



House of Commons  
CANADA

## **Standing Committee on Public Accounts**

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PACP • NUMBER 032 • 1st SESSION • 39th PARLIAMENT

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**EVIDENCE**

**Thursday, December 7, 2006**

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**Chair**

**The Honourable Shawn Murphy**

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## Standing Committee on Public Accounts

Thursday, December 7, 2006

• (1535)

[English]

**The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)):** I'd like at this point in time to call the meeting to order and to welcome everyone here.

This meeting is called pursuant to the Standing Orders and we're dealing with chapter 5, "Relocating Members of the Canadian Forces, RCMP, and Federal Public Service".

We have quite a host of people, and I will get the individuals to introduce their own associates when I call upon them to speak.

Monsieur Laforest.

[Translation]

**Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ):** I have a point of order, Mr. Chairman.

At our last meeting, the committee members agreed to vote on a list of people. You told us that we did not need to do that in the case of Mr. Marshall, the Deputy Minister of Public Works and Government Services, given that he was invited to be here today.

Given that he is not here, but that it is still just as important to have him come, I think that we should immediately adopt a motion to have Mr. Marshall appear as a witness at our next meeting.

[English]

**The Chair:** If I may, I was going to mention this in my remarks, Monsieur Laforest.

On that particular issue, you're quite right. Mr. Marshall was invited to attend and Mr. Marshall did agree to attend and he was of course scheduled to be here. I did receive a phone call late yesterday afternoon from Mr. Marshall indicating that he had been scheduled for surgery out of town and he was called and it's being done today. In fact, it was out of the country, actually. Given that, and that there will be a week of recuperation, I didn't think I had any choice. He did indicate his associate deputy minister would be here and that his associate would be fully briefed on the file.

The way I would like to handle it is I would like the meeting to proceed. At the end of the second meeting, if we feel, as a committee, collectively, that we need the attendance of Mr. Marshall, he is certainly willing to come before the committee. That is something we could probably better deliberate upon at the end of the second meeting.

[Translation]

**Mr. Jean-Yves Laforest:** Although the deputy minister told you that the people replacing him know the file just as well as he does, we do not have any guarantee that these people were there when the decisions were made.

Given that this is an important issue, that hundreds of millions of dollars are involved and that we had agreed that the deputy minister was to appear to answer our questions, I believe that it is important that he come here himself. I am proposing this motion and I would like the committee members to be able to vote on it.

• (1540)

[English]

**The Chair:** I agree with you that we should vote on it, Mr. Laforest, but I would like to have the vote at the end of the second meeting. At that time we'll be better able to determine whether or not we do need him. Again, there is nobody more determined than me to get deputies here, but in this case he did inform the committee that he was scheduled for surgery, and I certainly accepted that. We couldn't cancel the meeting.

What I would like to do is this, Mr. Laforest. I accept your points; they're all valid. But I believe the motion should be voted upon at the end of the second meeting, because Mr. Marshall is not going to be here today, as you can see, and he's not going to be here on Tuesday. At that point in time we'll all be able to make an informed decision, collectively, on whether or not we want to hear from him.

Mr. Williams, do you have a comment on this issue?

[Translation]

**Mr. Jean-Yves Laforest:** Mr. Chairman, I would like to point to you that witnesses have seen Mr. Marshall in his office today. I do want to move my motion.

[English]

**The Chair:** I can't comment.

Mr. Williams.

**Mr. John Williams (Edmonton—St. Albert, CPC):** Thank you, Mr. Chair.

If Mr. Marshall is having surgery, first of all, I'm sure the entire committee wishes him well and a speedy recovery. I hope it's not serious.

The second point is that once we have determined we're going to have a hearing on a subject, we normally leave it up to the clerk to determine when the meeting will be held. I agree with Mr. Laforest. Having the deputy here on a serious matter involving hundreds of millions of dollars is important.

I'm trying to find out why we insist on having these meetings when these people can't show up. Why don't we have the clerk schedule the meetings with the witnesses we want, so we don't run into this problem of all these people and members of Parliament here when the important witnesses can't be?

I think we have to get this organization going, Mr. Chairman. I would like to talk to Mr. Marshall. He has some explaining to do on behalf of his department. If we're going to be prevented from that because we, as a committee, without consulting the witnesses, said the meeting has to be today, then we're as much at fault as he or anybody else.

Perhaps we should think these things through and ensure that the committee does work well and gets the job done properly.

**The Chair:** In response to Mr. Williams, he did call late yesterday afternoon. I didn't feel it was appropriate to cancel the meeting at that late notice.

Mr. Laforest, are you prepared to leave the voting until the end of the second meeting?

[Translation]

**Mr. Jean-Yves Laforest:** Mr. Chairman, I want the vote to be held at the end of the first meeting, that is, today.

[English]

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

Mr. Fitzpatrick.

**Mr. Brian Fitzpatrick (Prince Albert, CPC):** Yes. I've given the clerk a document. I want it tabled and circulated to the committee. It pertains to one of our previous meetings. I think, without a doubt, it resolves an issue we had some serious disagreement on, which was whether the minister, Anne McLellan, was briefed on the firearms issue. It's a letter from William Baker to the Honourable Anne McLellan dated January 30, 2004. The second paragraph on the second page, without a doubt, shows she was fully briefed. I'd like that document circulated to all committee members.

**The Chair:** Thank you very much, Mr. Fitzpatrick.

**Mr. Brian Fitzpatrick:** And it's in both official languages.

**The Chair:** Monsieur Proulx.

**Mr. Marcel Proulx (Hull—Aylmer, Lib.):** You let Mr. Fitzpatrick finish, but in fact he was out of order. This meeting has been convened to discuss chapter 5, not the previous report.

Thank you anyway, Mr. Chair.

**The Chair:** Mr. Proulx, let me rule on that.

Mr. Fitzpatrick is entitled to table the document. I assume it's in both official languages. We accept it for tabling and for no other purpose. I'm not going to hear any more comments on what is in the document. The document, I assume, will speak for itself.

Anybody else? Okay then, we're going to move on, people.

Before we call upon the auditor for opening remarks, I want to make a couple of comments if I may. I want to remind all members that this is a committee of accountability; it's not a committee of management. We're here at this meeting to review the operation of the government insofar as this particular instance has occurred. We're looking at the issues of prudence, probity, efficiency, economy, and whether taxpayers' money was spent wisely. We're dealing with an issue of procurement and government contracting policies and whether the rules were followed and the principles of transparency and fairness adhered to.

We understand we have two representatives from Envoy. They're not here today. They're coming next Tuesday. I just want to remind the members of the committee—and I wanted to do it at the first opportunity—that those companies were not audited by the Auditor General. It's not our mandate to go outside the activities of government. However, these witnesses may corroborate or explain deficiencies in certain government contracting practices.

We're certainly not a committee of adjudication or retribution, and certainly I hope we don't get into such issues. I urge members to stay focused.

• (1545)

**Mr. John Williams:** I'm perplexed that we're bringing the private sector people into this investigation.

**The Chair:** As am I, Mr. Williams.

**Mr. John Williams:** Quoting the Auditor General, she states specifically that "it must be noted that our conclusions about management practices and actions refer only to those of government departments." She did not audit them, she did not ask them very much in the way of questions, because that's not her responsibility. As we know, she cannot go outside government in her audit. Therefore, I'm at a loss to try to understand why we are now bringing in the private sector to have them answer these questions, because it is not within our purview, Mr. Chairman. Our job is to hold the government accountable.

If the government made a mistake in awarding a contract, then the government has to explain itself, which is why it would be nice if Mr. Marshall were here. But if they submitted the contract in accordance with a request for a proposal, and if the government made a decision to give them the contract, then they have nothing to say. If the government failed to administer the contract properly and ensure that all documentation was in order, they have nothing to say on that matter either. So I am actually at a loss to find out why they're coming here. Perhaps someone can explain that to me, Mr. Chair.

**The Chair:** Mr. Williams, very briefly, that was a vote at the last meeting. You weren't here when they voted to add those two witnesses to the witness list. I agree with your comments, by the way, but that's how they came to be here, so I'd rather continue on with the hearing.

Mr. Christopherson, do you have anything to add to this?

**Mr. David Christopherson (Hamilton Centre, NDP):** I didn't know whether you were going to entertain discussion on whether or not we were going to continue with those witnesses. From the comment you've just made, I assume that the motion passed and it stands the way it is.

**The Chair:** Yes.

Ms. Fraser, you have an opening comment. Perhaps I'll ask you to introduce your associates too.

**Ms. Sheila Fraser (Auditor General of Canada, Office of the Auditor General of Canada):** Thank you, Mr. Chair.

We thank you for this opportunity to present the results of chapter 5 of our November 2006 report. It's entitled "Relocating Members of the Canadian Forces, RCMP, and Federal Public Service".

I am accompanied today by Ronnie Campbell, Assistant Auditor General, and Bruce Sloan, senior principal, who were responsible for this audit.

In 2005 the integrated relocation program handled the relocation of approximately 15,000 members of the Canadian Forces, the RCMP, and the federal public service, at a cost of about \$272 million. Members of the Canadian Forces account for almost 85% of these relocations each year.

[*Translation*]

Our audit has raised a number of important issues regarding the integrity of the contracting process that led to the awarding of the two relocation contracts, and regarding the Department of National Defence's control of funds expended under the program. Our audit also raised concerns regarding the assessment of the program's effectiveness. Let me elaborate on these issues.

