



House of Commons
CANADA

Standing Committee on Public Accounts

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

EVIDENCE

Thursday, June 8, 2006

—
Chair

The Honourable Shawn Murphy

Also available on the Parliament of Canada Web Site at the following address:

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

Standing Committee on Public Accounts

Thursday, June 8, 2006

• (1100)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): Colleagues, witnesses, and visitors, first of all, I'd like to welcome everyone to the meeting of the Standing Committee on Public Accounts.

This meeting has been called pursuant to the Standing Orders to review chapter 7, "Acquisition of Leased Office Space", of the May 2006 report of the Auditor General of Canada, which of course is automatically referred to this committee.

Appearing before the committee this morning, from the Department of Public Works and Government Services, we have the deputy minister, David Marshall, accompanied by Tim McGrath, the acting assistant deputy minister, real property branch.

Welcome, Mr. Marshall and Mr. McGrath.

From the Office of the Auditor General, we have the Assistant Auditor General, Ronnie Campbell, and he's accompanied by Bruce Sloan, principal.

From the Treasury Board of Canada Secretariat, we have Jim Libbey, the executive director, financial systems acceptance authority directorate, and Blair James, executive director, assets and acquired services directorate.

Gentlemen, I want to welcome each and every one of you. We're going to start right away.

Mr. Campbell, I understand that you have an opening statement.

Mr. Ronnie Campbell (Assistant Auditor General, Office of the Auditor General of Canada): Thank you.

Mr. Chair, thank you for the opportunity to present results of chapter 7 of our May 2006 status report, "Acquisition of Leased Office Space". I'm accompanied by Bruce Sloan, principal, who is responsible for this audit.

PWGSC manages 6.6 million square metres of rental space and spends \$3 billion annually to manage real property. As the department handles as many as 500 leased transactions every year, it needs complete, accurate, and timely information to support its decisions. The department's commitment to achieve the government's cost reduction goal makes strong management practices even more vital for the real property branch.

This audit has raised a number of important issues that affect the cost of office accommodation, and let me elaborate on those.

PWGSC client departments and the Treasury Board currently share the responsibility for decisions that affect the cost of office accommodation. The shared responsibility makes it difficult for PWGSC to impose and enforce government-wide standards for the quantity and quality of office accommodation.

In our report, we have noted instances where the department has not always enforced these standards, resulting in additional costs for taxpayers. The committee may wish to ask the department about the steps it will take to ensure that its standards are enforced.

[Translation]

A second factor that has an impact on the cost of office accommodation is the fact that the current funding mechanisms do not always allow the selection of the most cost-effective accommodation options. In our current audit, we found that the department had made satisfactory progress in identifying the most cost-effective options to meet the accommodation requirements of its customers. In assessing the various options for office accommodation, PWGSC considers the full cost of each option over the expected life of the requirement. Accommodation requirements often are for 15 to 25 years and include crown construction, lease-purchase, purchase, and lease.

[English]

Mr. David Christopherson (Hamilton Centre, NDP): On a point of order, could I ask you to wait while I move to a system that works? I'm sorry, but I need the translation.

The Chair: They've got you in the Liberal section, Mr. Christopherson.

It appears to be working.

I'm sorry for the interruption, Mr. Campbell.

• (1105)

[Translation]

Mr. Ronnie Campbell: The committee may wish to ask PWGSC and the Treasury Board Secretariat to establish a timeframe within which they will create funding mechanisms that will allow the department to select and implement the most cost-effective accommodation options.

[English]

In 2002 we reported that PWGSC needed to strengthen the integrity and availability of information to support the management of the acquisition of office space. In our report this year, we reported unsatisfactory progress in this area.

To make the right strategic decisions, managers need information that is timely, accurate, and complete. We found that the basic information property managers need does not exist, is inadequate, or is difficult to get.

The committee may wish to ask the department to describe the steps it is taking to streamline the management of the real property portfolio and that it will take to establish the information systems needed to support its strategy.

Finally, Mr. Chair, we would like to raise the following issue. Often, government managers view office accommodation as a free good or service. However, at present, the cost of office accommodation is being paid by PWGSC and is being reported in departmental public accounts as a service that's provided without cost. The government should ensure that the system provides the right incentives for good management, including selecting the most cost-effective options.

Mr. Chair, we would be pleased to answer any questions the committee may have.

The Chair: Thank you very much, Mr. Campbell.

I'm going to turn now to Mr. Marshall. I understand you have an opening statement.

Mr. David Marshall (Deputy Minister, Department of Public Works and Government Services): Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, thank you for inviting us to join you to discuss the 2006 status report of the Auditor General on the acquisition of leased office space.

As the chairman noted, with me today is my colleague, Mr. Tim McGrath, who is the acting assistant deputy minister for our real property operations.

I think it's clear to everybody that meeting the accommodation needs of federal public servants across the country is a very complex operation. It involves some \$3 billion a year, thousands of transactions, and many trade-offs that have to be made. Among these is the need for the government as a whole to consider various budgetary demands and pressures and various priorities for federal programs. As well, Public Works and Government Services must deal with the volatility of the real estate market in every region of the country and the various pressures that arise on the cost of accommodation from one source and another.

Despite these challenges, PWGSC has been making steady progress over the years. You will find as you examine our estimates, for example, that despite an increase in demand from our clients, the cost of our accommodation program has not only levelled off but is actually going down.

We have made good progress on most of the recommendations made in the last Auditor General's report on this subject, in 2002, most notably in the area of better forward planning and, as the Auditor General has pointed out, in assessing the full cost of various options for office accommodation before we make a recommendation.

As well, over the past two years we have taken several steps to improve the management of the real property program, which are

yielding concrete results; I can name a few. As Mr. Campbell has pointed out in his opening statement, we are indeed now enforcing a tighter space allowance for public servants and a less expensive fit-up package than we previously allowed. I must say we are receiving very good cooperation in this enforcement from both the Treasury Board Secretariat as well as the various deputy ministers of our client departments, and as a result we're saving several millions of dollars annually to the Crown.

We are doing more forward planning on lease negotiations and are negotiating leases more aggressively in the market. We've reduced our average lease cost to below the industry average in most markets across Canada. We are now ahead of our plan in meeting our savings goals in this area.

As well, we are reducing our own overhead. Our staff has come down by something close to 300 people year over year. We are improving the management of our inventory. We already have one of the lowest vacancy rates of any major real estate operation in this country.

Notwithstanding these achievements, more remains to be done. The Auditor General has pointed out that we need better information systems, and we agree.

Probably the most important issues the Auditor General has raised are, first, the shared or split responsibility between client departments and Public Works for the cost of office accommodation that now exists, and second, the various anomalies of being funded on an annual cycle.

In terms of shared responsibilities, decisions must take into account the operational needs of a department and so cannot be entirely assigned just to Public Works or to one or the other party. As well, budgetary trade-offs need to be made, in this case by the ministers of the Treasury Board. So there is no simple solution to this problem; however, I do believe improvements are possible, and we are working with the Treasury Board Secretariat to see how far we can go.

Mr. Chairman, I will be pleased to answer questions the committee may have.

Thank you.

• (1110)

The Chair: Thank you very much, Mr. Marshall.

Mr. Libbey, do you have any opening remarks?

Mr. Jim Libbey (Executive Director, Financial Systems Acceptance Authority, Office of the Comptroller General, Treasury Board of Canada Secretariat): Mr. Chair, we weren't asked to prepare opening remarks. I'm here mainly to respond to any questions about the issue of accrual-based budgeting and appropriations for the Office of the Comptroller General.

The Chair: Thank you very much.

I have a couple of points of information I want to bring to the committee's attention. First of all, we have in our midst, colleagues, Dr. Peter Wilkins. Dr. Wilkins is from the Office of the Auditor General for Western Australia. He has a distinguished record in the whole issue of auditing and accountability.

Welcome to the meeting, Dr. Wilkins. Perhaps at the end of the meeting we'll get you to come forward to say a few words, if you wish. Certainly it's a pleasure to see you here today.

Some hon. members: Hear, hear!

The Chair: Members and witnesses, this meeting will end at one o'clock, because we're starting another meeting right then.

We have six witnesses and almost a full turnout of the committee here. It's an important and complex issue. I'd ask members to keep their questions focused and to the point, and I would ask the witnesses for short, crisp answers. This committee has no appetite for long, rambling answers, and we've been seeing a bit of that this week.

Having said that, I will go to Mr.—Madam Ratansi.

Ms. Yasmin Ratansi (Don Valley East, Lib.): I became a mister suddenly?

The Chair: I don't know how I made that mistake.

Ms. Yasmin Ratansi: Oh, oh!

Excuse me, but we have to have some fun here.

Mr. John Williams (Edmonton—St. Albert, CPC): Politics is serious business, Mr. Chair. I don't think we're allowed fun.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): I move that there be no fun.

Some hon. members: Oh, oh!

Ms. Yasmin Ratansi: Well, that side of the House does not have fun. Oh, that shouldn't go on my eight minutes.

Thank you, witnesses, for being here. My question will be directed towards the officials from Public Works. The Auditor General has stated that PWGSC manages 6.6 million square metres of rental space, etc., and spends \$3 billion, and it has raised a lot of concerns. As a member of Parliament who sits in the House, I am a little appalled that the minister is not in the House, so he's not accountable.

My question concerns the JDS Uniphase complex, that \$600 million complex. Is this a fair amount of money, considering that Minto purchased it for \$30 million and it built that complex for \$200 million? Is this \$600 million a fair deal for PWGSC? Could you make a comment on it? We haven't had the minister in the House to account for it.

Mr. David Marshall: I will try.

Mr. Chair, obviously we are still in negotiations with the vendor in this case, and ministers of the Treasury Board have not yet approved this transaction, so I am somewhat circumscribed in what I can discuss.

Nonetheless, I can assure you that a very thorough analysis of this opportunity has taken place. The numbers you have been informed of through the press and so forth really do not explain exactly what has been analyzed. For example, the costs that we take into account are not only the value of the property, but also what the taxes are over 25 years, what it will cost us to rehabilitate the property that's been vacated, what the costs are of mid-life fit-ups, and so on and so forth. An awful lot of analysis goes on, which in this case indicates

that if we are able to conclude and ministers approve, it is very good value to the Crown.

In addition, I can assure you that we have solicited and received independent evaluations of our own work, and we're satisfied that it has been a very thorough analysis. I wish I could share it with you. If it does become public, in the sense of being approved, we'll be able to describe it in much more detail for you.

• (1115)

Ms. Yasmin Ratansi: Could you give a timeframe when this will be done, or what steps have been taken? You said you've done a thorough analysis. In every program we go through, we're being told thorough analyses have been done, and as members on this committee we have to be given absolute comfort that analysis has been done.

Could tell me what sorts of analyses have been done? What were some of the options that were taken into consideration, and when will we know the square footage and the cost per square foot?

Mr. David Marshall: To answer the first part of your question, we have been looking at this property for quite some time. We were looking at it in relation to another client that was interested in moving in. We've inspected the property. We've had real estate evaluations done on it. We know all the availabilities in the whole national capital region. We know the relative costs of leasing and buying. All of these have gone into the analysis that has taken place.

As far as being able to let you know what the ultimate cost is, at present we have what we believe is very close to what we would be able to execute the transaction for in terms of price, but until we get approval from ministers of the board, that price is not fixed—until we can get approval to go ahead and then do a final negotiation with the vendor. In that sense, it would jeopardize the government's position if we discussed this kind of range. I would ask your indulgence. We can assure you we worked very hard on this.

Ms. Yasmin Ratansi: Fair enough. Then when the deal is made public, will we be able to analyze it, and if we make recommendations or raise issues about what it really is costing, would you then be able to make any amendments to the deal, or is it a done deal afterwards?

Mr. David Marshall: The way the process works is that ministers of the government examine the proposal we are recommending to them, and then our minister will recommend to the ministers of the board. A decision will be taken, and when we sign a contract, then it is a done deal. Then we are accountable for that and we will come before you, if you would like, and walk you through that, and we will stand behind the work we've done and explain why we've done what we've done. In that sense, we'd be accountable.

Ms. Yasmin Ratansi: There are some rumblings that the defence department is not willing to move into this building. What are your thoughts on that?

Mr. David Marshall: You're perfectly correct. In an earlier plan the Department of National Defence was interested in moving into this complex. About a year or a year and a half ago, when we had gone quite far in negotiating an acquisition, they informed us they would not want to move, since spending money on a building when they needed armaments was not their priority at that time. We broke off negotiations and didn't proceed. In this case, there's now another suitable client, the RCMP, and that's who we are working with.

Ms. Yasmin Ratansi: When you were negotiating the deal, was the Department of National Defence the first client you had in mind, and were modifications done to the building to accommodate what was going to happen that would therefore affect the price? With the withdrawal of the Department of National Defence, have there been more modifications done? Where does the landlord go with that?

Mr. David Marshall: No, Mr. Chairman, we did spend some effort and some money examining and inspecting the building to determine what modifications might be needed, the condition of the building, whether there was any contamination. This kind of inspection, in any event, has served us well in a future transaction, but there was no deal done and no money expended on modifications during the time Defence was looking at it.

Ms. Yasmin Ratansi: Correct me if I'm wrong. Did you say you had put this out to tender, or was this building sole sourcing?

Mr. David Marshall: No, we looked at the whole availability. This is a very large complex with a building already built, so we analyzed alternatives to a greenfield site, for example. That's one of the analyses that was done. What would it cost to expand or renovate what we already owned, what would it cost to build greenfield, what would it cost to acquire the property that had come on the market? The comparison was done and we concluded it was in the public interest to acquire this for the Crown.

I might add, Mr. Chair, this is not very unusual. There have been five or six cases like this over the last half dozen years where it's an advantage.

• (1120)

The Chair: Thank you very much, Ms. Ratansi.

Monsieur Nadeau, pour huit minutes, s'il vous plaît.

[Translation]

Mr. Richard Nadeau (Gatineau, BQ): Thank you, Mr. Chairman.

Gentlemen, my question deals with your objective to reduce costs. It is addressed in the Auditor General's document. I am the member for Gatineau. We know that the government has requirements, and if we consider both sides of the Ottawa River, we know that on the Quebec side, leased office space is less expensive than it is in the big city of Ottawa.

How do you decide to go to tender? I am disappointed to learn that you did not go to tender in the case of the RCMP or National Defence. Those tender calls could have provided an opportunity to the people of Gatineau, or at least to the ones on the Quebec side. We could have accommodated the RCMP, another department, an agency, or a crown corporation on the Quebec side. Why don't you always go to tender?

[English]

Mr. David Marshall: Mr. Nadeau and Mr. Chairman, in the overwhelming number of cases, we do go to tender. There are very small exceptional cases where, for very special reasons, it makes more sense to negotiate directly on an opportunity. This happens in the real estate situation, and it also happens in various acquisitions that we do throughout the year.

I should say that in the case of opportunities on the Gatineau side, we already occupy about 80% of the available space and only about 40% of the available space on the Ottawa side. We are a very big user of real estate on the Gatineau side. Mr. McGrath will maybe elaborate a little more on this.

We are also currently examining very large opportunities to move departments over to the Gatineau side. We're looking at something like 100,000 square metres of demand coming from various departments, which we hope to satisfy by building more on the Gatineau side and by rebalancing or reaching closer to the goal of 75% usage on the Gatineau side.

I hope that answers your question.

[Translation]

Mr. Richard Nadeau: You are saying that at certain times, for special reasons, you do not go to tender. What are those special reasons?

[English]

Mr. David Marshall: We would normally go to tender. But in a situation where there is a unique property and nothing else is available, for example, we are very familiar with the area in the national capital region. We know what properties are there, and we are constantly examining them. We're leasing and building, and so forth, in the area.

When there is a situation like the campus at Merivale, where there is land and a building has already been built, we would look around. If we had gone to tender, for example, this would be the only property we're aware of that would have met the requirements. The problem then becomes a situation where the vendor knows he has the only property that would meet the needs and he could bid at a price that is higher than we could negotiate. We would be obliged to accept it because it would now be a tender, there's only one applicant, and you therefore have a price.

It is much to the advantage of the Crown to negotiate directly. This happens in various other types of situations.

[Translation]

Mr. Richard Nadeau: In the long term, would it not be better for the government to build a building that would remain government property? That way there would be no lease to pay, as in the case of JDS Uniphase. We know what that will cost in the years to come, if the agreement is signed. The amounts are astronomical. Why not buy? You can adopt the tighter space allowance policy you want, lease fewer square metres, or have less occupied space, and at the end of the day, you come out ahead. Buying would become a basic element. You could decide to buy to meet your requirements, because the space is available.

