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—
Chair

The Honourable Diane Marleau

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• (1535)

[English]

The Chair (Hon. Diane Marleau (Sudbury, Lib.)): Welcome to you.

We've invited Public Works and Government Services to come and give us an overview of their plans and priorities and we think it's a perfect way for committee members to know how you do short-term planning, long-term planning, how you adjust it and so on. This is really what this meeting is about.

We'd like you, of course, to make a short presentation, and then we'll open it up for questions. If you'd like to introduce yourselves, please go ahead.

Ms. Daphne Meredith (Associate Deputy Minister, Department of Public Works and Government Services) Thank you very much, Madam Chair, and good afternoon, committee.

[Translation]

Thank you very much for this opportunity to talk about Public Works and Government Services Canada and its report on plans and priorities.

[English]

I have with me at the table today Mike Hawkes, our chief financial officer, and Johanne Bélisle, our assistant deputy minister of corporate services, policy and communications, who are really the authors of our report on plans and priorities. Mike does the numbers and Johanne writes the document, or at least her people do.

I joined Public Works and Government Services Canada about eight months ago and I am personally continuing to discover a large, diverse, and very busy department. It's one that has about 12,000 employees across the country and annual spending of some \$4.5 billion.

PWGSC is the federal government's central purchasing agent, its banker, its accountant, and its real property manager. We provide services in the areas of payroll and pension, information technology, translation, communications, and audit. Each of these service offerings is large and complex, and the assistant deputy ministers in charge of them have very big jobs.

While there's not room at the table for all of them to sit here with us today, they have accompanied me here and would be very happy to come to the table should you have detailed questions on their area of business.

At PWGSC, in everything we do, we try to strike a balance between providing the government with quality services and ensuring the government's assets are well managed. Maintaining this balance is in fact one of our department's major challenges. This is why you will find in our RPP that we have two strategic outcomes. These are outcomes that anchor our business and they relate to, on the one hand, quality services and, on the other, sound stewardship.

Given the breadth of our activities, we are able to support the government's priorities in a number of ways. For example, we contributed to the development of the Federal Accountability Act. Notably, we'll be establishing the office of the procurement ombudsman, as called for in the legislation.

We support the government's efforts in the area of security. For example, we work with the Canada Border Services Agency in the development of border crossing infrastructure. We support the government's environmental efforts through our office of greening government operations, which is leading efforts across government to improve environmental performance. I understand the leader of that organization was here a couple of months ago to talk about their activities.

We're now in the third year of a broad transformation agenda to improve key back office functions of the Government of Canada, particularly in the areas of real property, procurement, and information technology. This ongoing effort to do business more efficiently and cost-effectively meshes well with the government's commitment to strong economic management.

As you would know, Madam Chair, while the focus of public attention is often on our contracting and real property activities, we at PWGSC are more than buyers of goods and services and managers of bricks and mortar.

I'd like to take this opportunity to briefly highlight a few other functions that are germane to the work of our department. While PWGSC has numerous lines of business, one critical function I'd like to mention is that of Receiver General, which is responsible for the consolidated revenue fund and the *Public Accounts of Canada*. Millions of Canadians rely on cheques they receive from the Receiver General every month: seniors counting on their Canada Pension Plan and old age security payments, families receiving the universal child care benefit and goods and services tax credits, as well as thousands of companies that do business with the federal government. In fact, there are few Canadians who do not receive a payment from the Receiver General at some point during the course of a year.

This amounts to more than 255 million payments a year in almost 200 countries. All told, the office handles more than \$1.5 trillion in cashflow a year.

Our Receiver General function not only serves vital public needs but also plays an important role in ensuring that government spending decisions that you make as parliamentarians are carried out. When a department wants to spend money, we check to ensure that they have parliamentary authority to do so, prior to releasing the funds.

We then account for the billions of dollars spent by the Government of Canada annually in the *Public Accounts of Canada*, and for the past eight years the Office of the Auditor General has given us a clean bill of health with respect to this accounting. The OAG has in fact commended us as being a world leader in this regard. You may not know this, but most industrial countries do not have the capacity to account for their spending, as we do, on a consolidated basis.

[Translation]

And PWGSC's activity extends not only to financial integrity and accountability. We also have a role to play with respect to Canada's language and culture. Canada's Aboriginal roots, our French and English duality, and our pluralistic society help define who we are as a country.

Our Translation Bureau gives meaning to this reality by providing translation, interpretation and terminology products and services here on Parliament Hill, to the Judiciary and across the Federal Government. The Bureau's work goes beyond translating French to English and vice versa. It provides service in Aboriginal languages and in more than 100 foreign languages, as well as closed captioning.

These efforts are measured as 1.5 million pages a year and their impact is profound—helping Parliament and the Government listen to and communicate with Canadians of every background, whether it is on economic, social, environmental or cultural issues.

Our Translation Bureau stands out on the world stage for the quality of its product and its overall significance. It is in fact the second largest of its kind in the world, exceeded only by that of the European Union.

•(1540)

[English]

Another vital, yet little known area of PWGSC is our industrial security sector, which ensures that Canadian businesses are security cleared and thereby equipped to compete for billions of dollars in government contracting opportunities for goods and services, both here and abroad. Over the course of a year, this group processes close to 100,000 security clearances and 1,000 company inspections. We also operate the Secure Channel, the online infrastructure that enables the exchange of secure, trusted information between the government and its partners and citizens.

Let me turn briefly to the management of the department. Because of the size of our business and budget, PWGSC has placed a great deal of importance on ensuring that we have enhanced accountability, supported by stronger management controls. Over the past

two years, we've made a number of organizational changes to ensure that we are well equipped to deliver on our ongoing business and our transformation agenda.

In 2005, we were the first department in the federal government to create an office of the chief risk officer. We have also created the position of chief financial officer, and a dedicated corporate services branch, and a separate human resources branch. And we continue to work on departmental initiatives to strengthen accountability and transparency, to manage risk, and to ensure a culture of integrity. Again, I'd like to refer to the Auditor General, who commented favourably in her 2003 report on what she described as PWGSC's fairly sophisticated system of internal controls.

I have talked about some of the lesser known things we do, and I would like to talk for a minute about who we are, because it's difficult in a few minutes to do justice to the scope of PWGSC's activities. Our department employs a wide variety of professionals, including translators, engineers, surveyors, auditors, geologists, architects, geomatics experts, procurement specialists, and so on. Our people range from Monsieur Maurice Joannis, who carves the stonework in this very building, to the interpreters in the booths here; from the IT professionals who helped develop the world's first online national census last year, to the building experts behind the restoration of the Library of Parliament and the Vimy Memorial.

Madam Chair, the breadth of our mandate is wide, and our funding and management challenges are complex. Given the billions of dollars PWGSC manages and the tens of thousands of contracts it enters into each year, it should come as no surprise that challenges and queries arise.

[Translation]

On every occasion, we have acted promptly and decisively to improve our processes where needed and to maintain public trust.

Now, we are happy to answer your questions.

The Chair: Thank you.

We will now give the floor to Mr. Raymond Simard.

[English]

Hon. Raymond Simard (Saint Boniface, Lib.): Thank you very much, Madam Chair, and thank you to the witnesses for being here today.

I'd like to start off with the study we're doing right now on the possible sale of government buildings, because it concerns real property. We had a witness here, Professor James McKellar, who said that his experience seemed to indicate that governments are very poor managers of buildings.

At the same time, I'm not sure that we've had very clear, comparable facts about the private sector. Would you have that kind of information? For instance, if you take the nine buildings the government is planning to sell and you take nine private sector buildings of comparable age, would the private sector buildings be in as bad shape as the government buildings, or worse, or better? We don't have that kind of information. Can you provide that to us?

• (1545)

Ms. Daphne Meredith: We have a very sound information base, and we can provide you with detailed information. But I would say in general that Professor McKellar is right. I think in the public sector—and this isn't just in the federal government; it applies to other governments as well—it is difficult to compete with other public objectives for funding to repair bricks and mortar. So I think we, as do other governments, have a problem in that regard. The state of our buildings is therefore not as good as it would be in the private sector. We have an outstanding repair bill, as I think was explained to this committee at a previous hearing.

Hon. Raymond Simard: As a matter of fact, that's a very nice lead-in to what I want to ask next.

There was an article in the *Ottawa Sun* with regard to a company called Rosdev Group, I believe; the government has a lease with this private sector corporation. If I understand correctly, the federal government is the one that is on the hook to basically do all the improvements. They're talking about putting in fire alarms, installing new windows and carpets, and making other improvements to the building. I would imagine that the reason we'd be selling these buildings would be to get away from this kind of expense. It would be passed on to the private sector. That is what we're attempting to do with the nine buildings we're attempting to sell.