Government contracts should be awarded through a process that is fair, equitable, and transparent. We found that these contracts were not awarded through such a process, despite various warning signs. The request for proposal contained materially incorrect business volumes that gave an unfair advantage to the bidder who had the previous contract.

The request for proposal indicated that for each year of the contract, approximately 7,200 members of the Canadian Forces would use property management services. However, actual usage volumes provided by the Department of National Defence revealed that between 1999 and 2005, only 183 members, or approximately 30 members a year, used property management services.

It is essential to the integrity of government contracting activities that data contained in key contracting documents, such as the request for proposal, be complete and accurate. This is particularly important when one of the potential bidders is currently delivering the service under an existing contract.

• (1550)

[*English*]

The committee may wish to ask the Department of National Defence how it certifies the accuracy of data provided to Public Works for inclusion in requests for proposals. The committee may also wish to seek clarification from Public Works regarding how it verifies information provided by client departments when concerns are raised by potential bidders.

In our audit, we found that the Department of National Defence has inadequate financial controls in place for reimbursing the contractor for payments made on the government's behalf. The contractor is responsible for issuing advances to Canadian Forces

members and payments to various service providers, such as realtors, lawyers, appraisers, and home inspectors. In 2005 these expenses were almost \$180 million.

During the audit, National Defence indicated that it had begun to develop systems and processes that would strengthen its control over these payments. The committee may therefore wish to ask the Department of National Defence what steps have been taken to strengthen the department's control over these expenditures, and when this work will be completed.

In our audit, we also found that rates paid by the members of the Canadian Forces for property management services exceeded the ceiling rate established in the contract. Some Canadian Forces members paid amounts ranging from \$800 to \$8,000 for a service that the contract indicated would be provided at no charge. The committee may wish to ask the Department of National Defence what steps will be taken to ensure that these members are reimbursed the amounts that they paid for property management services.

[*Translation*]

A key objective of the Integrated Relocation Program is to provide members of the Canadian Forces, RCMP and federal public service with flexible relocation benefits that improve their quality of life. In our audit we found no evidence that the Treasury Board Secretariat, or the other departments, formally measure the program's performance.

The committee may wish to ask the departments what steps will be taken to measure the program's effectiveness in providing flexible relocation benefits that contribute to an improved quality of life.

Mr. Chairman, that concludes my opening statement. We would be pleased to answer your committee's questions.

[*English*]

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

I'm now going to call upon Ian Bennett, who is the acting assistant deputy minister with the Department of Public Works and Government Services.

Mr. Bennett, welcome to the committee. Also, perhaps I'll ask you to introduce your associates who are here with you today.

**Mr. Ian Bennett (Acting Assistant Deputy Minister, Acquisitions, Public Works and Government Services Canada):** Thank you, Mr. Chair.

Allow me to introduce Liliane Saint Pierre, who is the executive director of operations at the acquisitions branch of Public Works and Government Services. As well, I'm accompanied by Christianne Laizner, the senior counsel to Public Works and Government Services.

[Translation]

Mr. Chairman and members of the committee, I would like to thank you for inviting us to discuss chapter 5 of the Auditor General's report entitled "Relocating Members of the Canadian Forces, RCMP and Federal Public Service."

[English]

The integrated relocation program provides a variety of administration and relocation assistance to federal public servants within the Canadian Forces and the Royal Canadian Mounted Police. It is a mandatory program for members of the Canadian Forces and the RCMP, public service executives, deputy ministers, Governor-in-Council appointees, and public service employees represented by unions. In fiscal year 2005-06, the program handled over 17,000 relocations. The total flowthrough costs of this program, Mr. Chair, are approximately \$280 million annually.

Historically, each department has been responsible for administering and managing its own employee relocations in accordance with the Treasury Board relocation directive. In 1999, a four-year pilot program was initiated to consolidate all relocation services with one service provider. Following a competitive procurement process in April 1999, Royal LePage was awarded a contract to administer this pilot program.

• (1555)

[Translation]

Due to the success of this program, TBS approved making it permanent, and in June 2002, following a competitive process, PWGSC awarded a five-year contract to Royal LePage. For ease of reference this could be called the first Royal LePage contract.

[English]

Following a CITT complaint and allegations from an unsuccessful bidder regarding a potential conflict of interest, Public Works and Government Services decided in August 2003 to conduct a new procurement process. This competitive process resulted in two new contracts being awarded to Royal LePage in 2004, one for National Defence and one for the Government of Canada, as a whole, and the RCMP.

It is worth noting that both the first and the second contracts awarded to Royal LePage have brought significant benefits to the government in terms of cost savings of over 25% over previous costs, as well as improved services. In addition, some 15,000 small and medium enterprises benefit every year from some \$150 million in business opportunities, which are dispersed in an open and transparent manner throughout towns and cities across Canada.

Mr. Chair, the roles and responsibilities for issuing contracts are complex. It is a joint effort between the department requesting the service and Public Works and Government Services. In this case, the Treasury Board Secretariat acted as the program authority.

When the first relocation contract was re-tendered, the team took several steps to ensure a fair and open process. The Auditor General has stated that due to an inaccuracy in one estimate in the RFP, namely, the expected business volume for property management services, the contract was not tendered in a fair and open manner. As such, the incumbent provider had an unfair advantage over other

bidders. It is important to note the Auditor General also stated that in her opinion, this inaccurate estimate was due to a process issue and there was no evidence of malfeasance.

While we strive to ensure that our RFPs are free of inaccuracies, they inevitably arise from time to time. Our processes attempt to catch them or, at the very least, minimize their impact on the outcome. The Auditor General has reported that PWGSC followed its established processes in awarding the contracts.

In relation to the estimate for the RFP for property management services, it's important to note that this was only one of six elements on which bidders were being asked to provide pricing. The other elements were appraisals, legal services, real estate commissions, building inspection, and rental search services, which accounted for approximately 88% of the overall financial evaluation.

[Translation]

As well, the RFP called for the financial bid to account for only 25% of the overall evaluation, while 75% of the points were granted for quality of service being proposed. This structure was used to emphasize the value of service when employees are moved as well as to reduce any advantage an incumbent might have had in pricing its bid.

[English]

The project team also introduced additional features designed to open the RFP to as many new bidders as possible. A fairness monitor checked the technical elements of the bid, which accounted for 75% of the evaluation, and certified that the process was done in a proper manner. The Auditor General has also reported that this part of the evaluation was done in a fair manner.

When making financial bids, different bidders frequently propose different financial strategies. Some will bid higher than their competitors on one element and lower on another. It is hence not possible to isolate one element and speculate as to how a bidder may have reacted had this been the only element in the overall bid.

• (1600)

[Translation]

In our view, which we have expressed to the Auditor General, the process we followed, taken as a whole, sufficiently compensated for any error in the one element of the RFP information, and has resulted in a fair and open competition.

[English]

Having said that, we are open to examining our roles and responsibilities in conjunction with our clients and with the Treasury Board Secretariat to make improvements.

We thank the Auditor General for her recommendations, and we intend to implement them.

I'd be very pleased to respond to questions at this time, Mr. Chair.

**The Chair:** Thank you very much, Mr. Bennett.

On behalf of the Department of National Defence, we again have with us Chief Tyrone Pile, chief of military personnel.

Welcome, Mr. Pile. I understand that you have no opening comments.

**RAdm Tyrone Pile (Chief, Military Personnel, Department of National Defence):** I do not, Mr. Chair.

**The Chair:** From the Royal Canadian Mounted Police, we have Alain Séguin, the assistant commissioner, finances.

Do you have an opening statement?

**Mr. Alain Séguin (Assistant Commissioner, Finances, Royal Canadian Mounted Police):** I have no opening comments.

**The Chair:** From the Treasury Board Secretariat, we have Mr. Dan Danagher, the executive director, labour relations and compensation operations.

Mr. Danagher, do you have any opening statements?

**Mr. Dan Danagher (Executive Director, Labour Relations and Compensation Operations, Treasury Board Secretariat):** I have no opening remarks.

**The Chair:** We will now go to the first round.

Monsieur Proulx, for eight minutes.

[*Translation*]

**Mr. Marcel Proulx:** Good afternoon, Ms. Fraser.

If we keep seeing so much of each other, my wife may start asking questions.

**Ms. Sheila Fraser:** I hope we do continue to see each other regularly.

**Mr. Marcel Proulx:** Your report makes rather depressing reading. It deals with contracts involving National Defence, the RCMP and the Government of Canada as a whole.

Given what you have discovered, do you think that the contracts should have been awarded or do you think that they should have been cancelled?

**Ms. Sheila Fraser:** Mr. Chairman, I cannot really answer that question. I believe that it is up to the government to decide, on the basis of our findings, what measures it wants to take.

**Mr. Marcel Proulx:** If you were to advise the people at Public Works and Government Services Canada, would you tell them to continue or to start over again?

**Ms. Sheila Fraser:** I would advise them to do a careful assessment of the possible consequences of this mistake, to determine, if necessary, whether the end result could be changed and, keeping in mind the need for justice and fairness, to take the steps they deem necessary.

**Mr. Marcel Proulx:** Thank you, Ms. Fraser.

[*English*]

Good afternoon, Mr. Bennett. Welcome to the committee.