You said that 80% of the leased space on the Quebec side was occupied. So that leaves 20%. Earlier, you mentioned that the ratio is 25% to 75%. On the Quebec side of the river, the ratio is between 19% and 23%. Why didn't the government choose to build?

• (1125)

[English]

Mr. David Marshall: Mr. Chairman, we do a very careful analysis of building versus leasing. It is something that is front and centre in the analysis we do. We look at the best option in each case. As the Auditor General pointed out in her report, we do a very thorough analysis.

On the situation in the JDS case, for example, we did an analysis of what it would cost to build. This was a unique situation in which a very expensive building had already been built by the previous owner and then was abandoned. It really became available at a very low price.

When you build, it's not necessarily always cheaper to build, but sometimes it is. We have to look at the whole life-cycle costs, the mid-life fit-up that is necessary, and all of the costs over 25 years. We then discount it to present value and see whether there is an advantage or not.

When we do the analysis, we sometimes recommend buying and we sometimes recommend leasing. It can also be a lease to purchase. For example, we can lease and have an option to buy at the far end. We examine that option as well.

[Translation]

Mr. Richard Nadeau: Bear in mind that \$27 million to lease a building is huge.

Mr. Sloan or Mr. Campbell, Mr. Marshall has just told us that careful analysis is done. The Auditor General's report says that there is a lack of careful analysis.

Can you provide some clarification? Is the department doing the necessary analysis to get the best price for taxpayers?

[English]

Mr. Ronnie Campbell: *Merci, monsieur le président.*

Yes. Certainly in comparison with what we found in 2002, we are satisfied the department is doing the analysis that we would expect them to do.

[Translation]

Mr. Richard Nadeau: I would now like to ask you a question about leases that are expiring. We are familiar with the process used to determine a department's requirements.

Do you look elsewhere? How do you proceed? Do you automatically go back to the former owner? Do you analyze what is available on both sides of the river to ensure that you respect the ratio of 25% to 75%?

[English]

Mr. David Marshall: Mr. Chairman, I'm going to let Mr. McGrath, who is in charge of this, answer the question and give you a little more than I already have.

Mr. Tim McGrath (Acting Assistant Deputy Minister, Real Property Branch, Department of Public Works and Government Services): There's usually an investment made in a particular location, and if it's a five- or seven-year lease, we essentially find it more financially advantageous to renew in situ because we avoid the investment of moving and refitting a space.

We do have a strategy specifically for the Gatineau side in order to bring that 75-25 into balance. We'll be rolling out that strategy over the course of the next couple of years. We've identified six major departments that have their headquarters in Gatineau. They are working with us to move different locations from the Ontario side to the Quebec side to close that gap.

The Chair: Thank you, Mr. Nadeau.

Thank you, Mr. McGrath.

We'll now move to Mr. Williams for eight minutes.

Mr. John Williams: Thank you, Mr. Chairman.

In Montreal, 800 Place Victoria seems to be an issue.

The Auditor General has pointed out that you did your due diligence, Mr. Marshall.

You say you do a very careful analysis of buying and leasing and so on. A lease came up for renewal. You put it out for tender. They were number four; they weren't the lowest-cost bidder. You decided you were going to move somewhere else. In steps the politicians. The secretary of state for the Economic Development Agency of Canada sent a letter to the Minister of Public Works asking him to stay put. The minister agreed. Why? By the way, this cost the taxpayer \$4.5 million.

• (1130)

Mr. David Marshall: Mr. Williams, clearly the economics and the analysis showed that it would have been cheaper for that agency to move.

Mr. John Williams: I know.

Mr. David Marshall: We proceeded on that basis, and towards the last minute, so to speak, we received a request from the ministry to remain where they were.

Mr. John Williams: It was two weeks after the tender had closed, after the successful bidder had been awarded the contract, and after you had therefore incurred costs of having to lease the space from the lowest-cost bidder, even though you had no tenant. The space remained empty and the politicians said stay put. That was against the rules. I want to know why you bent the rules because a politician said so.

Mr. David Marshall: Mr. Chairman, let me put this in context. We do 500 leases a year—

Mr. John Williams: I'm talking about 800 Place Victoria in Montreal. I don't need the context. I need to know why the rules were broken.

Mr. David Marshall: The rules of the operation, if we want to talk about them, are that Public Works responds to the clients. We just had a case where the department of defence decided they didn't want to move and we went through a lot of work there. It does happen from time to time. We have to try to respect what—

Mr. John Williams: You will recall the chair's request that you be brief and focused in your answers. I have a limited amount of time.

Let me ask who the secretary of state for the Economic Development Agency of Canada was at the time.

Mr. David Marshall: It was Mr. Claude Drouin.

Mr. John Williams: And who was the Minister of Public Works at the time?

Mr. David Marshall: The Minister of Public Works was Mr. Ralph Goodale at the time.

Mr. John Williams: And this is after the sponsorship scandal, if I can say that, when the Minister of Public Works was making all kinds of protestations that now we're going to live by the rules. Now we find that the rules were not being lived by, because when something came along such that a politician wanted to ensure that friends, or whoever the landlord was, continued to enjoy a government lease, he made it happen, and it cost the taxpayer \$4.5 million.

This, Mr. Marshall, is not excusable. The rules are there. We went through the sponsorship scandal about how the politicians became involved in the administration of programs in the Department of Public Works—you know all about it—and here we have the same again. I don't like it, and I want to have the assurance it will stop. Can I have that assurance?

Mr. David Marshall: I can give you my full assurance that we will do whatever is right, Mr. Chairman, if the case comes up. But certainly we're very conscious of not doing anything that would be injurious to the taxpayer, that's for sure.

Mr. John Williams: But this cost the taxpayer \$4.5 million because the minister's whim was satisfied and the rules were bent to ensure that the minister's whim was satisfied. That is not acceptable in Canada today. I want you to know that.

Mr. David Marshall: I accept that.

Mr. John Williams: Again, going back to your very careful analysis between buying and leasing, I'm looking at exhibit 7.5 regarding Centennial Towers in Ottawa, here in Ontario, where you decided to keep on leasing the space. By your own calculations, \$81 million of taxpayers' money was wasted.

What is the point of having very careful analysis if you don't follow through and make the decisions based on these very careful analyses? Why aren't you following through?

Mr. David Marshall: Mr. Chair, I think the Auditor General has used this as an illustration of when from time to time there are decisions made, either because of budgetary constraints or other priorities of the government, where the lowest-cost option isn't always followed. These are very exceptional situations, but they do occur.

Mr. John Williams: But \$81 million? Is this again a situation of political involvement, telling the administration to waste taxpayers' money so that they can get what they want?

Mr. David Marshall: No, not at all. I believe this was a very legitimate trade-off that was made at the time.

Mr. John Williams: Then a legitimate trade-off that cost the taxpayers \$81 million was acceptable to you?

Mr. David Marshall: Tim, do you want to discuss that for a minute?

• (1135)

Mr. Tim McGrath: In this case we analyzed a number of options. Certainly the first option, the most cost-effective one we looked at, was purchasing the building. The second was to have two tender calls, one on the Quebec side and one on the Ontario side, out of the downtown core. And the final one, which you see, has been accepted.

But again, because of the issue the Auditor General points to, of the split accountability, the department has the right to make the assessment of where they should be located from an operational requirement point of view. This client sent us a letter suggesting they needed to be in the downtown core of the city of Ottawa. We take that as part of their operational requirement, and as a result, a tender call in the downtown core at that time was going to be more expensive than renegotiating the lease at Centennial Towers. So we went with the renegotiation of the lease at Centennial Towers.

Mr. John Williams: I think that's just mumbo-jumbo to try to confuse the issue, because you didn't move; you just didn't exercise the best possible transaction of purchase versus lease, and you've been there for many years—since 1983 you've been in the building. To take 25 years to make up your mind isn't good enough.

Mr. Tim McGrath: To speak to the situation of buying the building, Mr. Chair, we approached the landlord to see if they were willing to sell the building. They did not want to sell the building to us. The operational requirements were to remain in the downtown core, and this was the cheapest-cost solution available to us at that time.

Mr. John Williams: Well, it seems the Auditor General has a different opinion.

I'm going to move to a more general issue, going back to the last time we dealt with this issue, Mr. Chairman, where I think the public accounts committee recommended that Public Works be the landlord and owner or lessor of all property and that it lease it out to the various departments. We are doing accrual accounting now, Mr. Marshall, and therefore this concept of charging occupancy space to departments, even if the government owns the building, seems to be a very rational thing for this particular committee. Why isn't it being done?

Why are departments still sitting in cost-free accommodation because you're not charging them for the occupancy of the space because the Government of Canada owns it?

Mr. Tim McGrath: Mr. Chair, I think the question is referring to a user-pay regime, where we would collect money directly from client departments occupying the space.

Mr. John Williams: That's right.

Mr. Tim McGrath: We do have a de facto user-pay regime in place—we call it a space envelope regime—where we allocate a certain amount of metres to various departments, based on approved growth by Treasury Board.

Should a department wish to exceed that allocation, they have to pay us under what's called the expansion control framework. We work it very diligently every year with the client departments, and they know exactly how much space they should be occupying. We have introduced standards in terms of how much space is allocated to each department. The departments have reacted extremely well to that program, we have increased the utilization rate from 21.4 metres to 20.5 metres per person, and our target is 18 metres. Just that one movement over the past two years has saved taxpayers over \$45 million, and we're continuing with that program of using space standards to manage the amount of occupied space.

Very quickly, if people were on a full user-pay regime, we'd have competition among 101 departments, primarily in Ottawa, which would drive rates up through the ceiling. In their last quarterly report, Colliers noted that the actions of Public Works and Government Services in leasing transactions are actually driving prices down in the city of Ottawa, which has the tightest central business district in North America.

We're certainly achieving the results under the current regime we have in place and under the improvements to the regime we put forward.

The Chair: Thank you very much, Mr. Williams and Mr. McGrath.

Mr. Christopherson, please.

Mr. David Christopherson: Thank you, Mr. Chair. Thank you all for your presentations.

I'd like to move a specific item—and I'm sure it won't come as a surprise to anybody. Exhibit 7.4 speaks to the new federal building in the heart of Hamilton, in the heart of my riding. The auditor's report says that the investment analysis report—the document Mr. Williams was able to establish and that gets so much work and attention—did a ranking of what should happen in this case. According to the Auditor General, apparently it took the most expensive option. Why? Why was the most expensive option chosen there, at a cost of \$13 million?

• (1140)

Mr. David Marshall: I'm going to let Mr. McGrath answer specifically on this property, but I think the Auditor General's report citing these examples is really pointing to decisions made based potentially on the availability of funds, whether you buy or lease, and certain decisions are made, I think the report points out, sometimes sub-optimally on a specific transaction. On the other hand, we have to consider what the government's own priorities are.

Mr. David Christopherson: I appreciate that. That's what I'm looking to hear, and it's why I didn't launch an attack; I asked a question.

Mr. Tim McGrath: If you go back to the exhibit itself, it says "may cost the Crown", because we have a series of options we can exercise, including our option to purchase that building. At the end of year two of this lease agreement, we had the option to buy the building. There was no funding available, but the landlord didn't know that. The landlord had put a five-year mortgage in place and was facing a penalty should we have exercised our option.

In return, we negotiated a lower price on our option to purchase in 2008, which will basically put us in the very same financial position as our original analysis of purchasing the building at that point in time. If we buy the building in 2008, the Crown will not suffer a \$13 million loss and will actually be in the very same position as if we would have purchased it after year two of the option. The reason why we didn't purchase it after year two was because we wanted to let the warranty period go on this new building for all the new systems and everything that was installed. We felt it was better for the landlord to take responsibility and accountability for the entire warranty period, and then the options started. We have an option to buy in year two, year five, year 10, and finally at the end of year 15.

Mr. David Christopherson: If I understand correctly, you're suggesting that the option you have in 2008 will put you exactly where you would have been, the best-case option, according to the analysis provided before the decision was taken.

Do I have that correct?

Mr. Tim McGrath: That is correct.

Mr. David Christopherson: Very good. Would you be good enough to provide me with a copy of the original investment analysis report and the subsequent report, showing the sums that establish what we just talked about here?

Mr. Tim McGrath: Yes, I will.

Mr. David Christopherson: Thank you very much. I appreciate that.

Number two, I have a question on something the deputy minister said. And I'm doing something we don't usually do, which is ask questions we don't know the answers to ahead of time; I don't know the answer, but it jumped out at me.

Mr. Marshall, you said, "We are enforcing a tighter space allowance for public servants and a less expensive fit up package than previously allowed." Can you just expand on that for me, on what it means?

Mr. David Marshall: Yes, I will, Mr. Chairman.

The utilization, just before we began our program, of space in the public service was an average of 21.4 square metres per person. We have established a target to bring that down to 18 square metres per person, and that target was established from understanding what other industries—banking, insurance, and other large employers—provide for their employees. We have steadily been moving the federal government down to that level, so as we reach it over the next few years, it will represent a 15% reduction in the space we use. At this stage, we have achieved a reduction down to about 20.5 square metres, and that action by itself results in about \$40 million a year of savings to the federal government, and we're going to move that down further each time there's a new building or move.

Mr. David Christopherson: Thank you.

Your standard is the rest of the private sector, and, let's be honest, their purpose is to save money. That may be a good standard by which you can make money, but I have to admit, I'm more concerned about how much space we're forcing people to work in. Can you tell me what kind of health and safety standard you went by, and ergonomic standards, maybe a joint health and safety committee...? I just want to establish that we're not unilaterally forcing people to work in squirrel cages so that we can save money on office space. That's where I'm coming from, so if you could help me....

Mr. David Marshall: Absolutely. We have had extensive discussions with unions. I might say that the Auditor General's Office conforms to the 18 square metres of space. We have now several departments in that space and they feel very comfortable in it. It's a question of how the layout is organized. There is much better understanding now of lighting and ventilation and so forth, so we are able to take advantage of all that and still provide good space.

• (1145)

Mr. David Christopherson: Again, I don't really know the answer to this question. I assume, then, from what you're saying, there are no grievances, there are no current health and safety issues around this. This is just doing business and everybody's cool?

Mr. David Marshall: Right.

Mr. David Christopherson: Very good, thanks.

Moving, then, to the issue—and this keeps coming up over and over, and it's getting to be like a broken record, but here we go again—on the review of where we've been in the past and are still having outstanding problems. The Auditor General in 2002 said, and this was out of her 2002 report:

The Branch needs to make better use of financial and operational information and improve the way it analyzes options, particularly those with longer-term implications. It has difficulty accessing cost information and needs to do more work on creating cost information by client.

Again, it's very similar to what we've seen in this audit, and our briefing notes indicate that similar findings were there in 1994 and 1991, so we seem to have a problem. Here's what I'll ask you. I know you're making assurances, everything's going to be wonderful, and you're going to fix it, and you have lots of plans, cool, but what I'd like to know is exactly what kind of deadline are you putting to that? Why should we feel comfortable that you're actually going to do it this time when there are at least three previous Auditor General reports that show this remains an unsatisfactorily resolved issue?

Mr. David Marshall: I'm not going to stand here and tell you that we're going to be perfect in the next quarter or the next two quarters. What I can assure you is that of something like the six recommendations in the last audit report from which you quoted, two related to systems, and we have made very good progress on all the others, especially issues like creating a planning framework, understanding the long-term needs of departments, and analyzing options before a decision is made. So on those we have made very good progress, and I believe the Auditor General is prepared to acknowledge that on our behalf.

Where the Auditor General has called us to account is that in the very many complex systems we run, we do have good information on individual buildings—we know what things cost—but they've described to us that we do need better information on what the original budget was versus what things finally cost, although we do

get approvals each time when we have to spend some more money. As well, they've described to us the advisability of having portfolio-wide type of information to analyze, and we do agree with that as well.

Systems can be very powerful. They can also be very expensive and very complex, and we can waste a lot of money on them. We've taken a lot of time to understand exactly what our operational needs are as we get into these various actions that we're taking. This fall we're putting out a tender request, not to build our system but to acquire property systems that might exist—we believe they do exist in the industry—so that we will be able to take advantage of them without having to go through a long and complex development process.

So we're taking this very seriously. I can assure you that you will see those actions coming, and we will, of course, be accountable to you. But we're working hard at it. It's just that there are thousands of people and systems, and so forth, so it can't be solved very quickly. But I expect that over two years you will see good progress

The Chair: Thank you, Mr. Christopherson and Mr. Marshall.

Mr. Bains, for eight minutes.

Hon. Navdeep Bains: Thank you very much, Mr. Chair.