Ms. Daphne Meredith: In terms of the kinds of lease agreements we would enter into with those who buy the buildings, we would indeed want to put into those contracts assurance that the buildings would be maintained. That is part of the benefit of entering into these arrangements. It is so that they do indeed meet a consistent standard throughout our leasehold.

Hon. Raymond Simard: In your planning and priorities document, on page 57, it says that one of your responsibilities is to support the implementation of the Federal Accountability Act and action plan. I wonder if you can tell me—I know it's been in place now and it's been passed in legislation for the last couple of months—the concrete things you've done to respect the Federal Accountability Act. Have you developed a plan internally that has changed since the implementation of this act?

Ms. Daphne Meredith: We've actually followed quite a vigorous program of strengthening accountability in our department, which I think has been greatly augmented by our chief risk officer—I mentioned in my introductory remarks that we have set up this position—who's worked on reinforcing the integrity of our programs. He initiated an ethics training program that we've put 10,000 of our employees through, because as you can imagine, in a department like Public Works, which spends a large amount of money, we want to make sure that it is spent with the greatest integrity. So that's one very significant initiative we've undertaken to enhance integrity and accountability across our whole business.

There are other more concrete initiatives as well. We've been working on specific initiatives related to public opinion research and advertising. And as I mentioned in my opening remarks, we're establishing the office of procurement ombudsman, who would then bring greater accountability to our procurement process as well.

Hon. Raymond Simard: The chief risk officer you just spoke about, what kind of authority does that person have over the departments, for instance? One of the issues we've been facing at this

committee and others is that nobody, in the end, seems to be responsible for a certain issue. So does that person have the authority to go into another department and say what we'd like to see in terms of accountability?

Ms. Daphne Meredith: He plays a very useful role in advising the deputy minister and me on particular issues that might come to our attention. Whether they're related to personnel or to particular files, he'll investigate and advise us as to whether they've been managed appropriately.

In addition to the ethics program, he's got ethics officers in each branch in each region, who shore up the whole organization. But not only that, he's working on reinforcing our regime of internal control. For example, if we take our acquisitions branch, highly complex processes that are used for procurement—some would say too complex—he's helping the branch head as a very important adviser to identify the key control points in those procurement processes and how we reinforce those control points without adding to the process burden we've already got. Ideally, we should end up with very tight control points, very definite accountability, knowing who's responsible for signing off on what documents, thereby allowing us to clear away some of the underbrush that can often accumulate.

Currently we have a risk officer who comes with an audit background and is very experienced in that regard, and who is invaluable to our organization in showing up those processes and making sure we've got good, as they call it, quality assurance.

• (1550)

[Translation]

The Chair: Ms. Bourgeois.

Ms. Diane Bourgeois (Terrebonne—Blainville, BQ): Thank you Madam Chair.

Good afternoon, ladies and gentleman. I would like to go back to the Report on plans and priorities, more specifically, to the procurement transformation initiative. Essentially, procurement must be strategically managed. I would like to know what that means. I am having a hard time understanding this document. If you apply a strategic management model, then you should be able to provide the committee with objectives that can be measured.

Ms. Daphne Meredith: Thank you. That is a very good question.

[English]

In terms of strategic procurement, I think one of the business strategies, if you could call it that, of our department is to move from people taking orders from other departments—simply filling orders and making contracts on an individual basis—to becoming more involved in organizing our avenues of supply. I think you'd call that a more strategic approach to procurement.

It involves taking the information we have on what the government as a whole buys, not just what a given manager buys, and looking at what those commodities are, who the suppliers of those commodities are in regions or countrywide, and how we define the commodity we want to buy in a way that will encourage a good proportion of small and medium-sized enterprises to participate, allow for aboriginal participation, allow for green procurement, allow for economy, and allow for cost savings.

That's where we want to turn our business.

[Translation]

Ms. Diane Bourgeois: I understand what you are saying. I will ask my question again; perhaps I didn't word it properly. When it comes to transforming procurement, the department would like to save money. We must be able to determine how you manage to reduce your procurement costs or keep a closer eye on procurement.

Where is that discussed in that document? Is there some part of this document that says that PWGSC wants to better manage its procurement in order to save money?

[English]

Ms. Daphne Meredith: On page 19 of our document we have indicators of performance that set out how we would measure our progress towards our goals. I think it's fair to say that you don't see specifics there. We say we'll measure it by the percentage of reduction in cost of goods and services, by reduction in time, yet we don't say we're going to reduce it by such and such percent this year. That's a kind of level of precision we might want to work towards in the future, very much so.

What are some of the targets we would notionally set for ourselves in those areas? In general, we would want to achieve cost savings. We've set a goal for ourselves of 10% in terms of the prices charged.

[Translation]

Does that answer your question?

•(1555)

Ms. Diane Bourgeois: The government says that it must be careful in its expenditures, that it should group together its purchases, and make full use of its buying power so that the taxpayers will get more for their money. That is what the minister has said and I see this in management's statement as well, but it isn't really reflected in the Report on plans and priorities.

You are just submitting the report to us. There is a three year projection and, in my opinion, you have made good progress over the past three years. I must make decisions, but how can I do that when you provide no percentages nor do you set any targets? There are wonderful motherhood statements, but nowhere does this report refer to an obligation to meet any type of result expressed as a

percentage or any deadline to meet the objectives. The committee cannot make an informed decision or give you and your staff a pat on the back and tell you that you have done a good job. I can't even determine if the PWGSC budget has been reduced because I cannot find your objectives or any statements of your current performance. I can't put a figure on it.

We speak of transparency. But you can't assume that the members are... It's rather upsetting. You are responsible for a large budget and, what's more, the Auditor General of Canada, in every one of her annual reports, mentions accrual basis accounting. Our committee did a study on the subject. That being said, I don't think you apply accrual basis accounting at PWGSC. But you should be doing so. PWGSC and Treasury Board should use accrual basis accounting, as was requested by all members around this table.

I was anxiously awaiting your appearance here today. I wanted to ask you how, in your opinion, we can make decisions if we have nothing to go on, other than the general outlines as expressed in a rather specialized jargon. At some point, we will have to provide supplementary estimates, there will be a Report on plans and priorities, and nothing will have been adopted.

I say this because I feel it is important. I'm not sure how you can respond. It is simply an observation. What kind of question do you want me to ask? I have nothing here on which to base a question. I am sorry.

The Chair: Mr. Kramp.

[English]

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

Welcome.

I'd like to slip to something that I find is a bit of a problem, and I would like to preface it.

I can recall a previous committee in which we were concerned with the lack of communication between various systems. In this particular case, it was a security problem: the inability to communicate effectively between our military, CSIS, border security, regular police. They didn't have the ability to effectively communicate. That problem was recognized, and obviously moves were made to move in an effective manner to increase the capacity.

But now, if I may take that same sort of problem with our IT technology, we have literally a dog's breakfast of procedures and programs and departments and needs. We really haven't moved effectively towards any level of shared services.

I'd like to know how you either plan to modernize and/or harmonize or move towards shared services, so that we can have some semblance of efficiencies, instead of everybody going everywhere and not being able to move effectively. How many software programs do we have that are simply duplications, and not capable of communicating effectively between departments, etc.?

Where are you moving in this field?

• (1600)

Ms. Daphne Meredith: If you don't mind, Madam Chair, I'd like to call the head of our information technology services branch to the table.

I'd like to introduce to you Steven Poole, who is the head of our ITSB, as we call it.

Mr. Steven Poole (Acting Chief Executive Officer, Information Technology Services Branch, Department of Public Works and Government Services): Thanks very much, Madam Chair.

It's an excellent question. I guess the first thing to say is that we have done a lot. We have not done as much as we would like to have done, but we have done a lot. Maybe I can take a moment to describe a little bit the journey we have undertaken.

In 2004 a series of studies came out that described—I'll use your words—the dog's breakfast that exists. What Public Works was asked to do by Treasury Board Secretariat was to concentrate on what we call the IT infrastructure—not so much on the programs, but on the infrastructure, which is the telecommunications, the networks, the data centres, and the personal desktops, just to make sure that the basic IT infrastructure, which we call today the utility, is operating on a shared-service basis, and as efficiently as possible.

In late 2005, we positioned our organization to perform shared services. I'm happy to say that today we are close to 20% of the way there. So about 20% of the IT infrastructure, those services that I just described, are in fact performed by my branch.

We're not stopping there, of course. We have plans, in a very community-based way governed through Treasury Board Secretariat, to work with the other departments, and we have a series of memorandums of understanding and service agreements whereby we're continuing that journey. Our whole premise is to work with departments so that they understand the benefits and sign up with us to provide the basic IT infrastructure services.