Mr. Bennett, in your opening statement, on page three, you say:

Following a CITT complaint and allegations from an unsuccessful bidder regarding a potential conflict of interest, PWGSC decided in August 2003 to conduct a new procurement process.

That entailed cancelling the second contract.

I'm numbering the contracts in the sense that the first one was the original pilot project, the second one was the one in 2002, and the third one, the one after you cancelled the second one and started over again. Is that right?

**Mr. Ian Bennett:** Correct.

**Mr. Marcel Proulx:** Okay.

Why did you cancel contract number two? To my knowledge, PWGSC does not act on allegations unless there's absolutely something to them. We've heard rumours and reports about sunshine, about water; we've heard of trips. How did it go?

**Mr. Ian Bennett:** Mr. Chair, the 2002 contract and the allegations stemming from it about potential conflict of interest were fully investigated and taken very seriously by the department.

At that time, and overlaid on that investigation and those allegations, representations had been made to the CITT. Based on the findings of that, it was concluded that the perception of a conflict of interest was appropriate in terms of the potential that there was a possibility of some bias in terms of the assessment, and it was decided to re-tender.

As I said, the comments about sunshine and water and golf were fully explored and dealt with appropriately within Public Works and Government Services, both with respect to the contract itself and with respect to the individuals involved.

●(1605)

**Mr. Marcel Proulx:** What I'm hearing from you is that these allegations were found to be serious enough by Public Works to restart.

**Mr. Ian Bennett:** Mr. Chair, I need to make sure the committee understands that there are two parcels to the allegations here. One is personal gain—the sunshine, the water, the golf—and those were fully investigated and found really to be without foundation.

But the issue that there were individuals who were looking at the bid and were involved in socializing—that relationship—was more on the side of looking at whether this contract could be considered to be objectively tendered, etc. It was on that side that the decision was made to re-tender.

**Mr. Marcel Proulx:** Okay. I'm curious: was there any type of police investigation into this, Mr. Bennett?

**Mr. Ian Bennett:** I am not aware. There was a full internal investigation. I would have to follow up. My understanding is that the investigation found that, on the personal gain, part of those allegations were without foundation, and to the best of my knowledge, it was not referred to the RCMP.

**Mr. Marcel Proulx:** Excuse me, I just want to understand. Who carried out the investigation? Was it an internal investigation or a police investigation?

**Mr. Ian Bennett:** It was an internal investigation.

**Mr. Marcel Proulx:** Okay. Between the second contract and the third contract, the third contract was to replace the second one.

**Mr. Ian Bennett:** Correct.

**Mr. Marcel Proulx:** Were there differences in your requests for these bids, or were you simply taking all the documentation that had been used in the second contract, throwing it out to the public, and saying please bid again?

**Mr. Ian Bennett:** There was a very extensive process, an interdepartmental process, that came together to look at the second contract. So to answer the question directly, it wasn't simply a repackaging of the statement of requirements from the second contract, the 2002 contract, into the 2004 contract. There were new dimensions added to that contract, such as security requirements. So there was a very deliberate process in terms of what needed to be included in the contract going forward.

**Mr. Marcel Proulx:** And these additional requests or sections should or could have entailed different prices?

**Mr. Ian Bennett:** In terms of a brand-new process, if that is the question, Mr. Chair, yes.

**Mr. Marcel Proulx:** I'm wondering if we could ask Mr. Bennett or any representative from the Department of Public Works to give us some sort of a chart showing the differences between the second and the third contract. We don't necessarily have that in the Auditor General's report, but I'm sure you have that information readily available at the department.

**Mr. Ian Bennett:** I don't have it with me, but as to a side-by-side comparison, if that's what the committee is asking for, yes.

**Mr. Marcel Proulx:** Okay, please.

**The Chair:** Mr. Bennett, could you be very sure we have that before our meeting on Tuesday, please?

**Mr. Marcel Proulx:** How much time do I have left?

**The Chair:** Just 20 seconds.

**Mr. Marcel Proulx:** Okay, I have a very brief question for Mr. Pile.

How do you explain the difference between what was submitted as being a volume of potentially 183 or 200 members, when in fact it was 7,200? That's quite a bit of difference. How do you account for that?

**RAdm Tyrone Pile:** I believe it was just a reassessment of the actual people who were involved in that transaction. I'm not even sure where the initial estimate of 7,200 members came from.

**Mr. Marcel Proulx:** Is there any way you could find out?

**RAdm Tyrone Pile:** I certainly could. I could take that question on notice and provide some detail.

**The Chair:** Again, Mr. Pile, any of these questions that are taken on notice, the committee would very much like to have them by Monday, or preferably Friday, so that we can circulate them to the members before our meeting on Tuesday.

Thank you very much, Mr. Proulx.

Mr. Williams.

• (1610)

**Mr. John Williams:** Thank you.

On a point of order, Mr. Chairman, I've been listening to the answers that Mr. Proulx has been getting from Mr. Bennett and from General Pile, and they're regurgitating what's in the Auditor General's report. We're getting no answers here whatsoever. I tend to lose patience when these types of things happen, because our time is valuable, their time is valuable, and the taxpayers' money is valuable. So will they please be direct and give us real answers to the questions, rather than skate around them or tell us what's already in the report that we've already read is in the report?

**The Chair:** Okay, Mr. Williams, your point is well taken—and not only the answers but the questions. I like to see the questions brief, focused, and to the point, and I want to see the answers brief and relevant to the question that was asked.

Monsieur Laforest.

[*Translation*]

**Mr. Jean-Yves Laforest:** Thank you, Mr. Chairman.

Good afternoon, Ms. Fraser, Mr. Pile, Mr. Bennett and all the others. Thank you for being here today.

Mr. Bennett, does it happen often that Public Works and Government Services, after cancelling a contract because of conflicts of interest that have been verified, observed and proven, would allow the same bidder to submit a proposal for a new contract?

[*English*]

**Mr. Ian Bennett:** Public Works and Government Services has a mandate to do the contracts for the Government of Canada. It is common business practice for Public Works and Government Services, if contracts are satisfied, to take the necessary action to replace them.

[*Translation*]

**Mr. Jean-Yves Laforest:** That is not an answer, Mr. Bennett.

[*English*]

**Mr. Ian Bennett:** It is very common to have the same bidder come in during the second process. There was no requirement in this incidence to disqualify any bidders from the first process.

[*Translation*]

**Mr. Jean-Yves Laforest:** Do you feel that is normal and fair?

[*English*]

**Mr. Ian Bennett:** You need to understand that in terms of the allegations and the perception of a conflict of interest, that was with respect to Public Works and Government Services. Unless there were well-founded grounds to disqualify suppliers from the process, it would be very normal.

[*Translation*]

**Mr. Jean-Yves Laforest:** Ms. Fraser's report talks about a 75-25 technical and financial split in the weighting. I would like to know what criteria were used to come up with that weighting and I would like to obtain the relevant documents.



[English]

**Mr. Ian Bennett:** We'll make the documents available for the basis upon which the 75-25 split was derived. It was a function of looking at the importance of ensuring quality services, making sure that any service provider could meet the requirements in a very complex field. It looks at the impact on the National Defence and RCMP employees and their families. It was on that basis that the 75-25 technical to price was derived.

[Translation]

**Mr. Jean-Yves Laforest:** I find it hard to see how you could provide that to us, since the Auditor General has told us in her report that she had no access to it.

[English]

**The Chair:** Just to clarify, are you going to provide that information?

**Mr. Ian Bennett:** Yes.

**The Chair:** Okay. Perhaps you can do that by tomorrow or Monday.

Ms. Fraser.

**Ms. Sheila Fraser:** I would like to point out that when we conducted our audit we asked for documentation on the rationale for the criteria, which I believe is what Mr. Laforest is asking for. We were unable to receive it, so if it does exist I would certainly like the department to furnish it to us. I would also like to know why it wasn't furnished to us during our audit.

•(1615)

**The Chair:** It's my understanding that Mr. Bennett is going to get it to us. I'd like to see it by tomorrow or Monday.

Ms. Fraser, once we get it I'll certainly undertake to give it to you.

Mr. Laforest.

[Translation]

**Mr. Jean-Yves Laforest:** The report also says that, when the second contract was awarded in 2004, two companies had submitted bids. One of them won the contract, but the contract was cancelled afterwards. That same company bid the second time around. The other company asked what percentage of the contract involved real estate management. The answer was that this aspect accounted for 60% of all the transactions. In fact—and Ms. Fraser indicates this in her report—it was not 60%, but 0.22%.

I would like to know how that figure could be out by more than 59%. The result was that one of the two companies bid \$48 million or \$50 million higher than the other. Of course, when we are talking about \$48 million, it is clear that the situation was not very fair. The company that already had the contract knew the real figures. Why is it that those figures were not provided to the other company?

[English]

**Mr. Ian Bennett:** The estimates of the anticipated business volumes that were included in the RFP of 2004 were based on the best information that was available in working with the program departments. We worked closely with them, looking at what the anticipated requirements would be. There was a team from the departments, the Treasury Board Secretariat, and ourselves that put

together these numbers. It was the best information available at the time.

[Translation]

**Mr. Jean-Yves Laforest:** I will ask Mr. Pile and Mr. Séguin the same question.

Why is it that, between 1999 and 2004, accurate figures were not provided? This is not a minor detail.