I want to ask a few questions with respect to the new RCMP complex that's being proposed. The JDS Uniphase complex is the one I'm referring to.

I know you've talked about this briefly with some of the other members. I just want clarification. Did Minto Developments submit an unsolicited proposal? I know this question was asked before. Was it unsolicited?

Mr. David Marshall: Yes, it was.

Hon. Navdeep Bains: Okay. So there was no evidence; there was no bidding process whatsoever. Is that correct?

Mr. David Marshall: That is correct.

Hon. Navdeep Bains: About three years ago, the Department of National Defence offered to buy the JDS complex for about \$65 million, and then it backed off. Subsequent to that, Minto bought it for \$30 million. Is that correct?

Mr. David Marshall: Yes.

Hon. Navdeep Bains: Okay. My understanding is that currently there's a bit of confusion, because in the Senate we have the minister saying one thing and in the House we have the parliamentary secretary saying another thing. So there's a bit of confusion in terms of terminology of where this particular project is in the purchasing cycle.

I would like your assistance on this. Is there a memorandum of understanding? Is there a letter of intent? Where is the current process at, and what is the deadline associated with it? If there's a memorandum of understanding or a letter of intent, what's the deadline associated with that?

• (1150)

Mr. David Marshall: There has been a letter of intent signed with the vendor, Minto, on January 10. The option we have with the vendor expires on June 15.

Hon. Navdeep Bains: Within the next few days.

Mr. David Marshall: Yes, so a decision must be made—

Hon. Navdeep Bains: A decision should be rendered within the next few days. Is the decision based on certain conditions?

Mr. David Marshall: You mean the decision—

Hon. Navdeep Bains: The letter of intent, the decision that's being made.

Mr. David Marshall: Yes, the letter of intent clearly states that we must receive approval from ministers of the Treasury Board, and other conditions of that kind.

Hon. Navdeep Bains: So if there's an approval in the next few days, what's the next step?

So there's a letter of intent, and the deadline is on June 15, as you've indicated. What's the next step? If they approve it, where does it go from there?

Mr. David Marshall: If they approve it, what we have proposed to the minister is our recommended position on various costs in terms of maintenance and other aspects of fit-up, and so forth. We believe we can reach those kinds of levels with the vendor. We're hoping to improve on what we have discussed with the vendor. We will then make that final negotiation to see if we can get as good a deal as possible before it's—

Hon. Navdeep Bains: Are you able to disclose the amount, or roughly the amount, that we're dealing with here?

Mr. David Marshall: I very much regret that I cannot.

Hon. Navdeep Bains: That's fine. That's fair. I just wanted to make it...

The second question I had was with respect to the expenditure review process, and I need some assistance in understanding the role of Public Works in this process. In the past, when Minister McCallum was responsible for expenditure review, he indicated savings would be coming out of the department when Mr. Bryden was the minister, and I know another commitment was made by the current Minister for Treasury Board. As well, the Public Works minister has made some commitment to savings associated with the expenditure review process.

What is that amount, first of all? I'm confused about the amounts. There are various amounts. I feel lost, so I need some assistance on that.

Mr. David Marshall: Well, Mr. Chairman, we have worked on the opportunities available to improve our costs. With the expenditure review committee, we've put forward various proposals we felt were advantageous. And in real property, over a five-year period that would end in 2009-10, we believed we could achieve savings of \$925 million after investments such as to buy new systems. We are working toward that. We've already achieved the first year's savings, which are scheduled at \$150 million. We're working on this year's savings. That is the trajectory.

Hon. Navdeep Bains: So that's the commitment, the commitment for Public Works and Government Services, \$925 million, up until 2010?

Mr. David Marshall: Correct.

Hon. Navdeep Bains: You've indicated certain targets. Is there a detailed plan?

Mr. David Marshall: There is very much a detailed plan. We touched on it when we discussed the issue that part of the achievement is by reducing the amount of square metres we assign to each department. Part is the fit-up reduction. We're reducing the package of expense there. Part of it is lease negotiations, that we are intending to extend leases longer and therefore get better pricing. A part of it is reducing our own overhead. We've taken out 300 people by attrition. We haven't let anyone go; we've simply not hired as many people. So we have a program, yes.

Hon. Navdeep Bains: Could you give me the cost of that, on an annual basis, and how you plan to hit the \$925 million—from this point, or including any savings in the past, and on an ongoing basis to 2010, please?

Mr. David Marshall: Yes, we can certainly table that with the committee, or I can discuss it in detail now.

Hon. Navdeep Bains: If you could just table it, because I don't want to—

Mr. David Marshall: Sure.

Hon. Navdeep Bains: It would be easier. Just a very simple, straightforward one page to illustrate the amounts and the major drivers for the savings associated with it. Nothing too complex, just to give us an indication that there's a plan in place, and the plan entails certain action items that will contribute to those cost savings on an ongoing basis.

Mr. David Marshall: Yes, we would be very pleased to do that.

Hon. Navdeep Bains: Okay.

Speaking to the question raised by my NDP colleague with respect to assurances, I know when you read some of the issues identified in the Auditor General's report... The major concern I have is with respect to management information, that it needs fundamental upgrades. I believe there are legacy systems and other issues with respect to management information that are really hurting the department and are driving the unsatisfactory progress.

My question is, you have these savings associated with the expenditure review, which you've indicated, and you've illustrated the action items for it, but there seems to be a clear indication that there needs to be major capital investment or a major investment in management information systems as well, to upgrade, to bring about these efficiencies.

First of all, will this investment take place in line with some of the assurances you've provided? Second, will it impact the savings you have estimated in any shape or form?

•(1155)

Mr. David Marshall: Yes, Mr. Chair. We have been very conscious of the need to upgrade our systems in this kind of program going forward, and the actual savings we've achieved so far and are working on amount to \$1.25 billion. We have earmarked \$100 million for changes over five years—new systems, new capabilities, and so forth—which then would yield a net of \$925 million. That has been taken into account, because it needs to be done.

Hon. Navdeep Bains: With respect to risk management, I know that issue was raised as well. They're saying there was no consistent risk-management process. In one of the areas I noticed there was a mix, I think it was 41% that was leased versus—what percentage was it? Forty-one percent is leased and the rest is owned by the Crown. Will that fundamentally shift on a going-forward basis as well, in light of (a) risk management and (b) the savings you've just discussed?

Mr. David Marshall: We are certainly examining very carefully the economics of owning, because as you look at a business case on paper, when you want a long-term occupancy, it would often point to the advisability of owning.

On the other hand, as you get into the 25-year journey and you don't make the investments to upgrade your building, you end up at the end of 25 years with a building you really have to tear down. So the original case, if you like, hasn't proven out in practice. We have many buildings of that kind in our inventory. Part of the reason for it is that we get annual funding, and there are other anomalies that occur on the journey. So as we look at it, we are re-examining what really in practice does happen, how we can fix it, what options we have, and so forth.

In other words, we haven't said we're going to shift the balance in order to save money. The steps we are taking are independent of that and can be executed and achieved whether or not we change the mix. But we are looking at it.

The Chair: Thank you very much, Mr. Marshall.

Mr. Sweet.

Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC): Good morning.

Mr. Marshall, on what date did the tendering process for the lease at 800 Place Victoria finish?

Mr. Tim McGrath: I'll have to undertake to get back to you on that, but it is correct. In terms of how it's expressed, it did close two weeks prior to taking a decision to renew at 800 Place Victoria.

Mr. David Sweet: I'm trying to clarify a couple of things as far as dates are concerned. But we'll leave that for now. I'd appreciate as soon as possible knowing when the tendering process ended.

Could you tell me, when the minister sent the letter reversing this decision regarding the best deal for Canadians, what reasoning around good government was used in the letter to take this option rather than the less expensive option?

Mr. David Marshall: I believe the reasoning was that the minister and the department had decided.... If I go back a bit, they had wanted to expand their occupancy or the space they needed. They ended up concluding that they didn't need to expand—so right there is a

savings in the space utilization, but in other costs as well—and that they would stay where they were. We also got them to agree there would be no upgrade in their fit-up, which had been scheduled normally over the period they would be occupying such a space. That saved money as well.

I believe, Tim, it was \$2 million or so, was it not, that was saved in the fit-up that was not done? So at the present time, for example, they're sitting there with some very old equipment and fit-up.

We've made efforts to make sure we mitigated the cost of their remaining where they were, as much as we could.

Mr. David Sweet: It really wasn't mitigated, though, because we had to lease another property in order to alleviate any legal liabilities on a tender that had complied with the tender process.

Mr. David Marshall: Yes, you're right. That's what I meant. We tried to reduce the impact of that.

•(1200)

Mr. David Sweet: Could you tell me why you didn't enforce your guidelines? You had the capability of doing that; the Auditor General said it. How did it happen that you did not enforce your guidelines in this case?

Mr. David Marshall: If you want to look at our portfolio, we have a very low vacancy rate—half what any other operator of real estate has—so this is a very anomalous situation. We have, I suppose, the legal right. But in practice, we work with our clients to see what they need. They have operational needs. We have to take that into account.

I will also say that there has been quite an evolution over the last two years in which we're becoming much more forceful in enforcing our own standards.

Mr. David Sweet: I can appreciate where you're coming from. But in just the small sampling of leases—and Mr. Christopherson was talking about one in Hamilton—we have millions of dollars that are adding up here. I don't think that's a small case, or one that would be just a part of the management process. Most Canadians would feel that way.

To make sure we understand completely what this situation was, I would like to ask you to table forthwith all of the communication between the two ministers on this property, what happened during the tendering process and the four weeks after that process.

Mr. David Marshall: I'll make note of that and table it with the chair.

Mr. David Sweet: “Forthwith”; we need it now.

Another aspect I wanted to speak to you about is on page 217, paragraph 7.24. The Auditor General talks about a circumstance that seems to fly in the face of good management, where you use one financial model to evaluate proposals on a property or a number of properties but then use another financial framework to make the decision on which property you should choose. Is that practice still continuing?

Mr. David Marshall: Yes, it is. That is the practice. The Treasury Board ministers look at the cash needed, look at other priorities of the government, and come down with a decision. We give them information that would help them make their decision, and they make—

Mr. David Sweet: But how can that be very careful analysis, if you use one financial model to actually take a look at the real property's value and end-risk, and then use another model to make the decision?

Mr. David Marshall: Clearly it would be better if full life-cycle costing and accrual accounting were used, and that's the whole issue being discussed right now. Mind you, I think...yes, we need to look at the full life cycle, there's no doubt about it, and I think perhaps members of the Treasury Board are looking at it as well.

Mr. David Sweet: The concerns are consistent here, and there aren't a lot of good answers. I would like to ask you one more question around risk management.

Risk management is a fundamental cornerstone as far as real property management is concerned. A training program was developed; the Auditor General says it was not implemented. Can you tell me where that is right now? Has that training program been implemented, and how many people have you trained?

Mr. Tim McGrath: Actually, there are two points on that.

One is that the training program has been developed, and I will undertake to get to you the number of people who have been through the training program.

You'll also note in the Auditor General's report, though, that we do mitigate a lot of our risk by having very qualified and competent people. The Auditor General makes reference to that in the report. As you go through the files, you'll see that in the various options analyses, we do include a number of risk elements and try to mitigate and predict what the risks are on various types of transactions.

Although it wasn't quite formalized when the Auditor General took a look at these particular files, since that time we have moved to a much more formal process, and part of our investment analysis report includes risk mitigation—a risk mitigation plan and a risk mitigation checklist that has to be completed as part of the transaction analysis.

Mr. David Sweet: Another real issue mentioned in the report is your capability of developing an aggregate look with all of your systems. In fact, it says some of your management does not even rely on your systems because of the nature of them. What is the status of improvements to your overall systems in the department?

Mr. David Marshall: I think this is the issue we talked about earlier. We have now a good understanding of what we need and we're going out to acquire these systems. This will help us to upgrade over the next couple of years.

I should also say that since the 2002 report, we have developed regional investment plans based on each major real estate region of the country and the needs of different government departments. That didn't exist before 2002; it does now. We have quite a lot of good elements to help us make good decisions, and we're going to keep improving.

● (1205)

The Chair: Thank you very much, Mr. Sweet.

Before we move on to the second round, I'd like to get a comment from Treasury Board on one of the issues raised by Mr. Sweet. It is one of the major problems here, as I see it, and that is the analysis that's done.

It's based on cash-based needs of the government and accrual-based needs of the government, and it does create some anomalies in that the most economical method is not picked because of this. Is there any movement to change the methodology available to the Department of Public Works so that they can have more flexibility in decision-making?

Mr. Jim Libbey: Thank you, Mr. Chair.

I think it's important to distinguish between accrual-based accounting, accrual-based budgeting and appropriations, and the issue of trying to make the best long-term economic decision around acquiring certain accommodations, which is the job of the real property sector in Public Works and Government Services Canada.

Certainly the extent to which we introduce accrual information in the entire budgeting and expenditure cycle biases decisions towards longer-term thinking, which I think supports what Public Works and Government Services Canada is doing in a general sense.

That said, the economic analysis they do does not really involve a lot of accrual accounting. They may be able to tell you more about how they do their economic analysis, but it's more of a life-cycle costing that they do. Over the life cycle of a building, the difference between accrual accounting and cash-based or near-cash-based accounting is not significant. The question of economics becomes more a question of cashflows.

When the decision has to be made as to what approach is to be taken in a specific time period—a specific year, today, tomorrow—other issues come into play in addition to the economic analysis. That's when things get a little bit difficult. It becomes a question of whether the budget is available in a particular appropriation to do a particular transaction, one way or another. Other things come into play on these decisions as well, as you've heard around the table here this morning.

In sum, the decisions themselves get a little more complicated than just the straight economics.

The Chair: Okay, we're going to start with round two.

Mr. Wrzesnewskyj, five minutes.

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Thank you.

Mr. John Williams: [*Inaudible—Editor*]...Mr. Chairman, and was that an answer we got?

The Chair: Perhaps we will spend a minute on that. No, it really wasn't satisfactory, from my point of view.

As I read the report this seems to be one of the biggest issues, and it seems to me that the problem is probably just as much with Treasury Board as it is with the Department of Public Works, because there are some restrictions placed upon government in its decision-making because of the...like cash appropriations and others. There's been some suggestion there's going to be change. There's some suggestion of an independent contractor. I don't want to spend a lot of time on it because it's not my job here.

Mr. Libbey, could I get you to file with the committee, perhaps within a week, a full answer to that question, just where is Treasury Board going? There are some issues raised in this chapter, and it's my view, or my position, that there are problems with the Treasury Board as to how these things...and of course it's up to Parliament to make the decisions on how appropriations are to be done. Can you perhaps give us a more fulsome answer in writing?

Mr. Jim Libbey: Mr. Chair, we'll certainly do that, and I'll work with my colleague, Blair James, who is responsible for real property policy. Perhaps he could take a moment to explain one pilot project that is going on right now in this respect.

Mr. Blair James (Executive Director, Assets and Acquired Services Directorate, Government Operations Sector, Treasury Board of Canada Secretariat): Mr. Chair, I think you've hit on an important issue about the government's appropriations and how they are provided on an annual basis. As noted in the report, the Treasury Board has undertaken a series of pilot projects with departments focused on capital expenditures, because of the problems the government runs into at the end of the fiscal year, whereby if money is not spent, it lapses.

What we have done through the Treasury Board is we've provided departments with assurances that their capital money only—this is the money that is brought to bear when they make these large, expensive decisions—will be allowed to be reinstated in the following fiscal year. That way, if departments run into unexpected delays with the purchase of a building or the renovation of a building, they're not penalized and left at the end of the fiscal year with huge amounts of money that they have no way to get back in the next fiscal year. We've undertaken that with a number of departments. We expect that will give us lessons that we think can apply to all departments.

• (1210)

The Chair: I think the committee would benefit from a full explanation of that and where that issue is going.

Mr. Blair James: Okay.

The Chair: Mr. Wrzesnewskyj, you have five minutes.

Mr. Borys Wrzesnewskyj: Thank you.

Public Works is informed of needs for space, and based on those needs that government departments request, you go out and try to find the best possible deal. Now in a couple of days it appears that this JDS contract may or may not be signed, and it will be signed by your political master, the minister, is that correct?

Mr. David Marshall: Yes, it would be approved by the ministers of the Treasury Board and then executed by our minister.

Mr. Borys Wrzesnewskyj: So it'll be a decision by the minister. It's a political decision. The politician involved will be the one signing off on this particular deal.

Mr. David Marshall: Yes. That is who is accountable to the department, yes.

Mr. Borys Wrzesnewskyj: Thank you.