Mr. Daryl Kramp: Do you have a timetable? Is this a one-year plan, three years, five years, ten years? What are you looking at for a timetable?

Mr. Steven Poole: Thank you very much.

We see this journey as a five- to seven-year journey. I'll use your words, the “dog's breakfast”. It takes time to undo that. This is a result of departments working over many years in what we call a vertical way. Now what we're trying to do is work in a horizontal way. I have organizations, and we spend a lot of time working with departments to show them the benefits of doing work horizontally. What I call the IT utility, that horizontal work around desktops and your BlackBerrys and that type of stuff, doesn't need to be department-specific. It can be a utility across all of government.

Mr. Daryl Kramp: Have you come up with any figures or guesstimates or predictions on percentage increase in efficiencies, both in results for programs and maybe cost savings?

Mr. Steven Poole: Yes. From the studies that came out in 2004 in these areas in particular, there would clearly be benefits in the area of 15% to 20% efficiencies, which hopefully could be reinvested in replacing some of the older infrastructure.

Those are the numbers that are there. We're taking a very deliberate journey, step by step, making sure that at each step of the plan we know where we are, so that we can move to the next level.

Mr. Daryl Kramp: So you see some possible cost-effective savings that could be reinvested back into obviously feeding the next progression of change.

Mr. Steven Poole: Absolutely, and I would say that's exactly the way we're trying to unfold at this point.

Mr. Daryl Kramp: This committee dealt, as did public accounts, I suppose some could say, in a most intensive way with accrual accounting. We've had a number of our witnesses before, obviously, who demonstrated that there will be some difficulties within, once again, everything from the IT sector to the accounting structure when we move to accrual accounting, whether it's the purchasing of systems, etc.

Are you aware of whether Public Works had any dealings with Treasury Board regarding implementation or possible implementation, at some point, of accrual accounting into your processes?

• (1605)

Mr. Steven Poole: Madam Chair, I'll try to answer the question as best as I understand it.

I think you might be referring to what I would call the corporate administration shared services initiative that is run out of the Treasury Board Secretariat, which focuses on the finance and HR domains. That's specifically to get at all the software programs that exist in departments to do finances. There's an initiative there to bring that together.

That's not run by Public Works. My responsibility, my accountability, is enabling that project. We have signed the memorandum of understanding with that project to provide the IT infrastructure that will enable them to accomplish their goals.

Mr. Daryl Kramp: Thank you very kindly. I appreciate the clarification. It is helpful to be reassured a little that you're on it, rather than simply waiting until we have a dilemma on our hands.

We're also dealing with a demographic trend with the concerns of the baby boomers, and everything like this. As you move forward with your own staffing, do you anticipate any difficulties with having qualified, capable people to work within your own department, from your perspective?

Ms. Daphne Meredith: I think that is a challenge for us. It's a challenge for other departments in the Government of Canada. I think it's also a challenge for businesses operating in the private sector. In our business we hit the shortages that others are hitting. For example, information management, information technology—that's an area of scarcity right now. We do tend to react to that by hiring from outside government as much as we can. In fact, Steven himself had private sector experience before we managed to attract him to our department.

One of the areas that are perhaps less well known is translation, where we anticipate needing for our Translation Bureau something in the order of 1,000 translators coming in over a multi-year period, when in fact only 400 will be graduating from university. That is a very high skill. You would appreciate it probably in Parliament, as well, in getting the nuance right, and having the training to do so is important. That's one area where we're really trying to work not only with universities and colleges, but even at the high school level, to generate interest in pursuing a career in translation.

Mr. Daryl Kramp: Thank you.

The Chair: Thank you.

Madam Nash.

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

Good afternoon to all of our witnesses this afternoon. Thank you for coming to our committee.

I would like to go back to the real estate section. I have three areas I'd like to ask you about. The first one is on page 11 of the estimates. There is a chart that shows projected savings...over \$5 billion from real estate, to the tune of \$1 billion. How much of that \$1 billion is expected to come from real estate sales?

Ms. Daphne Meredith: I would say none of that is expected to come from the sales of real estate. This is generated from internal to government management initiatives that economize on our management processes. I think those are described in the sections above that.

Ms. Peggy Nash: At this point, would you say the savings are on track, where you'd expect them to be, for 2007-08?

Ms. Daphne Meredith: Yes, they are.

Ms. Peggy Nash: Is it about \$470 million in savings?

Ms. Daphne Meredith: To date, yes, we are on track relative to 2005-06, as well as last year and the coming year.

• (1610)

Ms. Peggy Nash: This is through the better delivery of services and the better use of property. I see part of your plan is to reduce the space per employee, and maybe this is already taking place. Is it something that's already been initiated?

Ms. Daphne Meredith: That's right. We're now managing to a standard of 18 square metres per employee, as opposed to the previous 21.4 square metres.

We're gradually changing this, and we're not doing it in one fell swoop. As groups need to retrofit space or move into new space, we're taking them to the new standard. We're actually finding it's a sensitive issue to deal with people's office space.

Ms. Peggy Nash: I have this image of Dilberts being squeezed into smaller cubbies, but I'm sure it's not the plan.

Ms. Daphne Meredith: It's going quite well. Employees are accepting it. We are making up for smaller spaces, in some respects, with nicer furniture that fits the spaces. It's going well, and it is achieving the cost savings.

Frankly, now that we're moving to a standardized space of smaller office sizes, and the key is that they're standardized, it allows us the flexibility to move people in government at a much lower cost than

previously, when space was more tailored to individual demands. We're finding it achieves economies in areas that we didn't fully anticipate before.

Ms. Peggy Nash: Out of curiosity, in the old standard, where did the numbers come from? How did you benchmark the new standard? Is it an international standard or did somebody decide people needed less space? How did this become established?

Ms. Daphne Meredith: That goes to a deeper layer than my knowledge.

I'll ask Tim McGrath, who is the head of our real property branch, to come to the table.

Mr. Tim McGrath (Acting Assistant Deputy Minister, Real Property Branch, Department of Public Works and Government Services): Thank you, Madam Chair.

The old standard came from a previous Treasury Board policy known as chapter 120, which was near and dear to the hearts of many public servants.

In the mid-1990s, when Public Works promulgated the accommodation management framework, we developed standards based on the functional programming of the space itself or the needs of each of the client departments. We put it in place in the late 1990s and, during that period of time, started to implement the standards throughout.

When government started to rapidly increase in the early 2000s, we started to take a lot of space that already existed. To save money, we moved into existing space and lost control of the utilization target. Back in 2004, we decided to re-emphasize the space standards, and as space came up for renewal, we introduced the new standard.

The new standard has been in place. Actually, it's not a new standard; it's a standard that's been in place since the mid-1990s. But we've been putting more rigour into the application of it.

We've been very successful at moving the standard from 21.4 square metres to the previous amount of utilization of 19.8. It's been significant. When you think of it, 1.6 metres doesn't sound like a lot. But when you house 241,000 public servants, it translates into a lot of space savings.

Ms. Peggy Nash: What's been the reaction of those public servants?

Mr. Tim McGrath: It has actually been very good.

First of all, one of the things we found was that by taking down the walls, we improved the indoor air quality. People will remember that Les Terrasses de la Chaudière had been known as a sick building. By taking down walls, we were able to increase the air flow.

But a lot of it now has to do with the types of configurations for more pods and team workspace. It's been very successful for us.

Ms. Peggy Nash: Great. Thank you.

Madam Chair, do I have a few more minutes?

The Chair: Yes, you do.

Ms. Peggy Nash: One of the issues that have been given as a rationale for selling buildings and leasing them back is the need for ongoing investment in maintenance and renovation. Obviously with the retrofitting of buildings there'll be greater costs, whether the buildings are owned or leased.

But I'd like to know the amount of money or the percentages of moneys that have been set aside for work on existing government-owned buildings. How does it operate? Is it a percentage amount or a fixed amount? How is it undertaken?

Ms. Daphne Meredith: Tim, could you please answer?

Mr. Tim McGrath (Acting Assistant Deputy Minister, Real Property Branch, Department of Public Works and Government Services): Yes, we have a funding protocol with Treasury Board that's called our national investment strategy. With that, we assume that 4% of the inventory should be off-line every year for retrofit. And from that, we apply a factor of around \$1,800 per metre to carry out the retrofit of the assets. That translates into, for our crown-owned facilities, about \$200 million a year that we have available for capital improvement and capital upgrades to the assets themselves.