[English]

**RAdm Tyrone Pile:** Mr. Chair, as far as I understand, the figures, the statistics, the data requested from the Department of National Defence were provided.

**The Chair:** If I could interrupt, do you have clarification on that in a document?

**RAdm Tyrone Pile:** If this is in reference to the actual conduct of producing the RFP in the contract, we were asked to provide information and data and statistics on the number of moves, the number of military personnel engaged in those moves, so I would be unable to respond to that particular question as it pertains to—

**The Chair:** So you have no documents to help us out?

**RAdm Tyrone Pile:** No.

**The Chair:** That's not coming off your time, Mr. Laforest.

[Translation]

**Mr. Jean-Yves Laforest:** You understand that this difference of \$48 million between the two bids gave an advantage to one of the two firms. These figures were based on a false assessment.

[English]

**The Chair:** Mr. Séguin.

[Translation]

**Mr. Alain Séguin (Assistant Commissioner, Finances, Royal Canadian Mounted Police):** The Auditor General and the people in her office gave us instructions about the estimates that were calculated for the request for proposal. I was not there at the time. As a former auditor, I checked how the figures had been obtained.

From what I understand, the RCMP provided three figures to the interdepartmental working group, which were percentages pertaining to relocations. In 60% of cases, relocation involved buying a house at the location of the new posting; in 10% of cases, it was relocation to government housing, and in 30% of cases, it was rental accommodation. That is all that was provided. There was no way of making a connection between what was provided and the request for proposals.

•(1620)

**Mr. Jean-Yves Laforest:** From what I understand, people at Public Works interpreted the figures based on inaccurate data and that data was used to develop the request for proposals. One of the two bidders knew the correct figures, and the other based its proposal on inaccurate data.

The Auditor General has clearly indicated that the contract was unfairly awarded, mainly for that reason. That is understandable, since there was total confusion.

Thank you, Mr. Chairman.

[English]

**The Chair:** Merci, Monsieur Laforest.

Mr. Fitzpatrick, eight minutes.

**Mr. Brian Fitzpatrick:** Good afternoon to Madam Fraser and the folks who are here today.

Mr. Bennett, on the request proposal, do I have your undertaking to provide to this committee forthwith a copy of that tender proposal that was issued on the contract in question?

**Mr. Ian Bennett:** The request for proposal for 2004—?

**Mr. Brian Fitzpatrick:** Yes.

**Mr. Ian Bennett:** Yes. It's a public document. Absolutely.

**Mr. Brian Fitzpatrick:** I want the name of the actual individual who designed that proposal. Who is that person?

**Mr. Ian Bennett:** There would have been an interdepartmental team that was part—

**Mr. Brian Fitzpatrick:** Who would have been in charge of the team?

**Mr. Ian Bennett:** It would have been an individual who works for me.

**Mr. Brian Fitzpatrick:** What's his name?

**The Chair:** Richard Goodfellow was the lead analyst on this.

**Mr. Brian Fitzpatrick:** Mr. Chair, I would want to make sure that at future meetings that individual is here. Is he here today?

**The Chair:** That individual is here today if you want to bring him forward.

**Mr. Brian Fitzpatrick:** It looks like a crowded table, but if he wants to come up, I wouldn't mind his being there.

**The Chair:** Let's ask Mr. Goodfellow.

**Mr. Brian Fitzpatrick:** Who was the person who scored the bids that came in?

**Mr. Ian Bennett:** That was Mr. Goodfellow.

**Mr. Brian Fitzpatrick:** So that's the same person—the person who designs and the person who scores.

**Mr. Ian Bennett:** No, I need to correct that, Mr. Chair.

The process of designing the RFP and the evaluation criteria is very much a team effort. You need to understand that those evaluation criteria are framed based on the program requirements.

**Mr. Brian Fitzpatrick:** That's fine.

If I understand it correctly, the property management services formed a part of the request for proposal. I think the guy who would have been doing the scoring on the bids would have been assigning a score on that point.

Is that correct, Mr. Goodfellow? Is that a correct assumption on my part?

**A voice:** No.

**Mr. Brian Fitzpatrick:** I'm asking him. He's the guy who did it, not you down there, legal counsel. I'll ask you if I need your help.

● (1625)

**Mr. Richard Goodfellow (Manager, Project Delivery Services Division, Public Works and Government Services Canada):** Mr. Chairman, property management services was not part of the technical evaluation, it was part of the financial evaluation. So there was no—

**Mr. Brian Fitzpatrick:** Do you know whether that item would have been in the scoring process or not?

**Mr. Richard Goodfellow:** It was not in—

**Mr. Brian Fitzpatrick:** Yes or no?

**Mr. Richard Goodfellow:** No, it was not in the technical scoring. It was used to calculate the financial cost.

**Mr. Brian Fitzpatrick:** Madam Fraser has rightly pointed out that one of the keys here, rule number one, is that the tendering process must adhere to principles of fairness. As Mr. Laforest points out, in the request for proposals it was indicated that 60% of the 7,200 deals here would use property management services, but the actual volume wasn't anywhere close to 60%; it was less than 1%. If it had been any smaller you would have needed a microscope to see the damn thing.

When bidders asked for more information on that they got stonewalled, and they were told that the 60% was basically in the ball park. If I understand this correctly, when it comes to scoring on this system, that's going to be part of the scorecard. And this is a very tight, competitive process.

I'm going to say that if Mr. Marshall goes to see his surgeon this weekend, and the surgeon performs an operation on him and there is that kind of discrepancy in the medical information that is available to Mr. Marshall, we should all get down on our hands and knees and pray for Mr. Marshall, because I think we're going to have problems here.

Madam Fraser, do you agree with me that the discrepancy is substantial here?

**Ms. Sheila Fraser:** Obviously we agree with that, because we wouldn't have qualified the process as not being fair and equitable.

I think the representatives of Public Works are trying to say the consequence didn't affect the technical component of the bid, which was 75%. But one can presume, and it's only a hypothesis, that it would have affected the financial aspect, which again could have affected the ratings for the two bids.

**Mr. Brian Fitzpatrick:** Mr. Goodfellow, you designed this proposal. How can you possibly explain to any reasonable person in Canada such a huge discrepancy? I just find this whole thing absolutely amazing and astonishing, that any competent public servant could design a proposal like that with such a massive difference in information, and then on top of it all told bidders who would have been bidding on this that the information was accurate, or told them to basically go away, that you can't really help them out.

Can you please clarify this for the benefit of the people on this committee? I'm absolutely clueless on how this could have occurred.

**Mr. Ian Bennett:** Mr. Chair, I'd like to be clear here—

**Mr. Brian Fitzpatrick:** I'm asking Mr. Goodfellow this question, sir, not you. He's at the table. He designed it. I'm not looking for somebody to defend this individual. He should be able to answer the question.

**The Chair:** We're going to get a comment from Mr. Goodfellow. If you want to elaborate, Mr. Bennett, you can.

Mr. Goodfellow.

**Mr. Richard Goodfellow:** Thank you, Mr. Chair.

As noted in the Auditor General's report, we followed the rules of the RFP. What we said we were going to do was what we followed.

The fact that one of the estimates, and I clarify that it was an estimate.... There's no way of knowing the actual volume for property management services. If I may explain for a second, although the Auditor General asked DND to provide that information of 183 moves a year, those services are paid for by the transferees, so there's no way of accounting 100% what that actual volume is.

For estimation purposes we consulted with the interdepartmental committee, with the client departments, and we decided as a committee that that was the volume that would be used for evaluation purposes.

**Mr. Brian Fitzpatrick:** I'm still trying to get the answer to my question on this thing.

The successful bidder on this contract, who had it before, would have known when they bid on it what those actual volumes were. They would have a pretty darned good idea, unless they were real dummies. By coincidence, if I'm correct on this point, they bid zero on this item. Is that correct, Madam Fraser?

**Ms. Sheila Fraser:** Mr. Chair, I'd like to add a point of clarification.

When we did our audit, we learned that there are terminals, in fact, in each one of the departments on which the departments can receive all of the exact information on the number of moves and the number of people who have required these services. That, in fact, is how we got the listing of 183 people over a six-year period who used those services. That information was very easily available in those two departments.

**Mr. Brian Fitzpatrick:** It was zero, was it?

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

I understand you have a clarification, Mr. Bennett.

**Mr. Ian Bennett:** Thank you, Mr. Chair. It is just a fundamental point of accountability in terms of getting the requirements for an RFP. In other words, when a requirement for any service or any good is shaped, we deal very closely with the program departments, which can look at what is needed in the current environment and what is needed going forward. In terms of asking Public Works and Government Services how it could design a process like this and how could it take these business volumes, we work very closely with departments that are required to oversee and deliver those services. So the answer to the question, in terms of how we could design a program such as this, is that we work very closely getting the best

information that we can from the departments. That is the information that was reflected in the RFP.

• (1630)

**The Chair:** Before we go to Mr. Christopherson, I just want a clarification.

I'll go back to you, Mr. Goodfellow. It appears that the 60% that was in the RFP was erroneous. Have you anything to add as to how that got into the RFP, other than what you said before?

**Mr. Richard Goodfellow:** First of all, the estimates for the property management services as well as the other third-party services were virtually the same as those in the 2002 RFP, so when we re-tendered this process, that RFP at that time was only about 18 months old. Just to put it a bit into context, we were under a lot of pressure to put out that RFP very quickly, and we made a lot of improvements to the RFP. We addressed security. We did a lot of things to ensure that all bidders would have an open and fair chance of winning one or potentially both of those contracts.