A couple of years ago, when Defence was looking at this property, it decided that, and I have a quote here, "it wouldn't look good to spend millions on a new headquarters rather than on the troops". So they made a political decision. Now if they had unlimited budgets, perhaps they would have decided to do both, spend the money on troops as well as on this new headquarters. But they made a decision a couple of years ago that it wouldn't look good, so they made a political decision, and they seemed to be fine in the facilities they continued to have.

At the time—it's not that long ago—you said this is a unique facility. It didn't appear that any other department had the need for this very unique facility. Let's assume that they had actually taken that space. What would the RCMP be doing today? The space wouldn't have been available. We have this amazing coming together of circumstances, a unique facility and a unique need that find each other, and unsolicited proposals by Minto came into the department. At the same time we read that the member of Parliament for Nepean—Carleton, Pierre Poilievre, has been lobbying very hard for this to take place.

So how is it that recently the need wasn't there? The RCMP wasn't interested when Defence decided politically it would not be a good thing to do, yet things have changed and there's a political decision now to, within a couple of days perhaps, sign off on this?.

Mr. David Marshall: Perhaps I can help with a little more information on the various needs departments have.

As a matter of fact, the RCMP, Defence, and others have talked to us over a long period of time about their needs. There's a very long cycle of trying to locate appropriate space, trying to locate appropriate funding, and then trying to make the needs meet what the departments have. We are constantly working with departments to either get rid of space or add space.

In this case, the RCMP's requirement didn't just show up; it has been on the radar screen for quite a long time. For example, had the Department of National Defence taken up the space that we are now earmarking for the RCMP, we would have had to find other space for the RCMP or renew what they had in situ, which would have been a much more expensive option than the one we have now.

That's still an option, and ministers of the board might look at it and instruct us to do that, but it would be a more expensive option.

Mr. Borys Wrzesnewskij: Mr. McGrath had stated that Public Works' involvement in the marketplace here is actually depressing the market—and I do have qualms about the government getting into markets and depressing markets artificially, but we'll leave that for a different discussion. How does that match up with some of the numbers around this? You were offering \$65 million. It was actually bought for \$30 million when the government stepped away from the table. What that seems to tell me is that your involvement in the marketplace actually brings up the value of office space here in the Ottawa area.

• (1215)

Mr. David Marshall: Perhaps I can add one thing. I think what Mr. McGrath was referring to was the fact that we are negotiating much more aggressively on leases, and taking longer-term leases is reducing the average cost of leases in this market, which is good for the taxpayer.

On the issue of the value that finally was acquired in the JDS situation, you have to remember, first of all, that at the point that we were looking at it—again, it's a unique property—the price that we were able to negotiate, because there were other interested parties, was what we arrived at. You've quoted it at around \$60 million, \$62 million, or \$65 million.

When we stepped away, of course, the property value dropped, because who is going to take such a big property? So Minto—

Mr. Borys Wrzesnewskij: So you're in fact driving prices up, not down.

Mr. David Marshall: Well, you have to look at it long term. We're in this market for a long time, and had we been able to acquire it at a certain price that would have been good value.... You know, markets change, so we have to go with it.

One thing I should point out—

Mr. Borys Wrzesnewskij: Would you just agree, though—

The Chair: Your time is up.

Do you have anything further to add?

Mr. David Marshall: The thing is that as a government agency we can't speculate in real estate. We can't bank land or say, "Let's acquire greenfield sites and wait for things to happen." This happens in the private sector. In this case, a private sector developer took a risk, and so on, but overall, over a long period of time, we try to make sure good value is obtained.

The Chair: We're going to move now to Mr. Lake for five minutes.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair.

You live in a complex world, I can tell, reading this, with all the different departments involved, but some of the suggestions in the report seem to indicate ways that you can help yourself simplify what you're doing in terms of information, in terms of standards. All the information and the most well thought out standards in the world aren't going to help you, though, if you don't use them when the deals are done.

Just returning to the issue of 800 Place Victoria, I have a couple of other questions.

First, who owns 800 Place Victoria?

Mr. Tim McGrath: At the time we did the transaction, it was a company called Magil Laurentian. Since that time, it has been sold to a Mr. Saputo. I'm sure you've seen the trucks, Saputo foods. His family is now the owner.

Mr. Mike Lake: Do you know when it was sold?

Mr. Tim McGrath: Sometime in 2004.

Mr. Mike Lake: Mr. Goodale decided to overrule you. I'm new here and I want to get a little bit of clarification in terms of roles. First of all, who has the final authority on that decision?

Mr. David Marshall: The final authority is the minister's. In this case, Mr. Goodale acted on a recommendation from our staff that this transaction be done the way it was done. So he acted on our advice.

Mr. Mike Lake: So it was your advice to actually...? Even though you'd gone through the process and had actually selected a bidder, after the fact you advised him that he should take this property anyway?

Mr. David Marshall: No, what we did was say that given that the department doesn't want to move, we recommend they be left where they are, not have any more expansion, and reduce their fit-up costs, and that we try to find another tenant—that was given the conditions we were facing at the time.

Mr. Mike Lake: From the department?

Mr. David Marshall: Yes.

Mr. Mike Lake: Okay.

Now, Mr. Sweet asked you.... I think he worded it that he wanted you to table communication between the ministers. I'd also like to make sure we get all communication back and forth between yourselves and the minister. I'm sure that was implied, anyway, but just for the record....

Is it usual practice? Does it happen very often that ministers get involved like this?

Mr. David Marshall: Well, first of all, I should say it is not common but not unusual for a department to change course. We just discussed a change of course with the defence department. There have been many other examples where a department has said, for one reason or another, they don't want to go ahead with what they've been working with us on for some time. So it's not unusual, although it's not common.

Mr. Mike Lake: I just want to clarify, though, the difference between the department's getting involved and the minister's getting involved to this extent.

• (1220)

Mr. David Marshall: Well, in the end, the minister speaks for his or her department; they're one and the same from our point of view. When a department asks something, we don't look at it as the bureaucratic level; we look at it.... They would more often than not inform their minister, "We're not going to go ahead, and we would like your support to change course", and so forth. So it's not, in that sense, political interference; it's simply the political head of the department taking responsibility for a request.

If you're saying we should refuse such requests if they don't make economic sense, you have a point. What we are discussing now is to what extent.... If you had Public Works saying, "I don't really care what you want, we're moving you to a greenfield site outside", that would not really be an acceptable way to operate, because departments do have legitimate needs to be in certain places and they have to be accountable for those decisions.

We take a lot of care to try to satisfy a department's needs. I think what you will have found over the last couple of years is that we've become much more rigid about requiring real justifications. So it has improved in that regard, but I think there will always be a need to take into account a department's wishes.

Mr. Mike Lake: Right, and in this case the cost was \$4.6 million to the taxpayer. You talked about a few things that might mitigate it.

Of course, if you don't fit it up at the time and things start falling apart over time, you're going to have to do something eventually, if they want to stay there, and probably they're....

Mr. David Marshall: I might add a little postscript. Their lease has come up again now, and we are now going for a full tender for that agency. We shall see what the best price is. Let me assure you, this time I think we're going to execute—

Mr. Mike Lake: Why would you decide to become more rigid? You mentioned becoming more rigid. Why?

Mr. David Marshall: Because you learn over time. You see what happens; you make sure you learn from the past. Perhaps we were too accommodating in saying if that's your need, we'll try to meet it. Now there's much more scrutiny; we have goals, we want to save money, and so on. So things are improving in that regard.

The Chair: Thank you very much, Mr. Lake.

Thank you, Mr. Marshall.

We're going to now move to Mr. Loubier. *Monsieur Loubier, vous aurez cinq minutes.*

[Translation]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chairman.

The explanations provided to us by Mr. Marshall and Mr. McGrath a little earlier do not convince me at all.

As regards JDS Uniphase, you said a little earlier that we should be careful with the numbers that have been circulating in the media. All of those numbers have, nevertheless, been verified. You talk about building maintenance, and you say that you must take into account other factors and determine what is more advantageous in the long term; signing a long-term lease or buying the building, which involves operating costs, maintenance costs and so on.

In a previous life, I calculated present values for public investments for the Municipality of Montreal. If the numbers published are accurate — and I believe they are — that means we are talking about signing a long-term lease costing \$27 million per year for a building that is worth \$30 million. With all of the maintenance costs and depreciations that you can imagine, the present value will have to be extraordinary when compared to the real value of the building.

That is what I am wondering about. Your explanation about not going to tender did not convince me in the least. You even provided arguments in favour of always going to tender, especially if 60% of buildings are available in Ottawa and 20% of buildings are available on the Gatineau side. That means that there is a lot of square footage available for any kind of project.

Why does your department appear to be a state within a state? The minister responsible who could answer our questions is not in the House of Commons. Moreover, you are telling us that you unilaterally decided that the best way to solve an accommodation problem for a client is to negotiate with a single firm, Minto Developments.

Did Mr. Doucet convince you to say virtually anything about JDS Uniphase, or are there other hidden reasons? I would like additional clarification on this matter.

[English]

Mr. David Marshall: Mr. Chairman, what can I say, other than that I will be accountable to you and will bring you the numbers as soon as we can make them available? We are in negotiations in a commercial way with the property owner. It's just not possible for me to satisfy your desire for greater detail. I can and will come before you to explain it. You will call me, I'm sure, and we will do that.

I should clarify, though, that while we occupy about 40% of the leased space in Ottawa, this doesn't mean there are empty buildings; otherwise, these kinds of situations wouldn't arise. There's a very tight market in Ottawa, with very little large space available. That's what gives rise to these cases where you have a large—

• (1225)

[Translation]

Mr. Yvan Loubier: Mr. Marshall, listen carefully, the market is very tight. You, yourself, admitted earlier that the vacancy rate was high on the Ottawa side, and slightly lower on the Gatineau side.

How can you know what space is available, if you do not even go to tender? The specific purpose of a tender call is to determine if space is available or if there are other adequate buildings that meet your requirements.

How can you claim to know what space is available in both the Ottawa and the Gatineau region, when you do not even go to tender? That is beyond me, especially since dozens, if not hundreds, of millions of dollars are at stake with a 25-year lease!

[English]

Mr. David Marshall: To answer the question you've posed, we know the availability in the market because we are operating in this market over a very long period of time. We are very well aware of all the properties that are available and coming available. We have had outside research done on what properties are available. We've also had outside professional opinions on the values we've placed on what we're recommending. We've taken a lot of precautions to make sure we're making the right decision.

I should also point out that there are legitimate situations, and we have come across them four or five times over the last seven years or so, where.... For example, we bought the old city hall at 111 Sussex, a unique property. There are situations where if you know there's only one supplier for a unique property or a unique good and you go out for tender, what happens is the owners know nobody else can bid against them and put a high price on it, and you have to accept it because there was a legal request for offers and you have accepted the result. That puts you in a worse position than if you know the situation and negotiate directly with the person who has the property. There are very important reasons why we would do this.

[Translation]

Mr. Yvan Loubier: Mr. Marshall, if you are negotiating on the basis of what we read in the paper, we will be calling you back, and I swear it will not go well, because that makes no sense whatsoever.

[English]

The Chair: *Merci beaucoup Monsieur Loubier.*

Mr. Lake, you have five minutes.

Mr. Mike Lake: Talking about risk, I noticed that it's a big part of the last part of the report. In paragraph 7.52, it talks a little about it.

How important is risk analysis to what you do in terms of evaluating properties and decisions?

Mr. David Marshall: It is extremely important.

What we do is look at construction prices, for example, when we're looking at the own or build option. Then we apply a risk premium in terms of potential delays or escalation in prices of steel, and so on. We have a formula that we are constantly updating in terms of real experiences to try to assess the prices we might have to pay. So we take that into account.

Mr. Mike Lake: Basically paragraph 7.52 says they "found that the Branch does not include an analysis of risk associated with each option in the report", in talking about your investment analysis reports; "Therefore, decision makers are not weighing the relative risks when deciding which option to pursue."

How can you possibly make the best deal if you don't have all of the information? You've already said how important the risk is.

Mr. David Marshall: We do a very thorough risk analysis. In another part of the report, I think the Auditor General has acknowledged that.

I believe the kinds of risk the Auditor General is referring to—and perhaps I shouldn't speak for the Auditor General—are more general, such as the landlord's risk, the legal risks, and so on, through the life of a lease.

I should also say that we recently appointed a chief risk officer, who is helping us improve our processes. I will stand by the fact that we do a very thorough analysis of what risks might occur before we make a decision.

• (1230)

Mr. Mike Lake: Right, and it's improving.

Mr. David Marshall: And it's improving, yes.

Mr. Mike Lake: Okay, that's good to hear.

Throughout the report and all of the different meetings we've had, it seems that information systems are a big common theme, and it is in this case too.

In paragraph 7.11, the Auditor General mentions:

In our 2002 audit, one of our main findings was that the Department needed to strengthen its management information systems in order to provide managers with key operational and financial information.

Then, in paragraph 7.32, it says, and I think this was alluded to a bit earlier, "Department officials advised"—regarding fit-up costs and information regarding fit-up costs—"that this information was not readily available and would require extensive manual intervention".

We live in the year 2006, and we shouldn't be requiring extensive manual intervention to find any kind of information. It seems to me that a lack of information equals a lack of accountability in this case, because you couldn't even respond to our questions due to that lack of information.

What are you doing right now to correct this? This seems pretty significant, and nothing has been done in four years. What's happening now?

Mr. David Marshall: Mr. Chair and Mr. Lake, a big part of the issue is fit-up costs, which is exactly what you pointed to in the chapter.

The fit-up costs are shared between ourselves and departments. Our systems have the costs we spend, while the parts a department spends are in the department's own numbers. The total fit-up would include not only the base building and risers, and so on, but screens, other electricals, and so forth. That's an issue since it's certainly desirable to have it all in one place.

At the moment, the way responsibilities are split, departments pay for their own fit-up, and therefore it's not captured in our system. It's not ideal. It doesn't affect us when we make recommendations for investment, because we take all costs in when we do the analysis. As you get into managing the building, the clients have their own costs in their own books, and we have our own. We should try to improve that.

Mr. Mike Lake: Whose responsibility is that?

Mr. David Marshall: It's traditionally how responsibilities have been split.

In fact, the departments are approaching us and saying, look, we don't like the fact that we have to figure out what to fit up. Public Works, since you're the experts in real property, why don't you give us a turnkey—you know, here's the floor space and the layouts we need, then let's agree on that. You do it and you manage it going forward.

We believe that is a good solution, and we are talking to the Treasury Board Secretariat about a sort of turnkey all-in cost, in which case we would have control over it and be able to have it in our systems, and so on.

Mr. Mike Lake: I want to comment on that.

I'd like to see a plan. It seems as if it's been four years, and nothing is happening there. It sounds like there are some good ideas, but I'd like to see them on paper. Is there something on paper that you could table with us to show where you're going with this?

The Chair: Perhaps I could ask you to deal with that issue as well in your written response, Mr. Marshall.

Mr. David Marshall: It's really just in the discussion stage right now. We haven't got any kind of agreement on it. All I can say is that when we do have something, we will try to table it with you. There's no paper or anything like that; there's just simply a sense that this is the right thing to do.

That's apart from bringing in new systems, in any case.

The Chair: Thank you, Mr. Lake.

We're going to now move to Mr. Christopherson.

Mr. Christopherson, you have five minutes.

Mr. David Christopherson: Thank you, Chair.

On that last issue, I have to say that we went from this being a great answer to one that, when it was supposed to be on paper, was, well, not really on paper, but just kind of an idea. If anybody wants to pursue that, I'm open to having a note come my way.

Mr. McGrath, I'll follow up with you first, sir, on 55 Bay Street in Hamilton, the federal building.

We talked, and I won't repeat it; you know what we said. I need to ask you, though, about the formula you're using to determine that the Canadian taxpayers will be as well off financially as they would have been had the best option been taken at the time of the analysis.

When you make that statement, are you evaluating the building's worth as of 2008, as of today when you wrote the report, or as of the purchase price of the building at the time the original proposal came down?

Mr. Tim McGrath: We're going back to the time the original proposal was put in place; however, we will take into account whether we should be exercising the option based on the value of the building at that particular point in time.

• (1235)

Mr. David Christopherson: But without knowing what that's going to be, how can you give the assurance to me at this committee that, guaranteed, if you take that option in 2008, we'll be back where we were? If you don't know the value of the building, how...?

Mr. Tim McGrath: I know what the purchase price is going to be, so that's a predetermined price. It's not formula-based; it's an actual price, a fixed price. We negotiated a reduction in that fixed price for 2008, so comparing it to the original financial analysis that we did, we will be able to show that it puts us in the very same financial position that we would be in if we had bought the building at that point in time.