Part of our challenge is that the national investment strategy didn't come into effect until the mid-1990s. We're still dealing with a huge backlog of deferred maintenance. We just haven't had the opportunity to get caught up to that level.

The other issue is that it's not price-protected. Although there's a formula in place, every year your spending dollar gets eroded by the impact of inflation.

So that's been our challenge.

•(1615)

Ms. Peggy Nash: But that money is in the budget and it continues to be there, and every year work is done on that.

Mr. Tim McGrath: That is correct.

Ms. Peggy Nash: How would you expect that to compare if buildings were sold to the private sector and that money factored into lease agreements? I assume you would factor in a similar amount to be built into any agreement so that the work could be undertaken by the new owner.

Mr. Tim McGrath: Yes, and actually, in the case of the real estate sale—going back to a previous question—for the first ten years, the new owners are responsible to upgrade the buildings. We have a very detailed work plan that is part of our package going out to potential bidders. They will have to undertake that work as part of the agreement, to bring the buildings up to standard—

Ms. Peggy Nash: Which is similar to the work that's being done by the government.

Mr. Tim McGrath: That's right, but at their price, at their cost, with no pass-through to us.

So that's on their ticket. Will it show up? Yes, it'll show up in probably reduced proceeds from the transaction, but they will be responsible and accountable to undertake that work for us.

Ms. Peggy Nash: Okay.

Thank you.

The Chair: Mr. Turner.

Hon. Garth Turner (Halton, Lib.): Thank you.

I'd like to follow up on some things that Peggy was asking you. It's exactly the road I wanted to go down.

First, though, I was interested to hear about this package of retrofit to potential bidders for these nine properties that are now for sale. Can we get a copy of that?

Mr. Tim McGrath: Those reports are engineering reports. They're part of our data room or data link. Potential purchasers can go in and view exactly what the programs of work are on each of the various assets.

I don't believe there's a problem in making them available. They're just engineering reports that outline exactly what work has to be carried out.

Hon. Garth Turner: But they detail the work that we expect a landlord to take on during the first ten years of the lease, correct?

Mr. Tim McGrath: That's correct.

Hon. Garth Turner: Are they available now to the public?

Mr. Tim McGrath: I would have to check. I'm not trying to withhold them. If I can make them available, I certainly will.

Hon. Garth Turner: Okay. Well, we would like to see them, I believe, if we could, please.

So we're selling nine buildings and keeping some 300. I gather that's roughly the inventory for the federal government right now. And I believe there's a repair bill outstanding that is somewhere around \$3.5 billion, correct?

Mr. Tim McGrath: That's correct.

Hon. Garth Turner: How the heck are we going to finance that at \$200 million a year?

Mr. Tim McGrath: That's the challenge we have. We don't feel, unless we go and make application and submissions to Treasury Board and ask for that money, that... When we're competing with other priorities of government, it's probably not of the highest priority.

So we have to look at other ways, and one of them is certainly the Way Forward initiative we've undertaken to improve our own cost-efficiencies. We're hoping some money will come from that. We also have an ongoing national investment strategy that does give us funding.

But we are short. There is a gap of around \$200 million a year.

Hon. Garth Turner: Right. And that's a huge gap. Obviously it's going to take you 20 years to catch up—if nothing else falls apart right now, right?

Mr. Tim McGrath: Correct.

Hon. Garth Turner: And that's not likely to happen.

How bad is some of the inventory? How critical are some of these problems? Are we having to take space off-line because it's just not habitable?

Mr. Tim McGrath: West Block is probably a good example of space that needs to be taken off-line because you can't get to it soon enough. There are other buildings. There are a few buildings in Ottawa that will be taken off-line before we get to those critical issues.

So there are buildings. Our inventory is probably in better shape than other custodians'. We have just a portion of it. There's also the Department of National Defence, and the lab situation in the country. There is an infrastructure issue with government infrastructure.

Hon. Garth Turner: Have you had any discussions with this government, or is there any hope that Canada's new government will come up with new money to protect our national heritage, or are you assuming no budget increase?

• (1620)

Ms. Daphne Meredith: We are certainly pursuing a program for Parliament Hill, including, probably most importantly right now, and pressingly, the West Block, so yes, there is a commitment of a significant amount of money for Parliament Hill. It's fair to say that we're going about it project by project, where the need is most significant. Yes, we have initiatives under way that go beyond the \$200 million a year.

The issue is that it's not entrenched in our funding formulas; that is, to keep maintenance at the level that you would want it to make up the gap that we got into pre-1995. I think that's fair to say. I'd also just add, contextually, that we meet with provincial governments every year, and we're certainly not alone in this regard. All of them have a deferred maintenance issue.

Hon. Garth Turner: All right, but I don't hear any way that we're dealing with this; I don't hear any solution here. You've got a pretty frustrating job. You've got to manage crumbling assets, right? You don't really have the money to take care of all of this stuff. The selling of these assets, is that the best hope we've got?

Ms. Daphne Meredith: I think the rationale for selling the assets is based on more than a deferred maintenance issue. I think the rationale for it—to be tested by the fairness monitor, once we understand what the proceeds of this potential would be—would be that it's a good bet for the federal government to be selling and leasing back these properties, in part because of maintenance, but also for other considerations as well. Of course, we would expect—

Hon. Garth Turner: Do you have a financial model that shows the justification, that shows the reasonableness of sale and leaseback?

Ms. Daphne Meredith: Yes, very much so.

Hon. Garth Turner: Can we see it?

Ms. Daphne Meredith: Tim, I don't know what our funding model looks like.

Mr. Tim McGrath: We've used the standard government model for investment analysis as part of that. There are factors in it that are variable, as you would know, and certainly residual value is one of them—what's the residual value of the property. If you take a look at a Crown-owned building versus a private sector building, the

residual values of our buildings are generally much lower because of our inability to invest and keep the buildings up to a good standard. There are other things, like discount rates, for which, when we do investment analysis, we use a sovereign rate for discount, which basically is saying that owning a bond and owning real estate is the same risk.

So there are challenges there.

Hon. Garth Turner: What we're interested in is the rationale behind the sale. One thing this committee has been interested in is finding out exactly what the reasonableness is of selling the assets and leasing them back over the course of 25 years, because we have heard that a 25-year lease is quite extraordinary in terms of the commercial private sector. It's usually much shorter. Also, we're hearing today about the built in 10-year obligations of the landlord, so there are some new wrinkles here.

We're just trying, as committee members, to understand whether this is the appropriate course of action for the government. We'd be very interested, and I would be very interested, Madam Chair, in seeing this cost analysis that you've done, and I would ask that it be tabled as quickly as possible, please.

Mr. Tim McGrath: I guess the issue—and I know that our minister addressed it before—is that the financial analysis also contains what our positioning would be on this in terms of the process we're under right now. I know that the minister has undertaken to come back in two weeks' time as part of that.

The Chair: Thank you very much.

We will go to Mr. Albrecht.

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

Thank you to each of you for being here today. I especially found the summary very helpful. It's a very complex department, as you pointed out, so the summary was very helpful to me.

I'd like to get your comments on something. On page 37 and following, you discuss the greening of government operations, and also discuss electronic waste guidance for new government office buildings in terms of the LEED standard, long-term leases, and those sorts of things, which I think are very good initiatives. I notice on the graph on page 37, at the bottom, that the expenditures rise dramatically to 2008-09, and then there's a very dramatic drop-off. It looks to me to be a drop-off from a \$14 million to a \$3 million—and maybe that's billion—investment.

What is the rationale for the sudden drop-off? I would think we'd have a longer curve to continuing planning expenditures in that as opposed to a quick reduction. Maybe I'm misreading that graph.

• (1625)

Ms. Daphne Meredith: Mike?

Mr. Mike Hawkes (Chief Financial Officer, Finance Branch, Department of Public Works and Government Services): No, you're reading it perfectly clearly.

What we have in this case is what I already identified in the base of the expenditures for PWGSC. A lot of the source of funds for that comes to us from other programs and organizations. In particular, we have some of those that are sunsetted—that is, the funding was provided to the government for a period of time to implement a series of priorities.

What you're seeing there is that the currently funded priorities sunset at the end of fiscal year 2008-09, and they're likely to be added to through the supplementary estimates process as the planning changes during the current and future years. So it's a relatively short-term set of priorities that will continue to evolve, and as priorities change or more funding is required, you'll see that base grow.

Mr. Harold Albrecht: Thank you.

I do agree that government needs to take the lead in terms of greening and environmental policies that people will see, and I think we have some good indications of that through the LEED program and buildings that have been leased.

I just want to pick up on the West Block issue. Probably this isn't the best example of some of the energy-efficient places on Parliament Hill, as is the Confederation Building. Often the heat in these buildings is still on into May, and we sit in here with heat still coming through some of the registers.