Concerning the 60% volume, that was the volume that everybody was assessed on in accordance with the RFP. Even Royal LePage has to bid based on the information in the RFP. They can't use prior information. We evaluate them based on what's in their proposal.

**The Chair:** Thank you very much. I'm not sure that really clarifies the answer.

Mr. Christopherson, you have eight minutes.

**Mr. David Christopherson:** Thank you very much, Chair, and thank you all for your participation today.

We have two meetings scheduled. We have a lot of ground to cover in two meetings, and I suspect that unless we start getting some "fessing up" around here we're going to be here a lot longer than two meetings, because we have a world of difference between the Auditor General saying there are serious problems in here, serious discrepancies, lack of information, and lack of accountability.... And we're not hearing a lot of *mea culpa* from the departments, which means that you disagree, that you feel comfortable defending....

Before we can go any further, we have to establish who we, as the committee, are most likely to believe, because if we do believe the departments and we think the AG is way off base, we ought to adjourn at the end here and let it go. Otherwise, we have a long way to go.

Before I go any further on that, I want to afford the Auditor General an opportunity to get an answer to the second part of her question, through you, Chair, to Mr. Bennett. The Auditor General was seeking information. Anybody can correct me at any time in any of my comments if I'm off base on a factual matter. Please feel free. My understanding is that she requested certain information. She was told that wasn't available.

Now, Mr. Bennett, upon being questioned, you're saying that the committee will have it, and you'll be glad to send it to the AG, but the second part of her question was if you had it, why didn't you give it to her when she requested it.

**Mr. Ian Bennett:** Thank you for the opportunity to clarify, because it's a very important question.

I responded to the question in terms of normally—let me be as clear as I can—why you would go to a 75-25 technical to price. I tried to outline some of the factors that would contribute to that. The Auditor General did note, appropriately so, that the reasons for going to 75-25 were not on the file. And I don't mean, by any stretch, to say that documentation exists and was not forthcoming to the Auditor General. I took the question at a different level—in terms of why you would put the weighting at 75-25, and not whether you documented this on the file.

I hope that clarifies.

**Mr. David Christopherson:** I'll ask the Auditor General. Does that clarify it for you?

**Ms. Sheila Fraser:** I understood the question from Mr. Laforest as specific to this particular bid proposal and the rationale in this particular case, which was the documentation we were asking for. So I understand the documentation for this specific proposal does not exist, which is consistent with what we are saying in the report.

**Mr. David Christopherson:** This is part of the problem, the fact it doesn't exist.

I want to start with some basics, Chair, because we do have a little time.

The Auditor General said in her report, “We have concluded for two reasons that the contracts were not tendered in a fair and equitable manner.” Today the Auditor General again stated, “Government contracts should be awarded through a process that is fair, equitable, and transparent. We found important contracts that were not, despite various warning signs.”

Yet today, Mr. Bennett, in your comments in your second-to-last paragraph, you say, “In our view, which we have expressed to the Auditor General, the process we followed, taken as a whole, sufficiently compensated for any error in the one element of the RFP information, and has resulted in a fair and open competition.”

Right from the get-go the Auditor General has concluded twice that it was not fair and equitable. You, sir, are taking a position that it is. Let's have that discussion.

• (1635)

**Mr. Ian Bennett:** In terms of the determination of fairness, point number one is that the Auditor General concluded that we had followed the normal processes. The Auditor General was very clear in saying that in this particular instance those processes were not sufficient, given some of the questions that were forthcoming from suppliers.

Let me speak to specifics. The committee needs to know that as part of this process, when we say it was open and transparent, there was a letter of interest, there was a draft RFP on the street, and there were bidders conferences. So this opportunity to provide information to suppliers was ongoing.

Out of 289 questions raised during the bidders conference, two questions pertained to the property management aspect.

**Mr. David Christopherson:** Thank you. I appreciate that.

But if I recall correctly, I read that the Auditor General, while acknowledging that the process was followed, stated that the process

itself—my words—was inherently flawed. So for you to conclude today that you still have a fair and open competition by standing behind the fact that you followed the process, when the Auditor General has acknowledged that you followed the process, but the process wasn't any good, to me still doesn't square the circle, sir.

**Mr. Ian Bennett:** Let me just expand on the context. I mentioned that this was one aspect of six that were looked at as part of the evaluation.

In terms of order of magnitude, it's probably about 10% of the total process. When you look at whether we followed through in terms of what was stipulated in the RFP, and were the bids evaluated fairly, the answer to those questions is yes.

I don't dispute that the estimates around property management were inaccurate.

**Mr. David Christopherson:** But do you still think that at the end of the day the whole thing was an open and fair competition, given that the Auditor General has said it's not fair, to use that word?

**Mr. Ian Bennett:** I think the government has a requirement to articulate how it will evaluate bids and to follow through its process and apply that in a consistent manner. And in this particular instance, that's exactly what happened.

**Mr. David Christopherson:** Okay. I'm sure at the end of our process we'll decide whether we agree with that or disagree, with great respect.

Let me deal again with some of the obvious things as we whittle our way down.

As I understand it, part of the problem that's been identified by the Auditor General involves this whole 60% and the second figure, which was 40%, just to make it 100%. They said that in the bid, 60% of the 7,200 relocations were expected to require the property management services. And yet in the bid itself, apparently, it said that 60% of the Canadian Forces' members were renters and 40% were homeowners.

If only homeowners used this service and only 40% of the Canadian Forces own their own home, why would there be a figure that says 60% will require a management service that only people who own would need? From the get-go it seems there is conflicting information in the RFP. Can you comment on that, please?

**Mr. Ian Bennett:** I think, again, that the information reflected in the RFP was the best information that was available to the team. This was looking at the business volumes.

This is not, Mr. Chair, one person drawing up this process; this is very much a team. These are four individuals on a dedicated basis—

**Mr. David Christopherson:** I haven't accused anybody of anything. It doesn't matter to me if there's one or twenty.

**Mr. Ian Bennett:** Mr. Chair, I'm not interpreting the question at all that way. I'm just trying to make sure that members understand the process here. So were those numbers accurate? Clearly, in retrospect, they were not.

**Mr. David Christopherson:** That's right in the RFP. I'll come to the armed forces in a moment in terms of the information, how you provided it, etc., but this is in the RFP. You've already had a pilot. And sometime I hope to come back to this initial business of conflict of interest, because not all of us are familiar with that. At that point you had a huge problem, you looked at the whole thing again, and yet you still allowed within the RFP factual inconsistencies. You don't need to be an insider in the armed forces bureaucracy to understand that it's hard to get 60% of the applications that are going to require a certain service and 40% won't, when 60% of that population base would never need the service. It's in the documentation, before we even get into the bidding details.

How could you possibly have done an initial pilot project, reviewed the pilot project, had a huge problem in terms of an apparent conflict of interest, and you still ended up with an obvious inconsistency in the RFP? Given the fact that you had such a team, it makes it even more wondrous.

• (1640)

**Mr. Ian Bennett:** To answer the question, Mr. Chair, these issues with the property management volumes and the estimates hadn't come to the surface in any of the previous processes. Obviously, had they come to the surface or had there been any indication that they were not accurate, it would have been corrected.

**Mr. David Christopherson:** My question was why, though. I understand the problem, sir, but I was seeking why was it in there as part of the template of the RFP. You didn't have to analyze much to just look at your own RFP and say wait a minute, how can 60% of 40% equal more?

**The Chair:** Okay, we'll be back to you, Mr. Christopherson.

**Mr. John Williams:** Are you going to allow him to answer that question, Mr. Chairman?

**The Chair:** I think he's answered before.

Did you want to elaborate, Mr. Bennett? Do you have anything to elaborate on that last statement or question? Do you have anything to say?

**Mr. Ian Bennett:** Not at this time, Mr. Chair.

**Mr. John Williams:** A *mea culpa* would be nice, Mr. Chair.

**Mr. David Christopherson:** Yes, that's right. Somebody should take some responsibility around here.

**The Chair:** Ms. Ratansi, eight minutes.

**Ms. Yasmin Ratansi (Don Valley East, Lib.):** Thank you, Madam Auditor General and the team, for being here.

I will ask brisk questions and hope I get succinct, brisk, real answers.

Exhibit 5.2 of your report sets out key responsibilities for the integrated relocation program. As an auditor, are you satisfied that program supplies or provides enough checks and balances for the process, or do you have concerns?

**Ms. Sheila Fraser:** I would say that I think generally the process is adequate. I think, though, that what this case demonstrates—and that's perhaps an issue we should look at in an effort to improve things going forward—is when suppliers raise concerns, who has the responsibility to actually validate the information? I think there can be a bit of confusion between the departments and Public Works. What is the responsibility of Public Works to ensure the equity and the fairness of the process? Over and above simply following a process, do they have a greater responsibility? I think that is where there may be some disagreement between us and the department.

**Ms. Yasmin Ratansi:** So I'll ask you the question, did you see clearly defined roles and responsibilities, or accountability, as you reviewed this process?