Mr. David Christopherson: Are all those numbers going to be in the material you're going to forward to me?

Mr. Tim McGrath: Absolutely.

Mr. David Christopherson: Very good. Thanks.

Second, I received this in my office the other day. It's very pretty, it's in both languages, everything looks proper, but I was curious, because it wasn't really addressed to anybody or anything. It just says, "Dear Sir/Madam", on a news release from the minister. It's not even a news release; it's a covering letter. It just says, "I am pleased to present you with a copy of *Achievements 2005*."

Who is this for? Is this done annually, exactly this kind of report? Who is it really targeted to, given that it's not really addressed to anybody? It looks like a sort of "we're wonderful" report, but I'm open to listening.

Mr. David Marshall: Well, I suppose we haven't been very convincing, but we're trying.

Some hon. members: Oh, oh!

Mr. David Marshall: I might just say that it's so very hard for a government department. We don't have a financial profit number or some other way to judge, so we try different ways to explain some of the things we do and what the useful things are.

Mr. David Christopherson: I appreciate all of what the intent would be. Is it something you do annually, like an annual report?

Mr. David Marshall: Yes, we do.

Mr. David Christopherson: Who are you targeting it to, since you don't address the letter to anybody? It's a nice bring-and-brag, but it costs a fortune. Who did you send it to? Who is it supposed to impress?

Mr. David Marshall: We hoped to have it in the hands of certainly deputy ministers and members of Parliament—

Mr. David Christopherson: That's it? We need this glossy report from the ministry to tell us how wonderful they are? I've got to tell you guys, if you're going to be running a tighter ship than the Libs, this is not the way to do it.

I'll move on. Mr. Campbell, the report notes that apart from the number of client accommodation service advisers, a number of resources that could improve risk management are in decline. Can you give me a sense of what you're referring to?

Mr. Ronnie Campbell: If I may, Mr. Chair, I'll ask Mr. Sloan to do that.

Mr. Bruce Sloan (Principal, Office of the Auditor General of Canada): Thank you, Mr. Chair.

When we looked at risk management, as Mr. Marshall alluded to, the number of staff who are processing these transactions has been reduced over the last period of time. These are people who are critical to capturing lease information about risks about leases right at the transaction level when transactions are being executed. That type of information, if you roll it up across all leases and across the department, provides a strategic perspective of risks that are affecting leases.

The Chair: Thank you very much, Mr. Christopherson.

We're going to go to Mr. Wrzesnewskyj, for five minutes.

Mr. Borys Wrzesnewskyj: Two years ago the Ministry of Defence turned down this JDS opportunity. Earlier you stated that the RCMP had needs but did not take advantage of this possible opportunity. I guess circumstances hadn't matched in a certain way. Perhaps you could explain that.

Mr. David Marshall: Mr. Chairman, at any one time we would have demands from clients that are not met. When an opportunity becomes available there's a question of which is the best suited for this to be satisfied. We try to match up, as close as possible, the client's needs and its particular priorities, how long its been waiting, or other stresses it's going under with a particular opportunity.

At the time we were working with these two departments, the Department of Defence appeared to be the better fit for this particular site. Since they turned it down, we turned to the RCMP and asked if this might also suit their needs and should we look at it on their behalf. They inspected the site and said this was very much something that would suit their needs, and we proceeded to work with them on options that way.

Tim, I think we've got right now about one million square metres of—

• (1240)

Mr. Borys Wrzesnewskyj: Before we get into those sorts of details, you were still negotiating, or speaking with the owner, about how perhaps the RCMP would be interested at that time? Or was it clear-cut that there was no interest in the property?

Mr. David Marshall: You mean when we declined to go ahead?

Mr. Borys Wrzesnewskyj: That's correct.

Mr. Tim McGrath: As we stated earlier, we can't speculate without having a guarantee from a client that somebody is going to move into the space. DND decided they couldn't make that guarantee to us, although they requested us to pursue that option. Later they came back and said, we can't guarantee it.

At the same time, the RCMP was looking at options for the renovation of their campus. We then spoke to the RCMP and the RCMP gave to us a commitment letter because they had funds they needed committed from their existing reference level as well.

With that we went back to talk to the owner of the building at the time, which was JDS. I'll tell you, JDS was gun shy in dealing with us because of the time it was taking. They were getting pressure from the Securities Exchange Commission in terms of the writedown of that property that had some tax implications and felt they couldn't negotiate with us.

Mr. Borys Wrzesnewskyj: The deal comes apart and a new purchaser shows up, buys it at fire rate prices, and at that point you're not negotiating because they're providing you with unsolicited proposals.

Mr. Tim McGrath: We were not negotiating with JDS at the time, nor were we negotiating with the new owner at that time.

Mr. Borys Wrzesnewskyj: So Minto is just producing these unsolicited proposals.

Mr. Tim McGrath: That's correct.

Mr. Borys Wrzesnewskyj: We're also aware that the member for Nepean—Carleton, Mr. Poilievre, is lobbying very hard obviously in

his caucus and with his minister. Did he ever speak with your department or anyone within your department about this opportunity?

Mr. Tim McGrath: He certainly never spoke at the bureaucratic level. I can't comment on whether he spoke at the ministerial level at that time. That I don't know.

Ms. Yasmin Ratansi: Do you have one more minute?

The Chair: There are 52 seconds.

Mr. Brian Fitzpatrick (Prince Albert, CPC): I wonder if Borys could table those papers he's always referring to. It would be good for the rest of us to see.

Mr. Borys Wrzesnewskyj: Which papers did I refer to?

Mr. Brian Fitzpatrick: You were quoting from some paper in your first round.

Mr. Borys Wrzesnewskyj: The *Ottawa Citizen*? Oh yes, not a problem.

Mr. Brian Fitzpatrick: Oh, that's where you get your information—the *Ottawa Citizen*.

The Chair: A lot of people get their information from the press. That will be part of the public record.

I will go back to Ms. Ratansi.

Ms. Yasmin Ratansi: You mentioned that you don't have the luxury the private sector has in terms of profit margins or your return on investments. Could you tell us what are the factors you put in for determining what a risk is? If you were in the insurance business, you would do something else. If you were a private sector property manager, you would do a risk analysis on a very different basis. Could you please table a document for us on how you do risk assessment, so we have an understanding and we can ask you logical, intelligent questions? We really don't understand sometimes how your risk assessment is done. I'd really appreciate it. Others may understand it; I may need it for my benefit.

Thank you.

The Chair: That would probably be better done in a written form.

We're going to move now to Mr. Williams.

Five minutes, Mr. Williams.

Mr. John Williams: Thank you, Mr. Chairman. I have a question to Mr. Libbey.

You were talking about the carry-overs when a capital purchase is not completed by the fiscal year-end of March 31. You said there is a carry-over allowable on the capital acquisition. Am I correct in saying that? Do you agree with that?

Mr. Jim Libbey: I think you need to talk to Blair James.

• (1245)

Mr. John Williams: Okay, Mr. James.

My point is that I presume there is an amount in the appropriations for an expenditure if the expenditure can't be completed prior to March 31. There's a policy that allows a carry-over the following year. My question is, do you have a subsequent appropriation for that amount or do you use the appropriation of the previous year, and how is it recorded in the financial statements?

Mr. Blair James: The plan now is to use the same process we use for the O and M carry-forward, whereby it shows up in the appropriation of the following year. It's identified specifically as the carry-forward amount from the previous year.

Mr. John Williams: It's not recorded in the financial statements of the year prior.

Mr. Blair James: No, it wouldn't be.

Mr. John Williams: Mr. McGrath, you were giving me a long and convoluted answer to my simple question about why Public Works, which owns and leases space on behalf of other government departments, is not, in essence, subleasing out to the departments. I think your answer said if they take additional space, you charge additional rent, but you never answered the simple question of why you aren't charging a charge-out rate for all the space these departments are using, because we are on the accrual accounting basis now. So why aren't you doing it? I need a simple answer as to why you aren't doing it.

Mr. Tim McGrath: We feel there's no added benefit in charging amongst government departments. We have a pilot with HRSDC on that program. It has not produced the types of results that you would expect to see from somebody with a user-pay regime.

Mr. John Williams: Mr. Chairman, I want to point out that they are telling us how they're reducing the square metres per staff member and they have these ratios, but they have no concept or capacity to determine dollar cost per employee and so on if they don't have this lease-out agreement. Every other private sector organization charges out to profit centres the space occupied by their departments. I don't know why the government won't do it either.

If you have a long and convoluted answer, you could perhaps table a response to us because I want to see it done.

The Chair: Mr. Marshall.

Mr. David Marshall: Mr. Williams and Mr. Chairman, we operate under the accounting principles of the Government of Canada. If your recommendation is finally to investigate it and follow it up by the Comptroller General and we are instructed to do so, we'll be happy to do so.

Mr. John Williams: Thank you.

Now getting back to 800 Place Victoria in Montreal, you tell us about how the department didn't want to move, but you had been negotiating for two years. The lease expired in 2003. In 2001 you started the process to find out what you were going to do. Then two weeks after everything closes and you've incurred a liability with the new landlord, boom, somebody says, oh, I think I want to stay. Why wasn't that question about wanting to stay asked before? Who said they wanted to stay, and why wasn't that brought forward?

I'd like a quick answer, and I think you may have to table the correspondence regarding this.

Mr. David Marshall: I think we'll table the correspondence, which will be clear as to why people wanted to stay.

Mr. John Williams: Okay.

Mr. Sweet, you had a question also.

Mr. David Sweet: Yes, I have one quick question for Mr. McGrath to clear up a question that was given by my colleague across the way. Could you please specify whether the agreement in Hamilton, where you have a purchase option in 2008, is subject to the market value in 2008, or do you have a firm agreement on the purchase option?

Mr. Tim McGrath: We have a firm agreement on the purchase option.

Mr. David Sweet: So you have a purchase price embedded in the contract. It won't fluctuate based on market conditions at all?

Mr. Tim McGrath: That is correct.

Mr. David Sweet: Thank you.

The Chair: Thank you, Mr. Sweet.

I have a couple of questions, going back to you, Mr. Marshall. They again involve the JDS Uniphase space. You're in a difficult position because your minister doesn't come to the House and we're not able to ask your minister questions, although you do have a parliamentary secretary there.

It's my understanding that for this deal there was a letter of intent signed, and it was signed some time ago, I understand, Mr. McGrath.

Mr. Tim McGrath: That is correct.

The Chair: I've seen a hundred of them. They are fairly extensive documents setting out the terms, the conditions, the space, the terms of the rent, and a number of conditions precedent dealing with regulatory approval, environmental audits, etc., and Treasury Board approval.

The parliamentary secretary was asked a question, and he was quite specific that there was no deal, no agreement between the Government of Canada and whoever the owner is. From your experience, Mr. Marshall, was that the true answer?

• (1250)

Mr. David Marshall: Mr. Chairman, I believe it was. The reason I can say that is that there is no deal until all the conditions precedent are met. We had the very same situation with the Department of National Defence, where we had signed a letter of intent with the owner explicitly stating that we had to get all these approvals done. They were not forthcoming; the deal was rescinded.

So there is no deal until it's approved and ministers have a chance to examine it and go over it.

The Chair: So that is the position. It rather relates to the next hour, because if there's no Treasury Board approval, there is no contract, no deal, and no agreement.

Mr. David Marshall: That is correct.

The Chair: My last question, again on the same issue, is this. There has been an allegation floating around Ottawa that Freddy Doucet, who is a lobbyist from the Mulroney era, has resurfaced in Ottawa, and his job is to grease the wheels on this particular deal. I don't understand how this murky world of lobbyists works. Would Mr. Doucet meet with you, Mr. Marshall, or with you, Mr. McGrath, or with anyone involved in this particular transaction?

Mr. David Marshall: Mr. Chairman, I don't know Mr. Doucet; he has never met with me. He certainly did not meet with our department prior to the letter of intent being signed. The letter of intent was signed January 10—

The Chair: Has he met with anyone in the department since then? Has he?

Mr. Tim McGrath: Yes, I have met with Mr. Doucet, but in no way had he any involvement in the discussions or negotiations leading to the signature of the letter of intent.

The Chair: What would be the purpose of the meeting?

Mr. Tim McGrath: What would be the purpose of meeting with him?

The Chair: Yes, with Mr. Doucet.

Mr. Tim McGrath: Mr. Doucet registered as a lobbyist for this particular transaction with Minto. He came in and asked some questions. We didn't furnish any type of responses to him from the departmental level. I'm not sure what he thought he would gain out of meeting with us as departmental officials.

The Chair: How many times did he meet with you?

Mr. Tim McGrath: Just once.

The Chair: Did he meet with other officials in the department?

Mr. Tim McGrath: That I don't know.

The Chair: I have one other point I want to make.

I have contacted the Department of Public Works as a member of Parliament, and your position is that you won't deal with members of Parliament at your levels. We're referred to some communications person.

You won't meet with a member of Parliament, but Mr. McGrath, you have no problem at all sitting down with a lobbyist—and some people describe him in other words—like Mr. Doucet. Do you see any conflict with that policy? I really see a problem.

Mr. Tim McGrath: In this particular case, there was nothing left to discuss. The letter of intent, the terms and conditions, were agreed to. It was subject to Treasury Board approval.

The Chair: Mr. McGrath, there is something left to discuss: whether or not you exercised the letter of intent—that's what has to be discussed. I assume that's what Mr. Doucet was there to push you on.

Mr. Tim McGrath: At that point in time it's up to ministers to make the decision as to whether or not they'd like to execute.

The Chair: Okay.

I have no further questions. I thank you.

I'm going to ask for any brief closing remarks, Mr. Campbell, Mr. Marshall, or Mr. Libbey.

Mr. Ronnie Campbell: Thank you, Mr. Chair.

I will take a few seconds to go back to an issue I raised in my opening statement, and that is the need for incentives in the system—incentives for good management.

I think there has been a lot of talk around 800 Place Victoria. Mr. Marshall did say that departments are accountable for the decisions they make to move or not move, but in this case, that \$4.6 million came out of the Public Works budget. You could say it's easier to spend somebody else's budget. I think whatever solutions you're looking to, that's the crux of the matter in terms of accountability.

Your committee has asked for a number of documents from the department. I will take a second to point to recommendation 7.20. In cases in which the department makes decisions that are not the most economic or cost-effective, we're recommending the report go in the DPR. Perhaps through that process you might get more and clearer information.

The Chair: Thank you, Mr. Campbell.

Mr. Marshall.

Mr. David Marshall: Mr. Chairman, I'll follow on from that. We have accepted the Auditor General's recommendation. In each case in which our analysis showing the lowest cost was not the one that was eventually implemented, we will report it in our departmental performance report so that you can see it.

The Chair: Thank you.

On behalf of the committee, gentlemen, I want to thank you very much for your appearance here today. I think it's been a very beneficial meeting, and I want to thank the members.

As I stated before, we're going to ask Dr. Peter Wilkins to come to the table and say a few words, if he's here. I think he is. We'll get a brief comment from Dr. Wilkins.

My first question, Dr. Wilkins, is how did you enjoy the Canadian parliamentary accounts committee?

● (1255)

Mr. Peter Wilkins (Executive Director, Performance Review Division, Office of the Auditor General for Western Australia): Thank you very much, Mr. Chair and members of the committee.

I found it most interesting. I should say I've come back to listen to this committee. I was in Ottawa for six months back in 1998. That was obviously a predecessor of the committee. It's clearly a very important part of the accountability process to have the information from an audit institution followed through by the committee.

By way of introduction, I work for the state audit office in western Australia, with responsibility for the performance audits.

I also hold a voluntary position, you might say, as an adjunct professor in one of the western Australia universities. I'm scoping, at this stage, some research into the interactions between audit institutions and parliamentary committees. This is a little bit of background for me, to get a sense of how this committee is operating with reports such as the one we just heard.

The Chair: We certainly appreciate your being here.

Mr. Peter Wilkins: Thank you.

The Chair: We'll suspend for about three minutes.

- _____ (Pause) _____
-
- (1300)

The Chair: I'd like to call this meeting to order, members, witnesses, and members of the public.

I want to welcome everyone here. I want to welcome our witnesses.

Everyone is aware that this is the second meeting with witnesses dealing with the chapter on Parliament's control of public spending of the May 2006 Report of the Auditor General, which of course has been referred to this committee.