But I do want to comment on the Library of Parliament restoration. As a member of Parliament, I take great pride in walking into that facility, and in the detail that was given to that restoration project. On that note, a lot of my constituents also come into West Block, and there's quite a contrast.

I notice on page 75 of your details on project spending—and I don't think it's this committee's mandate to get involved in all the technical details, but just for a point of clarification—West Block renovation is listed there, about midway through the chart on that page, and there doesn't seem to be a great deal of investment until later in the process. So can we expect that it is going to be a number of years yet until this building is actually retrofitted properly?

Ms. Daphne Meredith: Mr. McGrath, can you please respond to that question?

Mr. Tim McGrath: For the West Block, the first thing we have to do is empty the West Block. We have approval now to empty the West Block, and there is a series of work involved. Also in the approval, we received a spending authority to plan the long-term use of the West Block.

But you are correct, it is a long program of work, probably into the years 2015 or 2016 before it's completed, and it is part of the long-term vision plan on Parliament Hill, where it would actually become the temporary chamber of the House of Commons as we move through a program of work over the course of the next 25 years.

Mr. Harold Albrecht: That was a bigger answer than I expected.

As well, I'm very interested in the small and medium-sized enterprises that you referred to on page 15 of your project booklet

here. I know we're early in the process, but I'm just wondering how you assess the current success. And do you have any plans to broaden that program to smaller communities?

For example, the area that I come from has about 500,000 people, and it would seem to me that after we've achieved a certain level of success in Toronto and Vancouver and across the country, we can maybe look at expanding that to areas such as the Waterloo region.

Ms. Daphne Meredith: Thank you for the question.

Certainly encouraging small and medium-sized enterprises is one of our priorities right now. It's certainly an area of lots of activity in our department. We have a new office of small and medium-sized enterprises. We have representatives across the country in six regional offices as well, working with individual companies to help them get access to government procurement.

As to the kinds of things we do, we're simplifying the language we use in our solicitation documents and our contracting documents, to unburden them of that. We have professional services online, which makes it much easier for them to sign up on a standard offering and then be chosen by a given department. We have greater use of master standing offers, with good representation from small and medium-sized enterprises on them. Those are the main initiatives that we have.

Your question was, are they succeeding? I think they are. I'm just trying to think of the statistics here. Currently 29% of the market share of our federal buy is owned by small and medium-sized enterprises. They have increased by the thousands.

I'm trying to find the numbers here.

• (1630)

Mr. Harold Albrecht: I don't really need that kind of technical detail. I'm wondering in a general way if we see movement. Then the second part of the question is whether it is dependent upon having regional offices, or in our technological age, is it happening through the Internet without the offices? I would think people still like to walk into an office and get help and so on.

The second part of the question was this: is there a long-term potential that this would be expanded to smaller communities?

Ms. Daphne Meredith: I think there is. The personal touch helps in terms of our representation in the regions, but that's not to say that the effect of it isn't felt by those who access the Internet too. I was looking for the stats. I have them. The SME share increased from 24% to more than 30% from 2004 to 2006. We have over 8,000 new SMEs registered with Public Works and Government Services to do business with the government last year alone, so we are seeing some success.

Mr. Harold Albrecht: I have one last quick question. Do we have a regional breakdown at all, not for the committee today, but could we access a regional breakdown at some point as to where those SMEs are located across the country?

Ms. Daphne Meredith: I'm pretty sure we can get you some good information on that, because we're building our information system to track it and manage it that much better. We'll do what we can.

Mr. Harold Albrecht: Thank you.

The Chair: Monsieur Simard.

Hon. Raymond Simard: One of the comments you made, Madam Meredith, was with regard to translators. I thought that was interesting, because we've been studying the impacts of demographics and we haven't heard that from anybody else. It was actually very surprising. It's the kind of thing that I actually expected us to hear, that we need 1,000 translators but we're only going to have access to 400.

I wonder if you could tell us—and this may not be directly related to your department—what kind of strategy do we have to ensure that we get 1,000? This government can't operate without translators, so we can't simply say there's going to be an issue. What are we doing to proactively ensure that we get those 1,000 translators that we need?

Ms. Daphne Meredith: Thank you for the question.

We have initiatives on a number of fronts. We have internship programs, where we're partnering with universities and colleges to get their students to come and work in the Translation Bureau, either in stages or in the summer months, so that they're training and studying at the same time. We find that although it's important to get the diploma, that's not enough; they need the on-the-job training. So we're getting them in early to get that professional training to ensure that they're ready when they join us.

We're lending some of our translators to lecture in universities. We're helping the University of Ottawa, which currently has the only Masters program in interpretation, to run that program and encourage translators to apply.

We have initiatives on a number of fronts. We're working with the Atlantic Canada Opportunities Agency to encourage that region's language industry and the student population of those provinces to pursue careers in translation. So we're trying on a number of levels, and actively.

Because this industry is important, it's not only what we do inside government but also the small enterprises, where translators often work in their houses to supply translation, that's important to us too, because we contract their services as well.

Hon. Raymond Simard: You're comfortable that we'll meet our objectives, then.

Ms. Daphne Meredith: No, we're not comfortable. That's why we're trying so hard. We're being creative. I'm comfortable that a career in translation, if I could put a plug in for it, sort of fits what we understand to be the aim of young people today who want independence but a satisfying career. I think they can do that with translation. So I see every reason why they should pursue it. It certainly has a bright future as far as we're concerned.

•(1635)

Hon. Raymond Simard: If I can change channel a little bit, I'd like to talk about procurement.

One of the things that I think scare all of us is the sole-source contract. I've always wondered, and sometimes I guess you have no choice, but in a case like the C-17, for instance, how do you compare? How do you know that you've had a fair price? That's always bothered me. Sure, you're limited to Boeing; it's the only company that can supply the product. Do you look back at past sales to other countries? How do you make sure that your country got the best price possible?

Ms. Daphne Meredith: I guess you may never know for sure, because those negotiations are tightly held. You can try to get information out of other countries, for example. Usually you have good relationships with other middle countries or—

Hon. Raymond Simard: It would seem a logical approach, right?

Ms. Daphne Meredith: So you share information as much as you can and you bargain as hard as you can on every line item you're negotiating, and at the end of the day, you try to compare notes. And it's usually through hearsay that you hear you got a pretty good deal.

Hon. Raymond Simard: Was that done on the C-17, for instance?

Ms. Daphne Meredith: That's the feedback we got on that one.

Hon. Raymond Simard: Was that done on the C-17, for instance, if you compare with other countries?

Ms. Daphne Meredith: Oh yes. You have relationships with them. You meet them at trade shows. Your defence people work with them in different settings, so—

Hon. Raymond Simard: You know if you're being taken, for instance?

Ms. Daphne Meredith: —you have a pretty good idea, I think, of what your target is and you try to bargain harder than anybody else.

Hon. Raymond Simard: I have one last question on information technology. I was on the board of a credit union in Manitoba, and I can tell you that if there's one place where you can run into cost overruns, it's with information technology, and also not necessarily getting the right product or the right system. By the time you find out it's not the right system, you're already halfway through it.

So I wonder if those are some of the issues you've been facing, if you're comfortable that the new information technology programs or systems that we've put in are working well.

I'd also like to know the relationships between Public Works and Government Services and the individual departments, because I'm assuming you're not getting rid of all the information technology. Even if they did work in silos for a long time, they still exist for a period of time before you can integrate all that.

So talk to me about the relationship; and in terms of the new systems we've put in, are we on budget and are they working well? Are they doing what they're supposed to be doing?

Ms. Daphne Meredith: That is a big question. For us, the key is to have the right information technology professionals on staff so we have the best managing our IT projects well and getting them delivered on time and on budget.

I think what you're also talking about is how we develop our shared services in information technology and make sure we're getting the economies we want out of that shared service. Steven Poole and his group have helped our procurement branch, in a sense, negotiate contracts for whether it's desktop computers or....

Steven could probably come to the table and tell me what the cost savings were, because I think for 2006 they amount to.... I'm trying to think of the product line, but I recall the number \$65 million for the government as a whole to be the cost savings achieved through the deal we negotiated on this category of equipment.

Steven, does that ring a bell?

Hon. Raymond Simard: Maybe I can ask Mr. Poole another question.

Are there any systems in place right now that you're aware of where there are huge problems and that are not working very well and where there are huge cost overruns?

Mr. Steven Poole: Thank you for the question.

