn't disagree with me. What she had said, you'll recall, is that there was one particular instance when we renewed a five-year lease so many times that had we bought it on day one, we would have saved taxpayers a lot of money. What I told her is that it comes with responsibilities. If you want us to own more assets, then collectively we have to conduct ourselves accordingly. In that sense, I don't disagree with her. I think every single thing she noticed, I don't disagree with, because each is an observation.

If I'm allowed to comment on one—which I'm sure Madame Marleau noticed when she was in my position a few years ago—it is that the average length of a lease is way too short. Given our creditworthiness, we should be signing longer-term leases. Signing five-year leases and then renewing them one year at a time for an extra seven years is, frankly, not very good for taxpayers; it's not very good management.

**Ms. Peggy Nash:** That's something you're agreeing with, but I'm wondering if there are areas where she had recommended change but you do not intend to act, or you don't think it was the right recommendation.

**Hon. Michael Fortier:** No, no, no, I just thought I'd throw that one in, because it's an important one and pretty significant.

Mr. McGrath has a plan to bring the average lease term longer than five years, and we need to work with the other departments. What happens, Ms. Nash, is that we get a department saying they want to move to the corner of Maple and First Avenue in whatever city, but they only want a lease for three years, because they've got another 200 employees at the corner of First and Oak Street and they might want to put them together. So we can't get these people to commit for longer, but we will from now on. I've already put a stop to a few of these things that have come across my desk, and I've told them to go back to the department, as we've not agreed to renew the lease.

• (0940)

**Ms. Peggy Nash:** In addition to the leases, and procurement in general, are there any recommendations that the Auditor General made that you felt you were not going to act on?

**Hon. Michael Fortier:** No.

**Ms. Peggy Nash:** So you basically have decided that you will act on all her recommendations.

**Hon. Michael Fortier:** Those that dealt with my department, absolutely.

**Ms. Peggy Nash:** Okay. Excellent.

**Hon. Michael Fortier:** I'm new at this, so I want to make sure I have it.

**Ms. Peggy Nash:** It's okay, it's not a court of law.

In terms of the procurement auditor—you've already answered some of this—can you tell us how you anticipate the procurement auditor working with the Auditor General, or are they separate silos?

**Hon. Michael Fortier:** They're very separate. The procurement auditor will be working within Public Works, and Mrs. Fraser,

obviously, works outside Public Works. They have very, very different functions.

As I was telling Madame Thibault, Madame Fraser will still conduct reviews of our department, with or without a procurement auditor—that's for sure.

**Ms. Peggy Nash:** The procurement auditor's report will be tabled in Parliament for review.

**Hon. Michael Fortier:** Yes.

**Ms. Peggy Nash:** I have one last question, about the independent adviser who will be reporting on procurement practices for public opinion research. You say that you will soon be appointing this person to conduct this review. Will this be an ongoing review, instead of in six months they'll report back and then their work is finished?

**Hon. Michael Fortier:** Correct.

**Ms. Peggy Nash:** Okay. Thank you.

**The Chair:** Mr. Kramp.

**Mr. Daryl Kramp:** Yes, thank you, Madam Chair.

There are an enormous number of departments and/or branches involved with Public Works. I see a few of them here, in particular, project requirements, procurement strategies, solicitations, contract approval awards, contract payments. There seems to be a never-ending.... There are a lot of responsibilities. Yet in the investigation of the sponsorship scandal by the Auditor General, it was noted that all these responsibilities for all these departments were rolled under one position. In other words, instead of having a number of steps and a number of people responsible for decisions, they were all rolled under one, which was the director of communications services branch.

I'm wondering how this was allowed to happen. Instead of having all these checks and balances by so many people, along with all the different departments, it was rolled into one person and/or one department's responsibility to override all the other responsibilities from all the other departments. So I'd like to know how that happened and who the executive director of the communications coordination system was at that time.

**Mr. David Marshall:** Madam Chair, this is obviously a very sore subject at Public Works. It should not have happened, as you've described. It happened of course for a specific program only, which is what we know as the sponsorship program. At the time, there was various rationale for doing it. There's a huge record of different witnesses explaining it. You could summarize it as the urgency of the situation, the need for speed and so on, which clearly has been proven to have been an unwise move.