This meeting, Members, will be a one-hour meeting. We have with us, as individuals: Margaret Bloodworth, the former deputy minister of Public Safety and Emergency Preparedness Canada; and Jim Judd, the former secretary treasurer, Treasury Board of Canada Secretariat. Also, we have from the Department of Public Works and Government Services: Scott Leslie, a senior director; Henry Sano, a director general; and John Shearer, former assistant deputy minister, Service Integration Branch.

Witnesses, I want to welcome you to the committee. First of all, I want to ask if anyone has any opening....

On a point of order, Mr. Williams.

Mr. John Williams: Mr. John Shearer is former assistant deputy minister. Is he still with the Department of Public Works? And what is his current position?

Mr. John Shearer (Former Assistant Deputy Minister, Service Integration Branch, Department of Public Works and Government Services): Yes, Mr. Chairman, I'm still with the Department of Public Works. I am currently between assignments, on special assignment to the deputy minister.

Mr. John Williams: Yes, but still representing the department...?

The Chair: Okay. Does anyone have any opening remarks they want to provide?

If not, we're going to go right to it. Members, I want to point out that because we have one hour, this will be one round only. If anybody wishes, especially for the Conservatives and the Liberals, you can share your time. Again I ask that the members focus their questions. We want specific questions dealing with this particular issue.

I would ask that the witnesses' answers be short and to the point. We have no appetite or tolerance for any long, rambling answers, and we've been getting a few of them over the last number of weeks in this committee.

Mr. Fitzpatrick, you have a point of order.

Mr. Brian Fitzpatrick: I'd like the chair to remind the witnesses that the giving of testimony at a parliamentary committee, even though we haven't administered the oath, is in fact the same in effect as giving testimony in a court of law under oath.

The Chair: Yes. At Mr. Fitzpatrick's request, I want to remind the witnesses that in an appearance before this committee, or of course

any parliamentary committee, you're deemed to be under oath. Of course, Mr. Judd and Madam Bloodworth have been before the committee many times previously, so they understand that.

We're going to go to the first round. Madam Ratansi, you have eight minutes.

Ms. Yasmin Ratansi: Thank you, Mr. Chair.

And thank you for being here.

My question is directed to Ms. Bloodworth. Could you help me understand the interplay between section 37.1 of the Financial Administration Act, an appropriation, a supplementary estimate, and the Treasury Board directive? The reason I ask you this question is that as I have been reading the legal opinion, I think your focus has been on the Treasury Board: "One cannot presume the Treasury Board will approve and the Treasury Board has no obligation to approve."

So question number one concerns contractual obligations set out by the Treasury Board guidelines and the Financial Administration Act and how section 37.1 plays with them. Then I'd like to ask a few more questions.

Ms. Margaret Bloodworth (Former Deputy Minister, Public Safety Emergency Preparedness Canada, As an Individual): First of all, Mr. Chair, I'm not sure I'm the best person to explain to you. The reason I asked for the opinion is.... I'm not an accountant and I'm not an expert in commercial law. I am a lawyer. The reason for asking for the opinion from Mr. Pigeon was to have the explanation. I can go through the opinion if you like, but I'm just reading from the opinion.

If it's helpful, I can certainly speak as a deputy minister and say that all of us are responsible for the appropriations under our responsibility. Our first responsibility, as I see it, would be to live within the appropriation. If we feel that for some reason we're not going to be able to, it would be our responsibility to flag to a minister—but also to the Treasury Board and perhaps others, depending on what the issue was—that we were not able to.

That's due to both the Financial Administration Act and also management accountability, which is a whole series of Treasury Board policies.

- (1305)

Ms. Yasmin Ratansi: When you sought this opinion, they cited other cases, such as the Greater Toronto Airports Authority v. Air Canada, the 1999 case, and stated:

Therefore, unless and until TB approval is obtained and the TC contract is amended, the amounts contemplated under the agreement in principle cannot be paid as there is no legally binding and enforceable agreement....

That's their opinion. Did you feel that this opinion was contravening the Financial Administration Act, section 37.1? And you're a lawyer.

Ms. Margaret Bloodworth: Well, no.

Ms. Yasmin Ratansi: No. There have been statements made that the intention was to wilfully mislead Parliament. Was that the intention?

Ms. Margaret Bloodworth: No.

Ms. Yasmin Ratansi: What was the real intention? Could you give us your reasons for taking the legal opinion, and what were the parameters that you guided yourselves under?

Ms. Margaret Bloodworth: First of all, I certainly categorically deny that I or anyone else I was involved with had any intention of misleading Parliament. Indeed, if that was the case, it would be hard to understand why it would be in the performance report, which it was.

I only became involved quite late in this issue, because Mr. Baker, as he explained when he was here, had flagged that there was a possibility that supplementary estimates would be required for the Firearms Centre. I was at the time the Deputy Minister of Public Safety and Emergency Preparedness. The deputy minister of that department and that portfolio, which is a very large and complex one, is the senior public service adviser to the minister.

My reason for contacting Mr. Baker first and then the Deputy Minister of Justice for an opinion, was that it became apparent to me that people were using the words “debt” and “liability” interchangeably, and I knew they were not the same, and that seemed to have some significance. So at that stage I was just in the process of asking questions to see whether all options had been canvassed.

Ms. Yasmin Ratansi: So you're saying that there was no way....

Was there any political interference to, say, avoid accountability? I think you were doing due diligence. You were going through a step-by-step process to say, here is a problem; somebody doesn't understand debt, or the difference between a debt and a liability, and how it affects the appropriation.

When you were seeking a legal opinion, were you in any way trying to avoid accountability? Was the minister involved? Was there any political interference there?

Ms. Margaret Bloodworth: The decision to seek a legal opinion was mine. I received no direction from anyone, including the political level, to do that.

Ms. Yasmin Ratansi: So you were not trying to avoid accountability, as had been mentioned.

Ms. Margaret Bloodworth: No.

Ms. Yasmin Ratansi: You were the deputy minister for public safety. When you went to the justice department in your seeking of a legal opinion, was there any political interference from the justice department?

Ms. Margaret Bloodworth: No. I phoned the Deputy Minister of Justice and said I was asking him for an opinion on this debt versus liability question and how it related to the issues involved, and I said I felt we needed a lawyer with some commercial law experience, which I knew I did not have in my department and neither would the Firearms Centre.

Ms. Yasmin Ratansi: Fair enough.

How do you take the statements that have been made by the Auditor General that Parliament was misled by the way you treated this account? What is your reaction?

Ms. Margaret Bloodworth: Well, as I said, I categorically deny that there was any intention, on the part of us, any of the people I was involved with, to mislead Parliament.

I certainly accept that the Auditor General is the main auditor of the Government of Canada, and if she has concluded that this is not the right way to account for things, in the end she's like a court, if I can make an analogy to my profession, and her view will prevail in the future. So I certainly don't quarrel with the fact that she has a view that, in accounting, is certainly a bigger view than mine.

• (1310)

Ms. Yasmin Ratansi: In a private sector or external environment, when companies do have external auditors to come and review their books, etc., there's always a discussion between the external auditor and the client. Was there any attempt to get any discussions going, or was that never part of the process? Did your department ever get into any discussions with the external auditor?

Ms. Margaret Bloodworth: Well, it's a little more complicated in government, because in addition to the department, we also have the Treasury Board, and I think the Firearms Centre, quite rightfully, had involved the Treasury Board.

I can't say, in my experience, I've ever had the experience that in the process of deciding on whether or not supplementary estimates are required or performance reports are prepared, we've actually gone to the Auditor General. I understand that the current Comptroller General is thinking of changing that, but it, frankly, wouldn't have occurred to me. I would have assumed, if that was what was going to happen, that would be what the Comptroller General and the Treasury Board would have taken care of.

Ms. Yasmin Ratansi: Were there any Liberals in high places conspiring to hide overruns, as stated by the member from Yorkton—Melville? This is a statement being made. There are some outrageous statements being made; therefore, I need to know from you whether there were any people in high places conspiring to hide the so-called overruns in the gun registry.

Ms. Margaret Bloodworth: None that I was aware of.

The Chair: Thank you very much.

Monsieur Nadeau, huit minutes, s'il vous plaît.

[Translation]

Mr. Richard Nadeau: Good afternoon, Ms. Bloodworth, gentlemen, and Mr. Chairman.

This whole issue is quite an interesting one, and my goodness, quite crazy too, in that we're talking about a procedure that required a legal opinion. Could a situation like this recur today, based on your experience?

[English]

Ms. Margaret Bloodworth: Yes, I can certainly see circumstances where one might require both accounting and legal expertise on a particular issue.

[Translation]

Mr. Richard Nadeau: I am thinking, for example, about the \$39 million spread over 15 years. It is a situation that appeared abnormal in the eyes of the authors of the report, that appears abnormal to us as well, and that titillates us. It is the reason why we have heard from experts and extended a meeting. During the last meeting, I asked for an explanation that seemed highly technical to me, and that I should have interrupted.

What leads a department to make a decision like that when we know that there is something abnormal and immoral about it, although it is legal? How do you approach the situation to make a decision like that? How can we make sure it does not happen again?

[English]

Ms. Margaret Bloodworth: Well, from my perspective, we had a situation where at least some were proposing that the accounting treatment should change from what it had been the year before. That's the situation we were in, because the year before they had not put these amounts into the appropriation. So people were proposing to change it.

My role was to say, well, why are we changing it, and to try to understand why we were changing it, and why we should, and were there any other options? In that sense, it was exactly the same, obviously, as the Auditor General has pronounced, but if there were another situation that had the same kinds of questions, the same thing would happen today, and it might well require both accounting and legal expertise, and it might indeed require policy and some other kind of expertise. With a hypothetical, it's hard to be certain.

[Translation]

Mr. Richard Nadeau: Was spreading it over 15 years standard practice? Was that an acceptable accounting decision from the start?

[English]

Ms. Margaret Bloodworth: Well, I can't answer as an accountant because I'm not an accountant. I do know that the year before the accountants had decided to treat it differently, or differently from what some are proposing now, and they were proposing to change it. But I must say, I didn't find that unusual. I'm a lawyer by profession and you spend most of your time on the issues that are not particularly clear; that's why you need professional expertise. I assume with accountants it's much the same; there are issues that are complicated and different people can have different views. So I didn't find that surprising.

• (1315)

[Translation]

Mr. Richard Nadeau: If you do not have the necessary knowledge — I will not use another term — to answer that question, is there someone here who can? Is it acceptable to spread such an amount over 15 years?

[English]

Mr. Scott Leslie (Senior Director, Special Procurement Initiatives Directorate, Department of Public Works and Government Services): Perhaps I can try. To some degree, from a contractual perspective, there are capital leases where it's common to spread a payment over a number of years; that type of situation is fairly commonplace.

[Translation]

Mr. Richard Nadeau: If that can be done in certain circumstances, why are we having this meeting today and why did you need to consult two lawyers on this matter?

I do not understand the scope of the issue. Is this a \$10,000 question? If that can be done in certain circumstances, why did you need a legal opinion?

[English]

Ms. Margaret Bloodworth: I can explain to you why I asked for a legal opinion. I asked for a legal opinion because it was clear to me, in discussing with the people who had been involved in this, that they were using the terms “debt” and “liability” interchangeably, and that somehow that was significant for the accounting decision.

I knew as a lawyer that debt and liability were not the same thing. There are liabilities that are not debts. I didn't know the significance of it, but it was apparent to me that the distinction was not clear in what people were talking about, so I asked for a legal opinion.

[Translation]

Mr. Richard Nadeau: That will be all, Mr. Chairman.

[English]

The Chair: Thank you very much Mr. Nadeau.

Next is Mr. Fitzpatrick, for eight minutes.

Mr. Brian Fitzpatrick: I want to get right to it. It seemed as though the whole thing was resolved on January 31, 2004, when the \$21 million in question was booked in the consolidated public accounts as a non-recorded liability. At that point, Madam Bloodworth, you would agree that now everything was okay and in line with section 37 of the public administration act—that this was now a liability, and that would resolve all the issues and debates that must have been taking place?

Ms. Margaret Bloodworth: I'm sorry, what was the date you were talking about here?

Mr. Brian Fitzpatrick: March 31, 2004.

Ms. Margaret Bloodworth: I can't speak to that. My only involvement was in the week or so around—

Mr. Brian Fitzpatrick: But it was booked—you know that was booked in the public accounts on.... You're the head of the department; you would know whether that was booked or not in the public accounts on March 31 at year-end.

Ms. Margaret Bloodworth: I'm not the deputy head for these particular finances, but I do know that this amount was flagged in the performance report of the Firearms Centre, and I do know it was put in the public accounts, but I don't know the date. If that's the date, that's fine.

Mr. Brian Fitzpatrick: Mr. Shearer, you would have believed that booking that on March 31, 2004, now made everything above board, and there was no question about it—yes or no? We haven't much time.

Mr. John Shearer: Neither do I have a background in accounting or law, but I am aware that it was booked at the end of March in the finance—

Mr. Brian Fitzpatrick: It was booked on March 31, 2004, and that seemed to make everybody on our previous committee think everything was okay, because it was booked as a non-recorded liability. I was a member of Parliament; I was still in the dark on this thing. Maybe there was no deception on your part, but I don't think there's anybody, certainly in the opposition, who understood what in the world was going on, and it's taken us a lot of time to figure it out.

I still want to ask you a very fundamental question. You're a lawyer by trade. Section 53 of the Constitution of this country says all money bills must originate in Parliament. The Financial Administration Act clearly states, in a section...it reinforces that whole point.

As deputy minister responsible for that department on March 31, 2004, can you explain to me where the parliamentary authority had come from prior to that date for this expenditure?

• (1320)

Ms. Margaret Bloodworth: First—

Mr. Brian Fitzpatrick: That should be a simple enough answer. I don't need a long explanation on it. Where did it take place?

Ms. Margaret Bloodworth: I was just clarifying once more, Mr. Chair, that I was not the deputy minister responsible for these amounts—as Mr. Baker, I think, made clear.

However, I'm saying I'm well aware that there are lots of contingent liabilities that do not go against the corporations. All the lawsuits against the Government of Canada are booked as contingent liabilities and not against the corporations, so I did not find it surprising that there would be some—

Mr. Brian Fitzpatrick: Who was responsible?

Ms. Margaret Bloodworth: It was Mr. Baker, as he made clear.

Mr. Brian Fitzpatrick: Okay. There was a decision to enter these arrangements with the Centra group, to enter into these agreements even though the legal opinion said they hadn't received Treasury Board approval—they weren't a debt, they weren't a liability, they weren't quantum meruit; they were all these different things. Who was responsible for those decisions to enter into those arrangements with Centra?

Ms. Margaret Bloodworth: You're talking now about the contract?

Mr. Brian Fitzpatrick: The agreement in principle in July of 2003 and the amendment that came later on in that year confirming that arrangement—who was responsible for that decision?

Ms. Margaret Bloodworth: I assume that was a combination of Public Works and the Canada Firearms Centre, but perhaps Public Works could speak to that.

Mr. Brian Fitzpatrick: Mr. Shearer, would you agree with me that at that point, when those undertakings and agreements were made, Parliament had not approved those expenditures—yes or no?

Mr. John Shearer: Parliament had not approved those expenditures at that point in time, but I think the agreement needs further clarification for the committee, and at that point I'll turn to my colleague.

Mr. Brian Fitzpatrick: That's okay. I have a few other questions I want to get to here.

On February 3 that year there was a legal opinion that came to Treasury Board on interpreting section 33. It was abundantly clear on the question raised that there wasn't any discretion and that these liabilities had to be booked. That was point two in that legal opinion. Then, at warp speed—you remove them faster than Wal-Mart at that point, Madam Bloodworth—you had another lawyer commissioned on February 5 with a timeline. The lawyer said he needed the opinion at noon the next day. I was a lawyer too, and you've been a lawyer. To get a legal opinion on something as complex as this and to make it a 24-hour deadline, there must have been one huge crisis cooking around in your department to move it at this super-Wal-Mart speed. What was the crisis at that point? Was it the first legal opinion that you got from the Treasury Board that said this was not right, and you had to book that and you were rejecting that legal opinion and had to find another one?

Ms. Margaret Bloodworth: I wasn't involved in any crisis, but the determination of the timing was the requirement that if we were going to require sups, they had to be determined in the next few days. I don't know what the deadline was, but it was something in the first week or ten days of February. I did not see the opinion of the Treasury Board at the time. In fact, I think it's pretty clear when you read it that he uses debt and liability interchangeably. He doesn't answer the question of whether it's a debt or a liability.

Mr. Brian Fitzpatrick: There was sure a lot of pressure put on him to get this opinion done in a hurry. He had been talking to you.

Ms. Margaret Bloodworth: No, he had not.

Mr. Brian Fitzpatrick: Well, he said he had to have it back in 24 hours.