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

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

The roles and responsibilities were set out in the RFP documents and in the contracts, and responsibilities are set out in Public Works' supply manual for their role for the fairness, integrity, and equity of the process throughout. I think there's clearly some responsibility with departments to provide actual business volumes that are accurate in the initial instance.

**Ms. Yasmin Ratansi:** Where did the buck stop at the department?

**Mr. Bruce Sloan:** We had difficulty identifying who had developed the business volumes. I think, from our point of view, we saw them stated in the RFP. When we checked to see if they were valid, we came up with the 183. To get a clear person who had signed off on the specs, we had not seen that.

**Ms. Yasmin Ratansi:** Could Mr. Pile tell us who was responsible for providing such figures?

**RAdm Tyrone Pile:** It was probably a combination of various sections within military personnel command, where we monitor the careers of Canadian Forces members and can therefore track the number of moves made each year.

**Ms. Yasmin Ratansi:** But there must be one person responsible. Do you have a manager who's responsible for ensuring this information is accurate as it flows upward?

**RAdm Tyrone Pile:** Yes, it's the director general, military careers.

**Ms. Yasmin Ratansi:** And who would that be?

**RAdm Tyrone Pile:** It's currently Colonel Simard.

**Ms. Yasmin Ratansi:** Was he there when this process was taking place?

**RAdm Tyrone Pile:** He would have been part of the organization, but he was not the director general at that time.

**Ms. Yasmin Ratansi:** Could we make note of it in case we need to call the colonel at a future date?

My question then is this. Madam Fraser, you looked at the zero balance account. As an accountant and as a businesswoman, I find it quite interesting that somebody would pay me on a daily basis and I wouldn't have to wait 30 days or 60 days. Do the Treasury Board guidelines say we have to pay immediately?

• (1645)

**Ms. Sheila Fraser:** I would presume it is part of the contract. I have seen these kinds of things in the private sector as well. But in instances like this, it's usually part of the request for proposal, and the bidders would take the timing of the payment into account when establishing a price. It would be part of the contract.

**Ms. Yasmin Ratansi:** Did it make the RFP or the bid more efficient or did it make it cheaper?

**Ms. Sheila Fraser:** I can't answer that, and I don't believe the department could answer it, because you would have had to get a bid using a longer payment term. One would expect it to be less expensive, but I can't answer whether or not it would have been.

**Ms. Yasmin Ratansi:** Yet on page 15, paragraph 5.62, you state that the bid they received was probably \$9 million more expensive.

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

**Ms. Yasmin Ratansi:** You also raised another issue, and I think I'd like to ask the RCMP about this.

Mr. Pile, the Auditor General wrote that there was a drawdown on the zero balance account on a daily basis and there was no verification. In her paragraph, she notes the payment was made "before its staff could review the supporting documentation to ensure that payments have been made to valid parties and that they are consistent with the policies on relocation".

If you do not give adequate time to your staff or whoever is supposed to look at it, how do you verify that the amount paid is accurate, that the work has been done, and that it is within the terms in the contract?

**RAdm Tyrone Pile:** Mr. Chair, the Auditor General's observations were absolutely correct. There were some 500,000 transactions per year on the zero balance account. We have since taken steps to ensure that those transactions are monitored appropriate to the financial accountabilities that are within the department.

**Ms. Yasmin Ratansi:** What does that mean?

**RAdm Tyrone Pile:** They are going to be monitoring each transaction such that we can compare the transaction to the individual member who is actually conducting the move. If I'm a member of the Canadian Forces and I'm engaged in a posting from one area to another, a file will have been started on me and transactions will be made within my account. We'll be able to actually compare those transactions to the individual members.

**Ms. Yasmin Ratansi:** But then the Auditor General states, in paragraph 5.92, that the RCMP has a financial control problem, and that it uses only a limited, informal, risk-based audit. When they

asked departmental officials in the Pacific region, the officials said that they lack the resources needed to perform proper audits.

How are you going to solve the problem? Have you hired more accountants?

**RAdm Tyrone Pile:** Are you directing the question to the RCMP?

**Ms. Yasmin Ratansi:** Yes, sir.

**Mr. Alain Séguin:** Yes, that would be me.

**Ms. Yasmin Ratansi:** I'm sorry, yes.

**Mr. Alain Séguin:** I'd be happy for him to answer, but I'll take it on.

We're in fact going to develop more precise guidelines on how to conduct a more statistically sound risk-based approach. The issue was that it was too informal a process in terms of a risk-based approach. We're going to institute a more statistically sound risk-based approach in terms of verifying accounts.

**Ms. Yasmin Ratansi:** You did say you were an accountant by trade, right?

**Mr. Alain Séguin:** Yes.

**Ms. Yasmin Ratansi:** Okay. So how much do you think you risked overpaying Royal LePage? How much have you paid Royal LePage to date?

**Mr. Alain Séguin:** There is no issue in terms of overpaying. The issue is just in terms of the level of detail of the invoices.

• (1650)

**Ms. Yasmin Ratansi:** If I don't know what I'm paying and why I'm paying for the services, how can I be sure or how can you be so sure that what you've paid is accurate?

**Mr. Alain Séguin:** We do two levels of audit, a pre-audit and then a post-audit. So after the accounts are paid, we review to verify if there are any overpayments and discrepancies. We haven't found any to date.

**Ms. Yasmin Ratansi:** Unfortunately, my time is up; otherwise I would ask you more.

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

Thank you very much, Mr. Séguin.

Mr. Sweet, for eight minutes.

**Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC):** Mr. Séguin I am surprised at your confidence, considering that in the Auditor General's report at paragraph 5.97, out of ten samplings—and since you have the audit before you, you can tell me how profound this is—all ten of the Canadian Forces members ended up paying for services that they didn't have to pay for under the contract.

**Mr. Alain Séguin:** That would be the Canadian Forces.

**Mr. David Sweet:** No, that's fine. I was just questioning your ability to be able to guarantee that Royal LePage wasn't overpaid, when in this one sample, the Auditor General found that in ten cases out of ten, people were charged for things they were not supposed to be charged for.

Mr. Pile, so I can address you properly, could you remind me of your rank, please?

**RAdm Tyrone Pile:** Rear Admiral.

**Mr. David Sweet:** Rear Admiral Pile. Thank you very much.

There were 36,000 cases of expenses handed in, and there was no verification of those expenses. As a member of Parliament, every taxi chit, everything I send over is verified. I get them sent back, I have to make sure they're done, and week after week I send them back again.

I am trying to figure out how 36,000 expense reports can go in, and I don't know how long.... It says since 1999, so some of them could be very old. How long is it going to take before we check these things and find out whether all these expenses are legitimate?

**RAdm Tyrone Pile:** As I mentioned earlier, we fully concur with the findings made by the Auditor General. We are taking action. I've already started taking action. In fact in November 2005 our own department's internal financial compliance section identified concerns with controls in place, and we started taking action then.

As indicated earlier by one of the committee members, we have been hiring more people and taking advantage of better technology to track, monitor, and subsequently verify all of those files. So probably in excess of 36,000 files have been closed, and they're all going to be reopened and audited individually to ensure that Canadian Forces members were reimbursed for the expenses.

**Mr. David Sweet:** That's good, Rear Admiral. Thank you.

Mr. Bennett, could you tell me at the time of the RFP and the contract awarding, who was the deputy minister and political minister?

**Mr. Ian Bennett:** During the 2004 contract, David Marshall was the deputy minister and Scott Brison was the minister.

**Mr. David Sweet:** Mr. Goodfellow, don't go too far away. I need you to answer a question.

You had mentioned that you were being pressured to get this RFP out. Could you please let me know where the pressure was coming from?

**Mr. John Williams:** Do you want the question repeated?

**Mr. Richard Goodfellow:** No, that's fine, sir.

Obviously the decision to re-tender was a sensitive one, and our department was very anxious to restart the new procurement process as soon as possible. So as far as pressure was concerned, we approached the client departments, grouped the interdepartmental working committee, and started working immediately on the new RFP.

**Mr. David Sweet:** Mr. Goodfellow, who was pressuring you? You said you were pressured to get this out. Who was pressuring you?

Your inquiry wouldn't pressure you. Who was pressuring you?

**Mr. Richard Goodfellow:** There was no one in particular; it was just because of the circumstances. We wanted to put the RFP out as quickly as possible.

**Mr. David Sweet:** You just testified that you were being pressured to get it out. The evidence is that you were pressured, because of the

craziness of the data that was even in the RFP—60% of the people needing services, etc., which was not the case. That dates back to the first RFP.

So let me know: who was pressuring you?

**Mr. Ian Bennett:** Mr. Chair—

**Mr. David Sweet:** Mr. Bennett, could you please let Mr. Goodfellow answer the question? He stated on the record that he was being pressured to get this RFP out. I need to know exactly where that pressure was coming from.

**Mr. Ian Bennett:** I think your inference is he was being pressured directly in terms of an individual. What Mr. Goodfellow is expressing to the chair and the committee is that given that one contract was being set aside, there was operational pressure to get this new contract in place as soon as possible. If the sense is that there was—

• (1655)

**Mr. David Sweet:** Mr. Bennett, I think Mr. Goodfellow is a mature enough man to be able to answer those questions himself.

**Mr. Ian Bennett:** Mr. Chair, you need to understand that—

**Mr. David Sweet:** Really, Mr. Bennett, it's okay. We can let Mr. Goodfellow answer exactly the source of the pressure for him to get this RFP out.