I think it's really important to clarify the role of Treasury Board Secretariat, other government departments, and Public Works and Government Services. In terms of systems, what I would call applications, I focus on the ones for Public Works themselves. We've recently had the Government of Canada Marketplace, which has gone in right on budget, on time, and it's working well. We're also starting a financial systems project, which just got under way. So those projects are on track.

With regard to how other departments do, you'd have to talk with those departments, but there is an oversight responsibility by the Treasury Board Secretariat. I have a colleague who is the CIO of the Government of Canada, and he can give you more information about how those projects are doing.

• (1640)

Hon. Raymond Simard: But would you not purchase the systems for them, or not necessarily?

Mr. Steven Poole: These are internal roles and responsibilities, so it is my colleague, the assistant deputy minister of acquisitions branch, who would be involved in the purchasing—

Hon. Raymond Simard: But it would be Public Works?

Mr. Steven Poole: Correct, it would be Public Works, but it's not specifically in my branch. But certainly, as colleagues, if she has

questions from a subject matter expert point of view, she's quite capable of asking questions, and I'm happy to provide those answers.

Hon. Raymond Simard: Okay, thank you.

[*Translation*]

The Chair: Mr. Bouchard.

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Madam Chair.

I would also like to thank you for appearing before us today.

Madame Deputy Minister, you said that your department is in its third year of the business transformation process to improve your administrative operations.

Does PWGSC have the authority and the support that it needs to accomplish these reforms?

[*English*]

Ms. Daphne Meredith: We're trying to achieve something. It depends on whether you're talking about our real property reforms, procurement transformation, or IT shared services. They're not all the same story. I would say our transformation is easier to achieve in areas where we as a department are more in unique control of the transformation. That would be the case in real property.

In the case of IT shared services, we want to achieve a transformation more through encouraging departments to sign up for our shared services. We have made some significant gains already, but we still have a distance to travel with IT shared services.

In the case of procurement transformation, the challenge is greater because we need to work with departments to get them to change their behaviour, and we also have to change the way we do things. We are setting up commodities of purchases that are commonly made by departments and are now becoming mandatory for them to use. So there's going to be some resistance while that change is taking place. That change in procurement is harder to bring about.

We have the authorities we need. I think the authorities will very soon be made that much clearer, because Treasury Board is putting through new policies that should clarify our role and the roles of departments. That will pave the way for our transformation in that area to a greater extent.

[*Translation*]

Mr. Robert Bouchard: Are some departments dragging their heels? Are some of the reforms being slowed down because of shared responsibility that might cause confusion or a lack of leadership?

[English]

Ms. Daphne Meredith: I think there's a natural tension between departments that may have been in charge of their own purchasing before. You can imagine a natural response when the rules change and they say, "No, we're going to be doing it for you on these commodities." It's a human response, so some departments have reacted that way—not all, by any means. Some are quite happy to work with us to analyze their purchases and take advantage of the volume buys we get.

So the experience is mixed. We've had some great success in some areas and a greater challenge in others.

[Translation]

Mr. Robert Bouchard: Thank you.

The Chair: Would you like to wait for the next round? Okay.

We will now go on to Mr. Poilievre.

•(1645)

[English]

Mr. Pierre Poilievre (Nepean—Carleton, CPC): As a department you manage the real estate needs of 241,000 employees and 6.8 million square metres of space in 1,796 locations across Canada. I want to get a better understanding of how the financing for these properties is undertaken by the Government of Canada.

Do the departments pay you? Are they your clients, in a sense? Are you the landlord to them, the tenant, or how exactly is this relationship structured?

Ms. Daphne Meredith: I'll let Tim get into the details because our funding arrangements can sometimes baffle me a bit.

I should first of all point out that we're in the business of providing office accommodation. So we are the custodian for many office buildings, but other departments are custodians for special-purpose kinds of facilities.

Mr. Pierre Poilievre: I'm more interested in how the funding arrangements occur.

Mr. Tim McGrath: We act as a landlord on behalf of the government departments. We're funded directly from Treasury Board for the provision of accommodations, save and except two large clients. HRSDC, through their funding protocol and the CPP and EI Act, have to reimburse for their costs.

Mr. Pierre Poilievre: They reimburse you?

Mr. Tim McGrath: They reimburse Public Works and Government Services. We have agreements with them that are similar to the protocols we have with other government departments and Treasury Board. The Minister of Public Works and Government Services still very much makes the investment decisions that take place.

It's similar now with the Canada Revenue Agency. They've gone to a reimbursing regime, but in order to manage the portfolio holistically, they have agreed that we will act as their landlord and have a similar type of arrangement.

Mr. Pierre Poilievre: They credit you, then.

Mr. Tim McGrath: That is correct.

Mr. Pierre Poilievre: You said that's revenue.

Mr. Tim McGrath: That's revenue for us, that's correct.

Mr. Pierre Poilievre: So that's CCRA and HRSDC.

Mr. Tim McGrath: Correct.

Mr. Pierre Poilievre: Would it not make more sense for the departments to receive that budget directly and have them engage you as a landlord? Would they not then have a vested interest in keeping their real estate costs under control?

From what you've told me, it seems like more of a command and control structure of managing the real estate market of the federal government.

Mr. Tim McGrath: Madam Chair would know, from her experience as Minister of Public Works, that we've looked at that for a number of years—a reimbursing regime. What we found is that the internal charging doesn't drive the discipline that you would think it would drive in terms of that behaviour, because accommodation is not the most important part of somebody's program. We allow government departments to focus on their core program, where we come in as a common service to provide it.

For example, Ottawa has one of the lowest vacancy rates. If we had 105 different government departments and agencies out competing for space, the prices would go through the roof. It's similar to GSA in the United States.

Mr. Pierre Poilievre: I'm not suggesting that they would go out and engage directly, but that they would deal directly with Public Works as the sole supplier. I know it would be a very bad decision if departments were competing with each other amongst private landlords.

Mr. Tim McGrath: It moves you to that type of decision. When somebody has control of the dollars, they want to also be in control of the investment decision. We work very closely with clients in identifying what their operational needs are and very closely to meet their accommodation needs. At the same time, we're able to bring forward things like standards for fit-up for all government departments that allow for departments to move from building to building when government decides to reorganize. There are more pros to having a centralized approach.

Mr. Pierre Poilievre: Thank you. I appreciate that.

On the sale of these nine buildings, how will the transaction be booked in the *Public Accounts of Canada*? Will it be just a cash infusion that transforms a hard asset into a liquid one? Will it be booked as revenue, given that the government is still not on accrual accounting? How will that transaction be booked?

Mr. Mike Hawkes: We're still working through the details of how exactly we're going to apply it. There will be a proceeds of sale, so we'll record the proceeds of the sale. There will be the sale of assets, so the balance sheet would have to have the assets removed and the accumulated depreciation from those assets would be removed. There would be a recognition of a loss or gain on the sale of assets. It would be a gain in this particular case, we would assume. Then we would move to leases, and the expenses of the lease payments would then be reported as operating costs of the Government of Canada on an annualized basis for the term of the lease.

•(1650)

Mr. Pierre Poilievre: How do the current depreciation costs on those buildings compare to the operating costs of lease payments?

Mr. Mike Hawkes: They are two totally different formulas. In terms of their value, we haven't finished calculating that yet. Some of the older assets in the group of nine are fully depreciated. I think there are at least two that are fully depreciated. Others are barely in the early stages of the depreciation. It'll really depend on the asset assessment. It'll be one of the things we'll look at as the transaction comes forward.

Mr. Pierre Poilievre: Back to my previous question, how exactly will that transaction then be booked? I know you say you're still working on it, but you must have some experience with disposing of federal assets. There ought to be some protocol on how the disposal of an asset is booked.

Mr. Mike Hawkes: The government has accounting standards that very closely match generally accepted accounting principles. The Comptroller General could explain them to you in great detail if you had him here.

Mr. Pierre Poilievre: Could you sum that up?

Mr. Mike Hawkes: We would recognize the sale of an asset, so it would be taken off the balance sheet. The accumulated depreciation would come off. The gain or loss on the sale would be reported against the equity. It's exactly the same as you'd do it in the private sector.

The Chair: Any cash would go into the consolidated fund.

Mr. Mike Hawkes: That's correct, the cash would go into the consolidated revenue fund.

The Chair: That's maybe what you were looking for.

Excuse me if I am asking a question, but Public Works wouldn't actually get access to that cash to do more renovations on other buildings, would it? It would just go into the consolidated fund.

Mr. Mike Hawkes: All authorities to spend come from the government, so the receipt of the cash would be deposited, you're quite correct, to the consolidated revenue fund, and then the priority of the government would be decided as to what the use of that cash would be.

The Chair: Thank you, Mr. Poilievre.