The Chair: Mr. Fitzpatrick, I know we're looking for concise and brief answers, but what you're saying doesn't form part of the record. You have to allow the witness to give an answer.

Mrs. Bloodworth.

Ms. Margaret Bloodworth: I'm not sure who you're asking about at the moment, Mr. Fitzpatrick. Are you talking about Mr. Pigeon?

Mr. Brian Fitzpatrick: You asked him for the legal opinion.

Ms. Margaret Bloodworth: No, I asked the Deputy Minister of Justice, who identified Mr. Pigeon as a senior lawyer with commercial law experience, which is what I had asked for. Yes, it's true, Mr. Pigeon had to act quickly, because if we did not make a decision in that time.... We needed to have all the facts that week or else the time period would have gone by.

Mr. Brian Fitzpatrick: I'll just note for the record that on the opinion from Mr. Pigeon, Mr. Wiersema was not one of the clients to receive a copy of that. This is just to be noted.

The other point I want to make on this matter as well is that in the previous committee it was made clear with Public Works officials dealing with leasing that there was nothing unusual about discussing issues at the ministerial level with political ministers—Mr. Goodale and the junior minister in Quebec. These things were regularly discussed.

Are you saying that throughout this period of time—with this problem with the Centra group, and no debt, no liability, but here they're doing all this work, and this is going on underneath the surface—the political minister in charge of that department was not aware of these problems?

• (1325)

Ms. Margaret Bloodworth: I think she was well aware, because she was informed by Mr. Baker, and I think she said that. My answer to the question was that I received no direction from the political level or anyone else to seek a legal opinion. That was my decision. That was what I was answering.

Mr. Brian Fitzpatrick: Why wouldn't we just resolve the issue by booking it against appropriations and resolving the whole matter?

Ms. Margaret Bloodworth: Because there was an option not to do that, which Mr. Baker chose, and I agree with him.

Mr. Brian Fitzpatrick: But you let down section 53 of the Constitution that says Parliament is supposed to approve appropriations. You should know that as a lawyer.

The Chair: We're going to move to Mr. Christopherson for eight minutes.

Mr. David Christopherson: Thank you, Mr. Chair.

You'll recall that the reason we had the special briefing was because of the complexity of this and to save time. I was not in the capital at the time we had the meeting. It was substituted and my sub is not able to be here. I'm not going to take up the time to go back to rudimentary questions that would have already been covered, but I also don't want the time to be lost, so in the non-partisan spirit with which we try to operate, I'd like to defer the balance of my eight minutes to my friend, Mr. Williams, with your approval.

The Chair: It's approved. That's very generous of you, Mr. Christopherson. I hope that continues in life.

Mr. Williams, you have seven minutes and eighteen seconds.

Mr. John Williams: Thank you, Mr. Chairman. I also thank my colleague and friend, Mr. Christopherson, for his generosity.

Now turning to the witnesses, Ms. Bloodworth, you chaired an interdepartmental meeting, because that's what Mr. Pigeon says—he is responding to you—an interdepartmental meeting, chaired by you on Thursday, February 5, 2004.

Then, Mr. Judd, you became involved. Were you at the meeting, Mr. Judd?

Mr. Jim Judd (Former Secretary, Treasury Board of Canada Secretariat, As an Individual): No, I don't recall being there.

Mr. John Williams: How many departments were at the meeting?

Ms. Margaret Bloodworth: It was my own department, myself, the Firearms Centre, Public Works, and the Treasury Board represented by Ms. Cartwright and some of her staff, I believe, and Mr. Wiersema, who was also, I guess, technically part of the Treasury Board, but the acting comptroller general at the time, and I think someone from his staff. Each of them had some staff, but those were the senior—

Mr. John Williams: And you were having a serious problem about this particular issue of how to charge this \$23 million for the

gun registry's—let's call it, for simple terms—overrun. Was that the debate, about whether this should be charged against an appropriation or deferred to the next year? Was that the discussion?

Ms. Margaret Bloodworth: The discussion was whether or not we should change the accounting treatment from what it had been the year before.

Mr. John Williams: Twice I think you have said you're not an accountant; you're a lawyer.

Ms. Margaret Bloodworth: That's right.

Mr. John Williams: This is an accounting business. Mr. Wiersema, the acting comptroller general, the chief accountant of the Government of Canada, was there. His opinion didn't count; you went to another lawyer. Why did you go to a lawyer for an accounting answer?

Ms. Margaret Bloodworth: Mr. Wiersema was there because he was the acting comptroller general.

Mr. John Williams: I know he was there, so why didn't you defer to him?

The Chair: Let the witness answer the question. She is not giving rambling answers.

Mr. John Williams: My question was quite simple: why didn't you take the advice of the chief accountant of the Government of Canada, Mr. Wiersema?

Ms. Margaret Bloodworth: He didn't give any advice at that meeting.

Mr. John Williams: He certainly gave advice later on, in writing.

Ms. Margaret Bloodworth: Not to me.

Mr. John Williams: I thought he wrote to you. No, he wrote to Mr. Pigeon, a letter that wasn't delivered.

So you felt lawyers are more informed than accountants on accounting issues?

Ms. Margaret Bloodworth: No. I had the meeting because at the time, if you look at Mr. Pigeon's opinion, he had talked to a number of different people already. He had formed some preliminary views, and I felt it was important—because I knew the issue was complicated and that more than lawyers would have views on it—that all those I could determine might have some views that should be weighed be there.

So the meeting was held, and Mr. Pigeon, as I recall, outlined the state of his thinking at that time. Then there was an opportunity for anyone who had any views or things he should consider, or any contrary views, to express them.

Mr. John Williams: Mr. Wiersema was at the meeting and he had no point of view to offer?

Ms. Margaret Bloodworth: He said nothing.

Mr. John Williams: He said nothing. Okay.

Now, you're a deputy minister, and again I'm reading from the letter from Mr. Pigeon to you, continuing: "I was asked to examine from a legal point of view"—not an accounting point of view—"and to come to a conclusion before noon the next day on the question as to what are the amounts that need to be recorded as a charge against the appropriation available..."

Now, as a lawyer and as the deputy minister, I am led to believe there were no written instructions given to the Department of Justice to request a legal opinion.

• (1330)

Ms. Margaret Bloodworth: No.

Mr. John Williams: Is that normal practice for a lawyer, Ms. Bloodworth?

Ms. Margaret Bloodworth: It's certainly not unusual.

Mr. John Williams: Not unusual?

Now, you asked—if his verbal instructions were properly received—"as to what are the amounts that need to be recorded as a charge against the appropriation". He didn't give a philosophical answer; he zeroed right in on this one particular point of \$23 million, and then came up with a point, a highly technical rationale, to say "not appropriate".

The legal point of view you requested was a broad-based question "as to what are the amounts needed to be recorded"? So he didn't give you what you asked for. Why? Why did you accept this?

Ms. Margaret Bloodworth: I guess I don't agree he didn't give me what I asked for. I'm not sure I understand the question.

Mr. John Williams: You obviously asked for what happened to the \$23 million—how to account for the \$23 million. You asked "what are the amounts that need to be recorded as a charge". That's a fairly general, open-ended question that you asked. You didn't get the answer to what you asked for, if this is true, yet you accepted it. It seems fairly sloppy to me, Ms. Bloodworth.

Ms. Margaret Bloodworth: I guess I don't agree with the premise of the question.

Mr. John Williams: You don't agree with the premise of the question.

Then we have verbal agreements that are written down by one side of the transaction, and then somebody says it's not a contract. We also have this statement here, the agreement in principle, with no dates. Is this how you run your department?

Ms. Margaret Bloodworth: I was not involved in the agreement in principle, so I can't question it.

Mr. John Williams: No, no, but in your department, Ms. Bloodworth. Is this—

Ms. Margaret Bloodworth: No, not in my department, Mr. Williams, but in the Firearms Centre and the public works department.

Mr. John Williams: This is Public Works letterhead.

Ms. Margaret Bloodworth: Yes, and I'm not with Public Works.

Mr. John Williams: You were not with Public Works?

Ms. Margaret Bloodworth: I've never been with Public Works.

Mr. John Williams: Well, I find it rather extraordinary, Mr. Chairman, that they have gone through all kinds of contortions here to try to justify keeping Parliament in the dark. Mr. Pigeon says that "The hallmark of a 'debt' is that it is a claim of sum certain of money. Absent a legally binding and enforceable agreement, how could one ascertain what reasonable amount should be paid?" And yet all through the document, the figure is \$23 million or thereabouts.

You knew exactly what you had agreed to. The department knew what it had agreed to. Why is there the big kerfuffle about whether this is a debt and so on? Why was it so important?

Ms. Margaret Bloodworth: Because, Mr. Williams, there were people proposing to change the accounting treatment from what had been the case before, so obviously it was not a clear-cut accounting issue, or presumably the accountants the year before would have done it in a clear-cut way or differently. So—

Mr. John Williams: Did the Auditor General point out the change?

The Chair: Let her continue her response.

Ms. Bloodworth.

Mr. John Williams: I thought she had finished.

Ms. Margaret Bloodworth: No, I was actually in the middle of a sentence.

So I knew the issue was not clear cut; I knew it was complicated, which was the very reason I wanted to make sure that all of those who might have had something valuable to add were at the meeting, and I also wanted to make sure that all options had been canvassed, which I consider my job.

Mr. John Williams: Okay, well, let me change tactics here a little bit.

Did you ever discuss this with a political minister?

Ms. Margaret Bloodworth: Not before the legal opinion. I believe I had a brief discussion with the minister's chief of staff, when it became apparent there was a possibility of supps.

Mr. John Williams: The legal opinion would have come down on around February 9, 2004.

Ms. Margaret Bloodworth: Yes, and as he makes clear, we knew his thinking before that—even by the Thursday. I don't recall, but I would say it was likely that I had some discussion at some point in those few days with the minister.

Mr. John Williams: Is that it?

The Chair: Yes, we're going to move on.

Mr. John Williams: I was just getting started, Mr. Chair.

The Chair: You may have an opportunity to come back, I understand.

Mr. Bains, for eight minutes.

Hon. Navdeep Bains: Thank you very much, Chair.

I thank all the witnesses for coming out.

Ms. Bloodworth, I have a quick question. Could you just outline very briefly your experience in the public service and your background in terms of your experience or career thus far?

Ms. Margaret Bloodworth: I said I am a lawyer by profession. I first started as a lawyer with the Canadian Transport Commission, which changed names a few times, but I was there for about 10 years. I then moved to the Privy Council Office, where I was assistant secretary of legislation and house planning, and counsel; and then I became deputy clerk, security and intelligence, and counsel, for the Privy Council Office. I then moved to become associate deputy minister of transport, then Deputy Minister of Transport. I was there for five and a half years, and then I was Deputy Minister of National Defence for a couple of years, and since then have been Deputy Minister of Public Safety and Emergency Preparedness for almost two and a half years.

• (1335)

Hon. Navdeep Bains: So you have a wealth of experience, based on what you've just highlighted there.

Based on your experience, when you encountered the situation, you felt it was a complex situation; hence, you asked for legal advice, right? Based on your experience in the past, you realized it was something that required legal advice. In fact, you indicated in your earlier remarks that there was a notion to change the status quo, in terms of the accounting aspect, so you wanted to see what the various options were, based genuinely on the complexity of the issue, and that's why you asked for legal advice.

Ms. Margaret Bloodworth: It was a complex issue. I didn't start by seeking legal advice; I started by asking those involved questions about what the issue was and why we were proposing change. It was after those discussions that I concluded that a legal opinion would be helpful. However, before asking for a legal opinion, I did talk with Mr. Baker, who was the person accountable for the money, and he didn't have any objection, so I then went ahead and did that.

Hon. Navdeep Bains: During those discussions, were there any discussions with political entities? Was there any discussion with the ministers at that time?

Ms. Margaret Bloodworth: Not at that time. As I said, there may have been a brief discussion with the minister's chief of staff, just to the effect of whether all the options had been looked at.

Hon. Navdeep Bains: So there was no political interference whatsoever at that time?

Ms. Margaret Bloodworth: No—or at any other time, for that matter.

Hon. Navdeep Bains: Once you had those discussions, you asked for legal advice. In your opinion, you felt that was the best course of action, based on the complex nature of the accounting. Is that correct?

Ms. Margaret Bloodworth: Not just the accounting, but the whole issue, yes.

Hon. Navdeep Bains: The whole issue itself.

Then you indicated here that the reason for the accounting was the context of this problem, or this issue, was that there was this notion that there might be need for supplementary estimates. That's what was really driving the concerns—was there a need for a

supplementary estimate, and was that the subsequent fallout from the accounting? So there was an accounting component to it, and the fallout from that would be that if we were to book in a certain method, there would be a need for supplementary estimates. Is that fair?

Ms. Margaret Bloodworth: If the decision had been made to change the accounting treatment, the result would have been that supplementary appropriations would have been required, yes.

Hon. Navdeep Bains: That was phase two. That was not part of the initial discussion. Or was that part of the initial discussion?

Ms. Margaret Bloodworth: Well, it was intimately wrapped up with it. I'm not sure you can distinguish the two.

Hon. Navdeep Bains: Okay, so it was all continuous at one time.

Basically, as indicated by the members opposite, there was no crisis, but this was just simply a complex issue that required, in your opinion, based on the discussions that took place, legal advice that you sought. Is that correct? There was no crisis per se.

Ms. Margaret Bloodworth: There was no crisis, but there was certainly a need to proceed expeditiously because the deadline for supplementary estimates, should it be decided that was the route to go, was very shortly thereafter—I don't know which date it was, but it was only a few days after.

Hon. Navdeep Bains: Okay. So it was complex, but there was no crisis, and there was no political interference whatsoever.

Ms. Margaret Bloodworth: No.

Hon. Navdeep Bains: Thank you very much. That's all.

The Chair: Are you through, Mr. Bains?

Okay, Mr. Williams, we're treating you well today.

Mr. John Williams: I'm doing well today, Mr. Chair. Thank you again.

Ms. Bloodworth, going back to this meeting regarding the accounting treatment, Mr. Wiersema was there, and yet you said he didn't say anything. This is, presumably, a serious issue regarding accounting and not lawyers, because, as you said, you're not an accountant and you needed somebody else's opinion. Did you say Mr. Wiersema said nothing?

Ms. Margaret Bloodworth: He said nothing that I can recall at all, and certainly nothing of any substance.

Mr. John Williams: Mr. Chairman, with your indulgence, I would like you to stop the clock. I would like to bring Mr. Wiersema forward, since he's in the crowd, and see what he has today.

The Chair: Mr. Williams, Mr. Wiersema already testified at the hearing.

I would prefer to deal with that after, if we want to recall Mr. Wiersema, and that's the view of the committee. We're not going to call witnesses back and forth in the middle of a hearing.

Mr. John Williams: We've done it before, Mr. Chairman. We've brought witnesses forward many times.

The Chair: Why don't we leave it until after this?

Mr. Mike Lake: Mr. Chairman, the fact of the matter is the only reason they weren't sitting together at the table together last time was because Ms. Bloodworth couldn't be here, so....

The Chair: I realize that, Mr. Lake, but again, we had ample opportunity to....

Would Mr. Wiersema say anything different from what he said last week?

• (1340)

Mr. John Williams: I don't know.

The Chair: So there's no point in coming back, but again I'm bound by the rules of the committee.

Mr. John Williams: I will move, Mr. Chairman, that we invite Mr. Wiersema to the table.

Mr. David Sweet: I will second that.

The Chair: Okay. That is a motion, which is relevant to the proceedings.

(Motion agreed to)

The Chair: I invite Mr. Wiersema to come to the table.

Mr. John Williams: Of course, advise him of the oath thing and all that.

The Chair: I think Mr. Wiersema has already been advised of that, Mr. Williams. He was in the room.

Mr. John Williams: Mr. Wiersema, you have heard the testimony of Ms. Bloodworth, who said you were at the meeting regarding the supplementary estimates, or whether there should be some regarding the accounting treatment of this amount of money, and she says you didn't speak up. What do you say?

Mr. John Wiersema (Deputy Auditor General, Office of the Auditor General of Canada): Mr. Chairman, if I may, I'd like to make a couple of comments.

Firstly, Mr. Pigeon, whose opinion you now have, refers to an interdepartmental meeting held on February 5. I don't believe I was in attendance at that meeting. I believe I was in attendance at a subsequent meeting that, as indicated in the Auditor General's report, was held later in February, approximately sometime in the middle of February. So I wasn't involved in the initial meeting at which Mr. Pigeon's opinion was requested.