Today, of course, that is not the case at Public Works. There is very, very strict attention to the separation of all these functions.

**Mr. Daryl Kramp:** Do you recall who was the executive communications director at that time?

**Mr. David Marshall:** Well, yes, I think it's a matter of public record that it was Chuck Guité.

**Mr. Daryl Kramp:** No, no, no. I don't believe you're correct. I believe Mr. Guité was under that individual and accepted instructions. Who served as executive director of the communications coordination services branch? Do you recall?

• (0945)

**Hon. Michael Fortier:** Which period are you referring to, Mr. Kramp?

**Mr. Daryl Kramp:** I'm referring to the time of the infamous Mr. Guité escapade.

**Mr. David Marshall:** Maybe you could refresh my memory. My understanding is that it was Guité in charge of the communications branch, who then reported to the deputy minister, and then acted in ways we all are familiar with now.

I'm not sure. Is this a trick question?

**Mr. Daryl Kramp:** No, it's not. I'm deeply concerned. Obviously you have a set of checks and balances in place, and you have a number of departments. I can understand one or two departments slipping by your watch, or whoever's watch at that particular time, but when you have a number of branches and a number of departments that all of a sudden fall under the responsibility of not their own mandate but simply a mandate, I find it most interesting that Mr. Guité would put all of that together.

**Mr. David Marshall:** Clearly the people who were authorized to put that under him did so. He was named the head of it, but clearly there were various actions taken by the minister, the deputy minister, and others to allow that to happen.

**Mr. Daryl Kramp:** Okay, thank you.

Maybe I'll just totally change gears here. There are so many transactions that occur within your department—literally hundreds and thousands, potentially millions, I suppose. With the invoices that flow back and forth and the checks and balances, could you tell me what kind of a system you have, or whether you have a system, to ensure that there has been delivery of a product before the cheque is issued or cut for that? In other words, have there been instances in which a product has not been delivered and yet payment has been made? Are you aware of any instances of such, or is that basically under control?

**Mr. David Marshall:** There is a very sound system of control to ensure that under the Financial Administration Act any officer who is receiving goods must certify the goods were received before payment can be processed. This is called certification under section 34.

The things that Public Works buys for itself to maintain buildings or other things are certified by its own officers in that way. The things that are being delivered to other government departments must be certified, with invoices passed to their finance officers to pay. So that is definitely a control there.

**Mr. Daryl Kramp:** So you're confident there's a good set of checks and balances now in place? Or does there need to be work done on this?

**Mr. David Marshall:** There is a good set of checks and balances. We do check it and audit it from time to time to see it's working, yes.

**Mr. Daryl Kramp:** So you do run interval audits at least?

**Mr. David Marshall:** Yes.

**Mr. Daryl Kramp:** Thank you very kindly.

If I have a moment left, I'll split my time with Mr. Warkentin.

**The Chair:** Thank you. You're done.

Monsieur Proulx, go ahead, please.

[*Translation*]

**Mr. Marcel Proulx:** Thank you, Madam Chair.

Minister, I'd like to ask Mr. Marshall or Mr. McGrath what the construction or leasing costs are for Public Works and Government Services per square metre or square foot on the Ottawa and Quebec sides of the Ottawa River. There is a difference, since real estate values are not the same.

[*English*]

**Hon. Michael Fortier:** Tim, can you take that one?

**Mr. Tim McGrath:** Actually the cost of construction, Madam Chair, is very similar on both sides of the river. What's different is the price of land. The price of land differs between the two sides of the river, but the construction costs are very much the same. This does translate into lower rental rates on the Quebec side, so generally there is anywhere from \$2 to \$3 a square foot difference between the two sides of the river.

**Mr. Marcel Proulx:** How much would the total value of that difference be? If we're talking \$2 or \$3 on a \$5 price tag, it's very important. But if we're talking about a \$2 or \$3 difference on a \$2,000 price tag, it's very different.