Mr. Turner, for five minutes.

Hon. Garth Turner: Just out of interest, do we have the master plan for renovation, restoration, and ongoing rebuilding of the parliamentary precinct?

The Chair: We don't have it, no. There have been master plans before. They've been changed. There are some, I know; I just don't know what they are.

Hon. Garth Turner: Is it possible for the committee to get the latest version of the parliamentary precinct plan?

Ms. Daphne Meredith: What we're trying to do is establish plans in five-year periods, recognizing that restoring Parliament Hill is likely to be an ongoing project. Instead of conceiving it as a 20-year enormous project, we're trying to look at it in five-year chunks. The five-year period we're on now is focusing on the West Block renovation and the attendant renovation to swing space that we need

to make in order to move people out of West Block—committee rooms, etc.—to keep everybody functioning.

We can surely provide you with information on that program, and we're happy to do so.

The Chair: But for the House of Commons, is there not an architect who's on full-time?

Ms. Daphne Meredith: It's complicated governance, because of course the plan is largely determined by parliamentarians through consultative work that they do in deciding where they want to go. Public Works is a service provider to that. But because Parliament is Parliament and the Senate is separately constituted from the House of Commons, the governance is somewhat informal in nature and has to be so.

To your point, we do have somebody working in our parliamentary precinct group from the House of Commons, we may well in the future have somebody from the Senate side working with our group, and we have somebody from our team working with the House of Commons staff, recognizing that we want to stay closely linked on these quite ambitious plans.

•(1655)

Hon. Garth Turner: What's the five-year budget?

Ms. Daphne Meredith: I'm afraid the accounting is a bit complicated. I think what we have approval for right now is some \$235 million worth of work, related mainly to....

I have the data here. In June 2005, the West Block program received preliminary project approval for some \$821.5 million, of which some \$248.3 million is granted to complete the masonry stabilization of the West Block towers and the implementation of interim space projects.

So that is where we are. Overall, it's over \$800 million.

Hon. Garth Turner: So funding was approved in 2005; when in 2005?

Ms. Daphne Meredith: It was in June.

Hon. Garth Turner: In June 2005, for \$825 million?

Ms. Daphne Meredith: That's right.

Hon. Garth Turner: For this building?

Ms. Daphne Meredith: No, it's not fair to say it's for this building per se, in part because we are...and Tim can speak to the details to a greater extent than I can. The program itself probably involves 10 or 15 individual projects to renovate buildings on the other side of Wellington Street to provide swing space in, for example, La Promenade Building on Sparks Street. There are many other buildings involved—the Clarica Building, the C.D. Howe Building—that would allow people to move in there not only from the West Block but also from other buildings on Parliament Hill when their turn comes for renovation.

In other words, we're renovating swing space across Wellington Street for something more like a 15- to 20-year usage period.

Hon. Garth Turner: How much are we spending on this building?

Ms. Daphne Meredith: On this building per se?

Can you answer that?

Mr. Tim McGrath: First of all, PPA just earmarks funds. It doesn't give us the actual funding; it just allows us access to funding, which we have to come back to seek through Treasury Board submissions. The West Block renovations themselves are a program of work.

A lot of the costs go, as the associate said, to the fit-up of the various locations. The actual work on the West Block itself will be around \$300 million; that's on the West Block portion of it. Then when we decide what the long-term use of that facility is, that's going to be part of the long-term vision plan itself.

Hon. Garth Turner: You're going to spend \$300 million on this building without knowing its ultimate disposition or use?

Mr. Tim McGrath: No, that's what's planned to be spent. We don't have approval for it. We only have approval to empty the West Block at this point; that's the only approval we have.

Hon. Garth Turner: We're spending money now on this building; isn't that right?

Mr. Tim McGrath: We are, for the stabilization of the exterior masonry work.

Hon. Garth Turner: And now you say that's \$200 million?

Mr. Tim McGrath: When we're done all the stabilization work and some of the interior work that we have to do, it will be around \$200 million.

Hon. Garth Turner: So we're going to spend \$500 million on this building.

Mr. Tim McGrath: No. It's also creating the swing space in the long term for the other work.

Hon. Garth Turner: No, she said it's another \$350 million for the swing space. I just heard that we're spending \$300 million on this building, which hasn't been approved yet, and we're spending \$200 million on stabilization of the masonry, which has been approved.

Ms. Daphne Meredith: If you like, Madam Chair, we can commit to get you the data, because there's a risk that we'll get it mixed up otherwise.

The Chair: I'd like to suggest to the committee as well that perhaps we can get someone from the House of Commons to come to talk to us about the future plans.

Hon. Garth Turner: Yes, I was going to say, Madam Chairman, that I know this is a Hill issue, but my constituents are going to be a little concerned if we're spending half a billion dollars on this building. Maybe we ought to have a meeting on this. Maybe we ought to put taking a look at the parliamentary precinct on the agenda and look at exactly how one gets to spend \$500 million on this pile of rocks.

The Chair: We'll see if we can get someone from the House of Commons to come to make a presentation. I think she's done it in years past, but it would be good for all of us to know what the particular plans are at this time and go from there.

• (1700)

Hon. Garth Turner: Do you guys agree? It makes sense.

The Chair: It makes sense.

Mr. Warkentin, did you...? No?

How about Madame Bourgeois?

[Translation]

Ms. Diane Bourgeois: Thank you Madam Chair.

I would like to come back to the \$500 million that my colleague referred to. Does that amount appear somewhere? Is the real property budget in the Report on Plans and Priorities?

[English]

Ms. Daphne Meredith: Yes, we do have financial information on spending related to Parliament Hill.

[Translation]

Ms. Diane Bourgeois: On what page would we find that information?

[English]

The Chair: Look at page 75 in the English portion, and in the French portion it's page 85.

Ms. Daphne Meredith: Yes. In the English version it's page 75. It's in section 3, supplementary information, in a table entitled "Real Property Services". You'll see, about midway down, "Parliamentary Precinct", where the various projects are set out.

[Translation]

Ms. Diane Bourgeois: Thank you.

Are there any other documents that would show a breakdown of the expenditures?

[English]

Ms. Daphne Meredith: Do you mean more details?

In the Public Accounts as well would be the actual spending on these projects.

[Translation]

Ms. Diane Bourgeois: To come back to the accounting principle to which Mr. Hawkes referred, I would like to know if you put a dollar value on the depreciation of government buildings or of the reconstruction work that is done on the buildings. Are these amounts included annually in the government accounting?

[English]

Mr. Mike Hawkes: Yes, it does, Madam Chair. It appears in the Public Accounts statements, where there is a balance sheet for the Government of Canada. It will describe the crude value of the assets and the accumulated depreciation. It's very high-level; it's done for illustration purposes.

As you know from the appearance and discussion you had at this committee before, the government is examining a full move to accrual-based expenditure management and accrual-based budgeting, and through different work studies they're doing, they plan to propose to the government, through the Treasury Board, how to proceed to implement that project.

[Translation]

Ms. Diane Bourgeois: Thank you. I will take a look at the information.

I have a final question for Ms. Meredith. This committee is quite concerned about human resources. We have discussed the issue and we have heard witnesses as well.

Could you provide the committee with an outline of the department's action plan for human resources?

[English]

Ms. Daphne Meredith: You've perhaps heard about some of our plans related to compensation, because that's been a particular challenge in the area of human resources management in our department. We have approached that problem with vigour over the last year, and we have reduced the problem significantly. In fact, at this point in time we have reduced it to, I think, some 300 cases of people who.... Everybody's getting a paycheque.

[Translation]

Ms. Diane Bourgeois: Yes, we did hear some witnesses. Even the minister said that the pay problem had almost been settled. But that isn't quite what I meant by my question. I was wondering about management and about how difficult it will be to recruit future employees.

Do you have an action plan with some type of quantifiable objectives?

• (1705)

[English]

Ms. Daphne Meredith: Yes, we do. As I think many departments in government are doing, we are linking, obviously, our human resources plan to our business plan so we can project our business ahead and try to make sure we have the people in place to meet our needs. I've talked a bit about what we're trying to do in the area of translation, knowing that this is an area of significant shortage and of great concern to us in the future.

What we are doing is going branch by branch to identify the types of skills we need, because they may not be the same in the future, in all cases, as they have been in the past. For example, with respect to real property, we want to augment our strategic management skills, if you like, so we are in a better position to manage our real estate holdings and to manage office accommodation as opposed to manning them with trades people. So we are changing our skill mix in that area.

In the case of procurement, I mentioned earlier that we're moving from being order takers for other departments, simply drawing up contracts in response to their needs, to looking more strategically at sources of supply and at organizing supply. That takes a new mix of skills as well. We would bring in, perhaps, economists and those with market expertise to augment the skills we have in that area.