**The Chair:** I'm going to ask Mr. Goodfellow to answer the question, and then if Mr. Bennett later on wants to elaborate, he can elaborate.

Mr. Goodfellow.

**Mr. Richard Goodfellow:** I think Mr. Bennett has summed it up perfectly. There was not one particular individual, sir. There were operational commitments to try to put the new contracts in place as quickly as possible.

**Mr. David Sweet:** Mr. Bennett, you mentioned that you did your best to get information arranged in this RFP, and yet the Auditor General has testified that she went in and there were terminals available for her to find out exactly what volume was required for property management. Could you explain to me then why you consistently used a flawed figure in the two RFPs?

**Mr. Ian Bennett:** Again, I would go back, Mr. Chair, to the fact that we were getting the best information available in terms of the estimated business volumes from the departments.

**Mr. David Sweet:** That doesn't make any sense, when the Auditor General can walk in, sit there, and she just testified that two terminals were available to her people to get exact information. You had a contractor you could have easily demanded the information from, having served the Government of Canada before, and you failed to ask that contractor to deliver that information to you. Why would that be, when we already had a contract under great controversy because there was already a problem with one? Wouldn't you have done your extra due diligence to make sure this one was accurate?

**Mr. Ian Bennett:** Yes, in terms of the due diligence....

Again, I go back to this point, Mr. Chair. Our line of sight in terms of looking at what is required in a contract is from the department. I take the comments with respect to the business volumes. It's particularly important because if program requirements are changing, if in the future those business volumes would change for any reason, we need to have that information from the department.

**Mr. David Sweet:** Historical information is the basis of good, accurate information. You mentioned that there was an internal investigation when there was already a perception of impropriety. By the way, some of the answers I guess are coming out. If perception is reality, that's a concern to me right now.

On the internal investigation that took place originally—you mentioned there was an internal one—who conducted that investigation? Was it one person or a team of investigators?

**Mr. Ian Bennett:** I would need to verify. I can't answer that question. It was an internal investigation. I know, as part of a follow-up to an earlier question, Mr. Chair, the question was asked about whether this matter was referred to the RCMP. I am advised that they were apprised of it and they saw no reason to proceed.

**Mr. David Sweet:** If there was an internal investigation, I take it there are notes and records of the interviews that happened.

**Mr. Ian Bennett:** Yes, but I'm sure the chair and the committee can appreciate that these things would be very sensitive. Yes, it was a formal investigation.

**Mr. David Sweet:** Could we have those tabled forthwith? Then of course for any information that would be personal in nature, they could do their due diligence in making sure that was protected.

**The Chair:** Are you able to table them, Mr. Bennett?

**Mr. Ian Bennett:** No, I can't. I would need to take counsel from the human resources end because of the privacy and the personal information. I can't commit that the report, as it is, would be tabled with the committee, Mr. Chair. I will take counsel on that.

**Mr. David Sweet:** Mr. Chair, I think it's the right of this committee to demand that documents be delivered to the committee as evidence.

**The Chair:** It's normally the case. Yes, you're entitled, as a member of the committee, to summon documents. If you want to do that, it would depend on the nature. There might be privacy issues, but I think you should make your motion.

**Mr. David Sweet:** Yes, I do, Mr. Chair. I think it gets right to the essence of the issue we're talking about.

**The Chair:** If you could succinctly word what documents you're looking for, that will be a motion to that effect.

**Mr. David Sweet:** Mr. Bennett referred to an internal investigation from the first contract, the first Royal LePage contract. Those were his numbers—

**The Chair:** So you're looking for a copy of the internal investigation that was carried out in the 2002 contract.

• (1700)

**Mr. David Sweet:** That's correct.

**The Chair:** Okay. And you want those documents tabled before the committee.

That's the motion by Mr. Sweet. I don't think we need any discussion.

(Motion agreed to) [See *Minutes of Proceedings*]

**The Chair:** That, colleagues, concludes the first round. We're going to go to the second round.

I want a couple of things.

In about ten minutes I have to leave, because I'm involved in a private member's bill at 5:30. At that time, Mr. Fitzpatrick will take over as chair.

Before I turn it over to Mr. Wrzesnewskyj, I have one question for Mr. Goodfellow.

I've been here all afternoon, and I've been listening to the questions and listening to the answers. Mr. Goodfellow, it's my thinking that this erroneous information in the RFP was a mistake. It's also my thinking that it was probably an honest mistake. It's my thinking that it probably should have been caught and picked up during the tendering process, but it wasn't. Is there any possibility that my thinking could be correct?

**Mr. Richard Goodfellow:** Yes, sir. In fact, Public Works was not aware that this estimate for property management services may have been inaccurate until the issue was raised by the Auditor General.

I'd like to point out, sir, that the volume that was used for property management services in the 2004 RFP was the same volume that was used in 2002, which at that time was only 18 months old.

**The Chair:** Mr. Wrzesnewskyj.

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

Reading through this particular report and listening to the testimony, I can't help but feel the same way as Mr. Christopherson did when he stated that this may take us more than just two sessions.

Looking at what's transpired, I guess we'd have to break things down into three parts. We have a tendering process and we need to take a look at the issues around that, because it was not a fair or equitable process. The report establishes that. We have services being provided for which there are no tools or mechanisms to report and really have accurate information. Is there value, or how are those services being provided? There doesn't seem to be the accounting oversight that's necessary.

Finally, we spend \$280 million per year on services, and we have no analysis of whether or not outsourcing provides any additional benefit or is cost-effective. From tendering, through to the actual delivery, to the whole idea of this, we should have serious concerns.



On the tendering process itself, Mr. Bennett, I was quite unnerved when you reported and basically tried to minimize the skewing of the tendering process by saying that 88% of the financial valuation was accurate. For something that involves hundreds of millions of dollars, I'd be in a panic about a 12% error if I were in your shoes. You seem to be stating, the way this is written, that you're quite pleased with that. I think that's a terrible result.

When you look at it, one of the bidding parties during this tendering process not only has the advantage of having accurate information, but has the additional advantage of knowing that the tender being put out is inaccurate in its requests. Plus there's an established relationship that in the past we had grave concerns about. I guess we'll be getting some of the documentation that establishes what some of the previous problems were in the relationship between the department and the contractor.

I'll skip over the actual delivery and the fact that there are no mechanisms in place to measure. It just states in paragraphs 5.69, 5.75, and 5.59 of the Auditor General's report that there was no accurate measure. It's fascinating. We could have had accurate measures for numbers, yet the only information that flowed from Royal LePage was self-serving. It was on the quality-of-life component of what they were providing. In paragraph 5.71 it talks about Royal LePage providing information back to the departments on quality of life, but we don't have the other numbers that would have played a key role.

Let's just go to the final result. You seem to be quite happy with it costing \$280 million for 17,000 relocations. That's \$16,500 per relocation. How does that compare to the private sector? I've moved a number of times, and it has never cost me anywhere near that amount. That's not even an accurate number, either.

• (1705)

When we take a look, we find out that some of the people who were being moved—well, ten out of ten situations—were paying between \$800 and \$8,000. I don't know what the average was, but if it was somewhere in the middle, it was \$4,000 on top of this cost. My goodness, we're up to \$20,000.

**The Chair:** Mr. Wrzesnewskyj, you're out of time. So much for the short, focused questions; that was a five-minute question.

**Mr. Borys Wrzesnewskyj:** That's why I think we're going to need more—

**Mr. John Williams:** That's not so good, Mr. Chairman.

**Mr. Borys Wrzesnewskyj:** Mr. Bennett, how does that compare to the private sector, that result?

**Mr. Ian Bennett:** I would need to look at the comparisons. The administration fee—

**Mr. Borys Wrzesnewskyj:** So you've allotted something that you have absolutely no idea—

**The Chair:** Mr. Wrzesnewskyj, you're out of time.

Do you have a comment, Mr. Bennett?

**Mr. Ian Bennett:** Actually, there were a number of points raised. In terms of how that price would compare with the private sector, you need to understand that it's a very complex bundle of services. So we would need to do a detailed analysis to look at the

comparatives between how the service is provided to Government of Canada employees and in the private sector. I don't have that information.

There were other points made with respect to the relationship. I want to be clear, Mr. Chair, about the relationship and the steps that were taken in the 2004 process to make sure that it was a fair and equitable process. We completely replaced the team. Everyone involved in the first process was replaced. They had no involvement in the second process.

The second point is that we tried very specifically to make sure there would be maximum competition. We looked at the business volumes, and we tried to attract in every way the greatest number of suppliers possible to participate.

We looked at future capability. As I said, we introduced a new element. So we tried, in terms of the lessons learned and making sure there was a separation between one process and the other, to ensure that it was as complete as possible.

I have one last point, Mr. Chair, if I may, briefly. I want to be very clear that with respect to the reference to 88%, I was simply trying to put that in context. I was not in any way trying to minimize the impact. This is something we take very seriously.

**The Chair:** Thank you, Mr. Wrzesnewskyj. Thank you, Mr. Bennett.

Mr. Williams, you have five minutes.

**Mr. John Williams:** Thank you, Mr. Chair.

I'm glad to hear that you're taking things seriously, now, Mr. Bennett, because as far as I can see, nobody took this contract very seriously. You opened your remarks by talking about the success of the program, the first one, the pilot one, and I don't think you even had a clue whether it was successful or not, because you had no information to evaluate it. So be that as it may.