**Hon. Michael Fortier:** What's the average that we pay per square foot ?

**Mr. Tim McGrath:** It depends on the building. It depends on the location. On the Ontario side, we pay around \$295 a square metre; on the Quebec side it's around \$270 a square metre. I should point out, though, that on the Quebec side we represent 80% of the market. We basically take every piece of inventory available to us. On the Ontario side, we're less than 40% of the market. So we like to lease on the Quebec side.

• (0950)

[*Translation*]

**Mr. Marcel Proulx:** Minister, there is one issue that somewhat troubles small and medium enterprises. I'm not criticizing Public Works for using more cost-effective management methods, but at some point you have to be a little fairer with small and medium business enterprises.

For example, under our government a few years ago, what was called the bundling policy was introduced at Public Works. Suppliers were asked to provide goods and services across the country. For example, there are a host of small computer services contractors in the region, on both the Quebec and Ontario sides, that sell services to the Government of Canada. If we did a bundling and told computer service suppliers that they had to be able to serve all of Canada, we would eliminate a number of players.

I'm told that Public Works is currently considering adopting a very similar policy for the supply of goods. Let's take the example of furniture. They would tell contractors that, to supply furniture to the Government of Canada, they would have to be able to supply all the furniture that Public Works would want to buy. Of course, from a management standpoint, that's easier for Public Works in that it has a single supplier and a single series of invoices.

If that's really what your department is contemplating, that troubles me. I'm citing the example of furniture, but I'm not sure there are any furniture manufacturers in Quebec or elsewhere in Canada that would be able to supply the department with all the furniture that the Canadian government might need across Canada.

Minister, could we hear the comments of your officials on that subject?

**Hon. Michael Fortier:** I'm going to answer you briefly.

Earlier, I said that we would soon be issuing 34 or 35 major calls for tender for goods.

**Mr. Marcel Proulx:** For what you call commodities?

**Hon. Michael Fortier:** Precisely, but for all kinds of items. But, as I said earlier, there will also be regional calls for tenders aimed at companies that are not located in the Ottawa-Montreal-Toronto triangle.

Your question is an interesting one. As Ms. Marleau knows, in this department, we always have to be concerned about getting the best price for taxpayers, but we also have a responsibility to ensure that there is a mini-industrial policy behind the \$19 billion that we've been spending on average for the past five years. That's important for us, first, because it's the money of all Canadians, not just those who live in the triangle I just referred to, but also because it makes sense because we want to reach small and medium enterprises.

So two policies apply, one of which helps the Government of Canada save money, because the call to tender process will much more rigorous. So there will be national calls for tenders, but there will also be regional calls for tenders.

I turn the floor over to Mr. Marshall.

[English]

**Mr. David Marshall:** Madam Chair, I just want you to be reassured that this is a very, very important issue for our department.

We are focused on it. We had a question about how we can make sure that small businesses know what the role is of the Office of Small and Medium Enterprises. We've held hearings right across the country from the east to the west coast, listening to small businesses. In fact, we actually paid small-business people to come to the meeting, in recognition of the fact that not everybody has lots of staff and can afford to take time off, and so on.

With all this work, we have gathered the concerns of small businesses. By specializing our teams into commodities, we are beginning to understand what the industry is composed of—where the businesses are, who is making things, and who is supporting things. Instead of just putting out a request for proposal that is neutral to anybody, we are now understanding each industry.

As Minister Fortier mentioned, our request for proposal is coming out. The Office of Small and Medium Enterprises needs to sign off on that request and tell us the impact on small businesses. In many cases this office has helped us to shape the proposal, and helped small businesses get access to our business. We make sure, for example, that we break up the big requirement into regions. We also put in requirements for physical presence near major centres, preventing a big supplier from just sending things across the country without engaging local businesses, and so forth. So there are a lot of things.

What we are finding is that we don't really have to sacrifice that much in efficiency. Small businesses are stepping up to the plate, and we're very happy about that.

• (0955)

[Translation]

**The Chair:** I want to thank you and wish luck in this portfolio, which, as you can see, is quite complicated.

[English]

Thank you very much for coming forward. I wish you well, and have a good day and a good weekend.

Thank you.

I will end the meeting now.







**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**

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