So we're going through it branch by branch, identifying our needs at all levels, and drawing up an aggressive recruitment strategy for the fall—especially drawing from colleges and universities—based on the numbers we need, the skills we need, and who we're actually going to send out to these colleges and universities to try to attract people to our department.

The Chair: Would it be possible for you to give us a copy of these plans you're working on? We are doing a study on the challenges faced by government in hiring. It would help us if you could supply us with some of this.

Ms. Daphne Meredith: I'd be happy to do so.

[Translation]

The Chair: Yes, Ms. Bourgeois.

Ms. Diane Bourgeois: Madam Chair, we must let Ms. Meredith know that Ms. Barrados appeared before our committee and told us that she could not foresee any problems in attracting prospective employees to work in the public service in the next few years.

Ms. Jauvin, who has been in her position since September 2006, also appeared before the committee. I asked her if she had a management plan for the public service. We have an agency, a commission and a school. But their website has no such action plan.

Do you have a plan? If so, will you help these people by making it available to them?

[English]

Ms. Daphne Meredith: Yes. We have shared, for example, our fall recruitment strategy with the Clerk of the Privy Council, who then shares it with the other agencies involved. I should say we've shared our strategy. We still have to get the numbers and get the details worked out.

In that regard, I personally am a member of a committee of university champions that has been set up. So for example, I'm the champion for recruitment at Queen's University. Other deputies or associates would be champions at other universities; we have them across Canada, of course. And that will then allow us to be a focal point to work with the president of the university, I suppose, to ensure that we're communicating our need or we're approaching their students at the right time of year and that we're ready to engage students and compete with other comrades in doing so. Because it's an active market out there, we want to ensure the best chances that we get the best students.

[Translation]

Ms. Diane Bourgeois: Madam Chair, would you ask them to table all of these plans?

The Chair: We can ask Ms. Meredith and the other departments if they have any plans.

[English]

Madam Nash is our last questioner.

Madam Nash, please.

Ms. Peggy Nash: I'm back to the real estate. I want to verify that I understood an earlier comment.

Is it correct that the government sets aside in general about \$200 million a year as an investment strategy in real estate property, and that we have a real estate repair bill of about \$3.5 billion overall, and that if we doubled that amount to \$400 million a year it would get us on track to achieve our responsibilities with that investment? Is that correct?

•(1710)

Mr. Tim McGrath: Certainly funding is one part of it.

The capacity to spend it is another part of it. So we've had, as other government departments have had, capacity issues in our ability to spend the money. Now, \$400 million is a lot of money to spend on an annual basis, and as a result, we look to partners in the private sector to help us spend that type of money.

It's also around the efficiency of spending. The private sector could certainly spend it more effectively than we can. They tend to use a thinner layer of management to carry out the activity, so the value of the spend you get from a private sector person doing it is greater than through the public sector, and that's part of the issue we have in terms of resourcing. And through the outsourcing of our property management activity, for example, we've actually saved significant amounts of money by allowing the private sector, where they've developed capacity and expertise, to deliver services. Now we're finding that in other parts they can do it as well.

So we're hoping that will be part of our HR strategy, quite frankly, being able to partner with the private sector in delivery of more of the services for the real property branch.

Ms. Peggy Nash: Is part of the problem with the ability to spend the money allocated the limited amount of swing space to house people while renovations are taking place?

Mr. Tim McGrath: Certainly it has been a challenge for us in the past number of years. As we've had a pocket of swing space develop, the government would grow, and in order to respond to that need we would have to fill it. There has been very little tolerance for Public Works to carry any type of swing space. Any time we do, we wind up in the papers and we get criticized for government waste. So it's sort of a chicken-and-egg thing. Either we have the swing space and we get criticized for carrying it or we have it and we're able to carry out our programs, but as soon as we get it, government seems to take it on as quickly as we have it.

Part of the challenge we have is the amount of swing space available to us and the tolerance to carry the swing space.

Ms. Peggy Nash: How much of that \$200 million a year is earmarked for environmental retrofitting, with the new plans that the federal government has for energy efficiency in government buildings?

Mr. Tim McGrath: We work all of the environmental and sustainable development strategies into our day-to-day operations, so we've adopted the BOMA go green plus program at Public Works and Government Services. We're doing the assessment of all of the buildings. Previous to that we had the sustainable development strategy, so many of the greening initiatives are already part of the way we deliver our services.

More recently we've adopted for our large-lease transactions the LEED gold standard for our leases and for our new buildings, so we don't really separate it as a separate funding pot any longer. There are initiatives that are put forward by the government. We try to access those dollars. Contaminated site cleanup, for example: we access that specific pot of money. But for the most part we've included it in our day-to-day planning.

Ms. Peggy Nash: So with the renovation of West Block, presumably there won't be radiators on in June, and other initiatives will be incorporated into that.

Mr. Tim McGrath: Yes, that's the central heating and cooling plant. If you see that big smokestack, it's called the Cliff Street Central Heating Plant. We would like to undertake a retrofit of that asset as well for meeting energy reduction targets and greenhouse gas reductions.

The Chair: Thanks very much.

I will allow one short question, and then we'll allow our guests to go. Someone wanted to ask one short question.

Hon. Garth Turner: Yes, I have a little bit of a blue sky question for you.

Going back to the questions I had before about the cost, the \$200 million a year that you've actually been allocated to look after these buildings, is it conceivable or possible or is there any reason why you couldn't take \$200 million one year and go and borrow \$2 billion and leverage it up in the capital markets? Now, at prime rates it's going to cost you \$100 million a year in interest and you have an annual allocation of \$200 million. In other words, you're arranging a mortgage. When you take a mortgage of \$2 billion to go and make most of the basic repairs, and it's costing you \$100 million a year in interest charges, and you're getting a \$200 million annual allocation, why the heck wouldn't you do that?

•(1715)

The Chair: I'd love to hear the answer to that.

Hon. Garth Turner: You know, the loan is secured by assets.

Ms. Daphne Meredith: I think the Department of Finance would probably be best suited to answer the question, so I'm going to duck it. The Department of Finance would be the best party to answer it, because your question has to do with how we generate the resources to carry out our program. I think probably, in general, we rely on taxpayers as opposed to—

Hon. Garth Turner: Have we factored that in as an option, as opposed to selling and leasing back?

Mr. Mike Hawkes: It will be assessed in the overall assessment of options. It has to be assessed.

Hon. Garth Turner: By whom, sir?

Mr. Mike Hawkes: That will be assessed through the process of the fairness monitor and it will be assessed by the Department of Finance.

The Chair: Madam Nash.

Oh, Monsieur Poilievre, I said one more question—

Ms. Peggy Nash: I would want to add one point to that. You're talking about borrowing money. We paid over \$22 billion towards the debt over the last couple of years. It's a positive thing to pay down the debt. It's also very aggressive and it makes me think that if money were used for investing in our assets—

The Chair: We're not going to hear an argument on that.

Mr. Poilievre, you have one more—and we're going to ask somebody from finance, I think, to come and speak to us about that.

Mr. Poilievre.

Mr. Pierre Poilievre: Yes, I simply want to make clear that it's not the position of the government that we should increase the national debt by an additional \$2 billion and start paying interest to bankers in order to finance some cockamamie scheme put forward—

Mr. Garth Turner: Well, that's so—

Mr. Pierre Poilievre: Can you be quiet while someone else makes a comment?

The Chair: I think it's time—

Mr. Pierre Poilievre: No, it's not time. I'm going to make a comment.

Mr. Garth Turner: Let's adjourn.

Mr. Poilievre: We believe that we shouldn't be running budgetary deficits. I don't know if that might be a departure from that point of view on the side of the Liberals—

Mr. Garth Turner: It's not a budgetary deficit. It's called a mortgage, buddy. Do you own a house?

Mr. Poilievre: —but we also believe that you're on the right side of this debate in allowing government to focus on its core business instead of—

Mr. Garth Turner: I think you rent.

Mr. Pierre Poilievre: We all recognize that real estate is not part of the core business of government. So we wish you well in—

The Chair: Thank you, Mr. Poilievre.

Mr. Pierre Poilievre: —pursuing some new efficiencies as you move forward. Thank you very much.

The Chair: We have Minister Fortier, I'll remind you, coming on the 29th. It is on the 29th...the 31st. Oh, we keep it changing back and forth. We're going to continue to study the real estate issue.

I thank you very much for coming and for giving us this much information.

We have a guest on Thursday. We're dealing with procurement on Thursday and the trade laws that govern our procurement.

This meeting is adjourned.

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