At the subsequent meeting, as I indicated in my testimony at the last hearing, Mr. Chairman, I believe my position on the matter was the reason the meeting was called—the fact that I was not comfortable with the position that was being proposed to not seek supplementary estimates. Mr. Chairman, I believe my position was known. It was clear to me, as I indicated in my last testimony, that the discussion at that meeting was the discussion of the political considerations of seeking supplementary estimates.

Indeed, it is with some trepidation that I say this. Early in the meeting Madam Bloodworth indicated that she was unable to recommend that the minister seek supplementary estimates because it would have implications for the pending federal election, which was the 2004 election. So at that point it was clear to me that political considerations were the determining factor in that meeting,

and I didn't feel it was necessary to restate my position. My view was not going to carry the day.

Mr. John Williams: Madam Bloodworth, did you invoke political considerations for your decision?

Ms. Margaret Bloodworth: No.

Mr. John Williams: There were two legal opinions on this issue. There was a long one by Mr. Pigeon, and there seems to have been a shorter one by Mr. Yvon Besner on February 3, saying that you couldn't avoid appropriations. How many legal opinions do you need, or do you just go and get the one that you like?

Ms. Margaret Bloodworth: Well, I think I've already answered that, Mr. Chairman.

Mr. John Williams: I asked you a question. How many do you need, or do you keep asking to get one that you like?

Ms. Margaret Bloodworth: I ask for the ones I believe I need.

Mr. John Williams: Mr. Judd, did you ever discuss this with your political masters—ministers and so on?

Mr. Jim Judd: I certainly discussed the Firearms Centre generally, I think, in the context of the review by then Minister Guarnieri. The review had been commissioned around the turn of the year. But I do not recall discussing this issue with a minister, no.

Mr. John Williams: Is that “No, I didn't, or “Perhaps I did, but I don't recall”?

Mr. Jim Judd: No, I do not recall discussing it with the minister.

Mr. John Williams: But it's not a complete and absolute guarantee?

Mr. Jim Judd: I have no recollection of any discussion with the minister about this issue.

Mr. John Williams: It seems, Mr. Chairman, that there was some political involvement here, in my perception. Everybody's skating around it, but I really can't understand why they are so reluctant...or why it was so difficult.

Mr. Wiersema, let me just ask you a simple question. I think it's a simple question. You're an accountant, you deal with these matters all day long, and you were the acting accountant for the Government of Canada as the Comptroller General. Did you see this as a complex, difficult decision?

Mr. John Wiersema: No, I did not, Mr. Chairman. As I indicated in my testimony last week, for me the matter was relatively straightforward. The contractor had been asked to perform work by senior government officials. The contractor was going to be paid. It was very clear to me that there was a liability. In my experience in government, that liability should be charged against the appropriation.

I would point out as well that if the government were to accept the distinction made in Mr. Pigeon's opinion between liability and debt, I would have expected it to result in changes to the Treasury Board's PAYE policy, the instructions to government departments on how to record those liabilities at year-end. This issue took place in 2004. Mr. Pigeon's opinion is dated 2004. We're now well into 2006, and to the best of my knowledge, there have been no changes to the government's PAYE policy to give effect to the distinction Mr. Pigeon was making.

• (1345)

Mr. John Williams: And the amount was determined or agreed by the two parties?

Mr. John Wiersema: There was some discussion around the amount; there was some uncertainty around the amount. My view was that the best estimate of the government's liability for the amount to be paid should have been recorded and charged against the appropriation.

Mr. John Williams: Okay, because there was an agreement between the two parties?

Mr. John Wiersema: Because the work had been done and the contractor would be paid.

When I asked the question, Mr. Chairman, what would happen in the event the government somehow refused to make this payment, or if Treasury Board approval were not sought and the matter became litigious, I was advised that the government would lose and would have to pay the amounts in question.

Mr. John Williams: You said the work had been performed, the goods had been received, the services had been rendered. There was no dispute, the government intended to pay, so there was no reason. It's a fairly simple, cut and dried thing. Why would you—

Mr. John Wiersema: I have dealt with far more complex accounting issues, Mr. Chairman.

Mr. John Williams: Now, Mr. Pigeon says he spoke to you, Mr. Wiersema, and clearly Mr. Pigeon knew your opinion, I presume?

Mr. John Wiersema: I believe he did, Mr. Chairman.

Mr. John Williams: Okay.

Madam Bloodworth and Mr. Judd, we're talking about \$23 million.

Mr. Judd, especially, you dealt as a central manager of the Government of Canada with \$200 billion, give or take....

Why did \$23 million, Ms. Bloodworth or Mr. Judd, become such a big deal?

Ms. Margaret Bloodworth: Mr. Chair, there has never been any issue related to the Firearms Centre that I'm aware of in the last 10 years that has not been controversial.

The Chair: Mr. Judd, do you have anything to add to that?

Mr. Jim Judd: The issue was to whether or not there should be a bucking in supplementary estimates in this instance. But as Madam Bloodworth said, the Firearms Centre did tend to attract attention more generally.

Mr. John Williams: Really?

The Chair: Thank you very much, Mr. Williams.

I have a few questions.

It's not clear to me, Mr. Judd, but were you at any of these meetings that we're talking about?

Mr. Jim Judd: Not that I'm aware of, no.

Ms. Margaret Bloodworth: I don't believe he was at any meeting that I chaired. It was Ms. Cartwright who was there and Mr. Wiersema, and their staff.

The Chair: Ms. Bloodworth, going back to these meetings, you went around the table. From your recollection, were there people saying that it should be appropriate this year? Were certain groups saying no? Give us the gist of what the discussions were.

Ms. Margaret Bloodworth: First, Mr. Chairman, I would say I was coming in at the tail end of this issue, if you like, and I certainly knew there had been issues and people held views on both sides of that.

The Chair: Did you know Mr. Wiersema's view at that time?

Ms. Margaret Bloodworth: I did not know his view personally. I'm not surprised to hear what it was because I knew there was...and I assume some of that was...although I believe the issue was first identified within the Firearms Centre and their financial people. I certainly was not surprised there was an issue, and indeed my goal in this—the reason to hold the meeting—was to make sure we had canvassed whatever options there were. I never assumed that a legal opinion on its own would be the only issue. There might well be other issues, and therefore I wanted to make sure, before any final decisions were taken, that there was an opportunity for those issues to be considered by the senior people around the table.

The Chair: Can you clarify for me as to why...? I'm looking for a pecking order as to who would have the last say. The buck would stop at someone's desk, to say this was going to be appropriated for and we're going to seek supplementary estimates, or it's going to be treated in some other manner. It would appear that the buck stopped at Mr. Baker's desk. He was at the deputy minister level. You were at the deputy minister level. How come you were involved in the pile? I guess that's my question.

Ms. Margaret Bloodworth: It has to do with the fact that it's a portfolio. With respect to Public Safety—now it's Public Safety, but it was the Public Safety and Emergency Preparedness portfolio—there is a minister responsible for it, but there are at least six major organizations. Overall, it's 52,000 people and an over \$5 billion budget, which is the largest civilian budget in government, but it's spread among a number of different agencies. There is a department, which is a relatively small organization within the portfolio, and one of their main jobs—certainly one of my main jobs as deputy minister at the time—was to be the senior public service adviser to the minister about all complex issues in the portfolio.

Mr. Baker is quite right. In the end, if Mr. Baker had concluded that he had to seek supplementary estimates, that was his decision. Basically, my role was to ask: have all the issues been considered?

• (1350)

The Chair: You weren't Mr. Baker's senior. You had no supervisory function over him.

Ms. Margaret Bloodworth: No. Mr. Baker reports directly to the minister, or did at the time.

The Chair: So whatever decision was made, it was his decision and, at the end of the day, his decision alone.

Ms. Margaret Bloodworth: Yes, although in this case if he made the decision he did and people didn't like it, there were enough people who knew. I assume somebody at the Treasury Board would have had something to say and ministers would have had something to say. It's perhaps overly simplistic, but I agree that in the end the deputy minister is the one who first decides whether or not to recommend the supplementary estimates.

Mr. John Williams: On a point of order, Mr. Chairman, remember Mr. Baker did ask for the supplementary estimates and that it all fell apart from that point forward.

Mr. Brian Fitzpatrick: But he didn't bring it to your attention. He did this on his own?

The Chair: Hold it.

Mrs. Ratansi, do you have something to ask me?

Ms. Yasmin Ratansi: No. I wanted to ask Mr. Wiersema a question.

The Chair: Because Mr. Wiersema was brought up before, I'll allow a minute for a question from you, a question from Mr. Christopherson, and a question from Mr. Nadeau—only to Mr. Wiersema because that's fair.

Ms. Yasmin Ratansi: Mr. Wiersema, you are a CA by profession. With respect to your recollection of the meeting you had in which you had stated your position, do you keep a record or a diary? Do you remember exactly what you said at that meeting?

Mr. John Wiersema: No, Mr. Chairman, I don't remember exactly what I said at that meeting. That was over two years ago, and as was established at the last hearing, there were no records of that meeting—something I regret in hindsight now.

Ms. Yasmin Ratansi: You stated—if I read the blues—that this was the opinion you presented to a meeting that Ms. Bloodworth was at. I'm a little confused. Could you explain how you had such a good recollection?

The Chair: That's it, Ms. Ratansi.

Mr. John Wiersema: As I indicated last time, Mr. Chairman, I received a call from my office late one afternoon indicating that Madam Bloodworth had convened a meeting for that evening, that she'd insisted that I be in attendance at that meeting. I believe that my view was known before, during, and after that meeting. And I consistently maintained that view. I believe it was known by all participants in the meeting. I didn't believe it was necessary to restate my view, but it became very clear to me that it was not my view that was going to carry the day. Nor was it the proper accounting that was going to carry the day in terms of the debates or the decision.

The Chair: Mr. Christopherson.

Mr. David Christopherson: Thank you, Chair.

I want to follow up with Mr. Wiersema.

I believe you said that you were at a meeting at which the statement was made that there was election consideration? I just want to take you back to that and ask you to restate it for me and identify who said it.

Mr. John Wiersema: I can almost quote the statement because it did stand out in my mind. I believe Madam Bloodworth made the comment: I cannot recommend that to my minister; it will have implications for the upcoming election. That was in reference to seeking supplementary estimates.

Mr. David Christopherson: Right.

Mr. John Wiersema: And it was at that point that it became clear to me that my view was not going to carry the day on this. I communicated my position and my discomfort with what was happening to Mr. Judd, who was my boss at that time, and as I indicated last week at the testimony, this was ultimately a major factor in my decision to resign from that position.

Mr. David Christopherson: I'd love to give you the opportunity to respond, but I don't have any more time.

The Chair: Mr. Nadeau, Monsieur Loubier, do you have anything—to Mr. Wiersema only?

[*Translation*]

Mr. Richard Nadeau: Mr. Chairman, I would like to ask you a question, since I am new to the committee.

May I give my time to anyone at the table?

[*English*]

The Chair: I suppose, Mr. Nadeau.

[*Translation*]

Mr. Richard Nadeau: Mr. Williams, do you want to make any additional comments on this issue?

[*English*]

The Chair: To Mr. Wiersema.

Mr. John Williams: Thank you, Mr. Chairman. This is very nice indeed. This is really collegial today.

My question is to Mr. Wiersema. You had written a letter that has been circulated to all members, but you didn't send the letter. If I can paraphrase the letter, which was to Mr. Pigeon, QC, senior general counsel and head of legal services, basically you say, you look at legal matters and I will look after accounting matters and that's the way it shall be. Then in a memo to Mr. Kenneth Wheat, cc John Morgan and Jim Libbey, you said you had decided not to send the memo to Mr. Pigeon and you mentioned some developments.

Why didn't you send the letter to Mr. Pigeon?

Mr. John Wiersema: To clarify, if I may, Mr. Chairman, on what I said in that memo, I said, this is your legal opinion, it's an interesting legal opinion; my view as to the accounting remains and will remain clear. And I restated my position as to the proper accounting for the matters dealt with.

Mr. Pigeon sent me that opinion late in February. Up until that point I'd received copies of the opinion from my staff, but I had not received a copy of the opinion directly from Mr. Pigeon. It was available to us in the meeting that we had in mid-February where we discussed it. Mr. Pigeon subsequently sent it to me at the end of February. I initially reacted quite negatively to him having done that. I felt the need to respond for the record. I drafted the response that Mr. Williams has referred to. I circulated it to selected members of my staff at that time as well as to Madam Cartwright for some comments. I spoke to Madam Cartwright about it. She reminded me, at that point, that the decision had been taken, the window for the supplementary estimates had been closed, I had lost the battle, and there would be no further point in me sending the memo at that point.

The other thing I would point out, Mr. Chairman, is at that point I had already resigned my position from the secretariat. I resigned my position from the secretariat on February 17, which is about a week before I'd formally received the opinion from Mr. Pigeon.

So in the end, I decided not to send it because I was advised not to and because I was concerned it would be viewed as sour grapes on my part.

• (1355)

The Chair: Thank you very much, Mr. Wiersema.

What I'm going to do now is ask Ms. Bloodworth, Mr. Judd, and Mr. Shearer whether they have any closing remarks.

Ms. Margaret Bloodworth: The only comment I would make, Mr. Chair, is that I have many times over the course of my career, and I suspect over the coming course of my career, given advice to ministers that was not what they wanted to hear. And, frankly, if I didn't do that, I wouldn't be much use to them.

The Chair: Mr. Judd, do you have anything to add to what was said here today?

Mr. Jim Judd: No, Mr. Chair.

The Chair: Mr. Shearer, Mr. Sano, Mr. Leslie, do you have any closing remarks?

Mr. John Shearer: Nothing, Mr. Chair.

The Chair: Okay.

Do you have any final comments, Mr. Wiersema?

Mr. John Wiersema: No, Mr. Chair.

The Chair: Before we adjourn—the witnesses can be excused—Members, we're going to deal with the ratification of the minutes of the steering committees. I'll ask you to remain around.

I want to thank the witnesses for appearing here today.

Mr. David Christopherson: Is it the steering committee?

• (1400)

The Chair: Colleagues, the last item we're going to deal with is the ratification of the minutes of the meeting of the Subcommittee on Agenda and Procedure, which was on Tuesday. They've been circulated. I'll just go over them very briefly. The first item is basically the agenda for the next two weeks. What the steering

committee has decided is to attempt to write reports on chapters 5, 7, 8, and a special chapter on accounting, and that's what we'll start at our meeting next Tuesday.

Also, at the last meeting there was discussion on the chapter regarding Indian Affairs and Northern Development. The deputy minister was not in attendance. He did call me right after the meeting and he said he would be here. I brought this up at the steering committee and it was confirmed at the steering committee that we would invite him to appear. He's been confirmed from 11, but that should be a fairly brief appearance. I wouldn't want to waste a whole lot of time on that issue, but I think it is important that he attend.

On the next item, Members, we had a discussion on the briefings that we've been having over the last couple of weeks and we felt that they did not take the form we intended they should take and we've decided to discontinue them. At present, we may revisit it in a different format. Later on, maybe we'll just call the Auditor General's office—it depends on the topics we're dealing with—but right now we felt that, hey, they are much more formal than we thought and the members weren't really using them for a briefing; they were using them more for the substance of the report.

The third item is the round table on the committee's effectiveness and efficiency. That has been scheduled for Thursday, June 22. That would be the last meeting we would schedule. Depending on how Parliament does, we could continue, but we won't schedule anything after Thursday, June 22.

Mr. Christopherson.

Mr. David Christopherson: I have a comment on that, so there are no surprises. As it stands now, I may not be here for that discussion. I mention that because I was one of those who was most enthusiastic. If you see my absence, it's not that I don't care; it's because I'm elsewhere.

The Chair: Is there any discussion on the minutes that have been circulated?

Mr. John Williams: Mr. Chair, we're not going to have any more hearings of witnesses between now and then—

The Chair: It all depends how we make out, Mr. Williams. We can. We have only taken away the June 22 meeting. We have three possible meetings. We don't know how we're going to make out, but you're quite right. If we get these reports done, and we'll be starting them on Tuesday—I can't see us doing them all in one meeting, so it will be two meetings minimum. But if we get them done next week, then we can have a hearing on Tuesday, June 20. We can do that.

Chapter 4, “Canadian Firearms Program” is our next one on the priorities.

Mr. John Williams: Firearms again? Wow. It never goes away.

The Chair: Is there any further discussion?

If not, I'll entertain a motion for their acceptance. Is someone prepared to move that? Mr. Watson has so moved.

(Motion agreed to)

The Chair: The meeting is adjourned.

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

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

**Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :
<http://www.parl.gc.ca>**

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

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