Rear Admiral Pile, the Auditor General points out that Royal LePage was charging your employees between \$800 and \$8,000 for services they said they would provide for free. Are you going to get that money back from Royal LePage, and are you going to give it back to the employees who paid it in the first place?

**RAdm Tyrone Pile:** Mr. Chair, yes, all those files are going to be reviewed individually.

**Mr. John Williams:** No, no, I asked if you are going to get the money back from LePage.

**RAdm Tyrone Pile:** All those files are going to be reviewed individually, and those members will be reimbursed.

**Mr. John Williams:** By LePage?

**RAdm Tyrone Pile:** The members will be reimbursed.

**Mr. John Williams:** No, I asked if they are going to be reimbursed by Royal LePage, which overcharged them when it was not in the contract for them to charge the money in the first place, because they said they would provide the service for free.

**RAdm Tyrone Pile:** I'll have to get back to you, Mr. Williams, in answer to your question.

**Mr. John Williams:** I want a written response on that.

I find this outrageous, Mr. Chairman, that they've had this report for weeks, I presume. They're here before the public accounts committee, they find out that the contractor was deliberately and purposely charging people for what they said they would provide for free, and the witness hasn't even got around to asking if he's going to get the money back. I'm sorry, but it just doesn't add up.

• (1710)

**RAdm Tyrone Pile:** Mr. Williams, my concern is for the Canadian Forces members, and we're going to take care of our members.

**Mr. John Williams:** I want that money back for the taxpayer, too.

Looking at paragraph 5.35 of the Auditor General's report, she says, "While PWGSC evaluated the bids properly, it did not pay adequate attention to the collective facts in bids submitted in response to the RFP." And here we go again, Mr. Chairman. They tick off the check-boxes, but nobody connects the dots and says there is something wrong here.

I cannot in my own mind understand why, looking at two bids—this is not a hundred bids—how one says I need \$50 million to provide this service, and the other one says I'll provide it for free—albeit under the table he collects the money anyway. But he provides it for free, and nobody asks if there is a problem here.

What do you say, Mr. Bennett?

**Mr. Ian Bennett:** Mr. Chair, first I'll come back to a couple of points. There were two of 289 questions raised with respect to property management.

Second, Mr. Chair, bidding zero—

**Mr. John Williams:** Excuse me, Mr. Bennett, I have to interrupt.

There was a \$50 million discrepancy between one guy saying for free and the other guy saying for \$50 million. Did nobody ask whether there was a problem here?

**Mr. Ian Bennett:** There are two issues here.

Firstly, as a bidding strategy, it is not uncommon—it is not frequent—for bidders to come in and bid zero on certain items.

The second point is that we have jurisprudence with respect to our ability to compare one bid to another. In looking at—

**Mr. John Williams:** That's not my question, Mr. Bennett. I asked, did nobody use their brains and say a \$50 million discrepancy requires a question to be asked? I'm not talking about comparing one bid with the other. I'm talking about somebody using their brains to say that this seems a little bit out of place, and asking the question.

**Mr. Ian Bennett:** In terms of asking the question, again, it's a question of looking at what bidders are providing—

**Mr. John Williams:** We're talking about only two.

**Mr. Ian Bennett:** —based on their best business intelligence. So can we go back and say—

**Mr. John Williams:** Let's talk about best business intelligence.

Royal LePage had all the facts. Envoy had no facts, other than what you put in the RFP. You said 60% of all their moves are going to require property management services. First, that was factually wrong, because only 40% of the people own houses, and that is

totally and completely inadequate. Then you come back and say we need \$50 million to provide this one service. You tell us also in the technical evaluation that property management, for some reason, isn't in the technical evaluation. It's only in the cash part of the evaluation, according to Mr. Goodfellow.

I'm going to ask you, Mr. Bennett—this is a serious question: Are you aware of any collusion between any people, public or private—and Mr. Goodfellow has talked about pressure—are you aware of anybody, public or private, who put pressure on this bid to get it done this way?

**Mr. Ian Bennett:** Mr. Chair, I am absolutely unaware of any collusion in any regard with respect to the 2004 contract, or any other contracts related to this file.

**Mr. John Williams:** It certainly seems funny to me that the way this thing felt and came together, Mr. Chairman, Royal LePage had all the facts; Public Works, DND, and RCMP couldn't get their act together, which totally and completely misled Envoy, the other contractor, and they asked them to provide information on something that was factually impossible to provide.

**The Vice-Chair (Mr. Brian Fitzpatrick):** You're out of time. I just thought I'd point that out to you.

**Mr. John Williams:** How can I be out of time, Mr. Chairman? I thought you were on my side.

**The Vice-Chair (Mr. Brian Fitzpatrick):** In fact, I gave you 15 extra seconds.

**Mr. John Williams:** I was just getting worked up.

**The Vice-Chair (Mr. Brian Fitzpatrick):** Maybe Mr. Bennett might have a quick comment.

**Mr. Ian Bennett:** Mr. Chair, that's a vital question. I hope I answered it very clearly.

Pardon me?

• (1715)

**Mr. David Christopherson:** I said no.

**Mr. Ian Bennett:** The question, as I understood it, Mr. Chair, was whether there was any collusion with respect to this contract. I believe I answered the question directly that there was no collusion that I am aware of.

Every scrap of information that we have available—and I believe the Auditor General has asked for an opinion on this as well—says there was nothing untoward about this contract.

**The Vice-Chair (Mr. Brian Fitzpatrick):** I'll turn it over to Mr. Laforest.

[Translation]

**Mr. Jean-Yves Laforest:** Thank you, Mr. Chairman.

I would like to come back to the weighting issue. I did not really understand the explanation. I asked earlier whether there were documents, and you answered that you would provide them. The Auditor General said that she did not have access to any of those documents.

Is that correct? Do the documents exist or not?

[English]

**Mr. Ian Bennett:** Mr. Chair, the documents that were referred to in the question do not exist. They are not on the file.

The answer I responded with earlier—and I apologize for any confusion—was, in general, why you would have 75-25. It was a general, not a specific answer.

[Translation]

**Mr. Jean-Yves Laforest:** How was it determined that the ratio should be 75-25? You are telling me that there is no document to support that weighting. Why was a 75-25 split chosen? What criteria were used to determine that the ratio should be 75-25? I find that very hard to understand, if you do not have any documents to support this decision. It seems arbitrary to me.

[English]

**Mr. Ian Bennett:** Mr. Chair, the 75-25 would have been a product of looking at the impact of the quality of services to Canadian armed forces personnel and RCMP personnel. As you can appreciate, a relocation for a family is very stressful, so having quality services and making sure that any firm that was awarded the contract would have very full and technical capability to deliver the services.... Again, that's a general answer, but that was the thinking.

[Translation]

**Mr. Jean-Yves Laforest:** You are telling me what you told the Auditor General. I find it scandalous that a department like Public Works and Government Services Canada, which manages billions of dollars, has no document to support a 75-25 weighting in a contract such as this one. Moreover, it led to a financial analysis—this is clearly indicated in Ms. Fraser's report—that was done by one person.

Once again, I find it scandalous that, in such a large department, responsibility for the financial analysis of such a major contract—we are talking about \$280 million a year—was given to a single person. That leaves room for what could be called arbitrary decisions, as I mentioned earlier. I am trying to find the right words but this strikes me as surprising, to say the least. I find it very disappointing and unacceptable.

I do not know how such a process could be deemed to be fair and honest. You say that things worked well, but I cannot believe that. As Mr. Williams said earlier, it led to a difference of \$48.7 million. No one reacted. If the bid had been half as much, that is, \$24 million, everyone would have wondered why the difference was so great. Here, the difference was between zero and \$48 million, and the department did not react at all. Give me your opinion about this, because I do not understand.

[English]

**Mr. Ian Bennett:** Mr. Chair, to respond to the question, let me first say that the lack of documentation on the file in terms of the 75-25 was an oversight. It will be corrected in the future files.

Let me also respond, Mr. Chair, that in terms of having one person do the financials, we acknowledge that on major contracts such as this, and going forward, it needs to be addressed. We have sent a

directive to our staff that in future all major files will be analyzed by more than one person.

I would leave it to the Auditor General to respond, but in terms of our discussions with the Auditor General's office, I want to be very clear that I am not aware of any sense that the analysis on the appropriateness of the financial considerations was not properly done. I believe the Auditor General said that it is a systemic weakness in the process that only one person was doing the analysis. As I said, we've corrected that.

• (1720)

[Translation]

**Mr. Jean-Yves Laforest:** Mr. Chairman, I just need 30 seconds more.

[English]

**The Vice-Chair (Mr. Brian Fitzpatrick):** You have five seconds left.

[Translation]

**Mr. Jean-Yves Laforest:** You are telling me that there was an oversight, but we are talking about a contract worth \$280 million a year. One has to question the judgment of the people at Public Works and Government Services. We are talking about \$280 million, but I cannot imagine what it would be for an even larger contract. This is alarming.

[English]

**The Vice-Chair (Mr. Brian Fitzpatrick):** Mr. Poilievre.

**Mr. Pierre Poilievre (Nepean—Carleton, CPC):** My question is for the Auditor General. This entire contract has been under way now for several years. I think it goes to 2009. Is that correct?

**Ms. Sheila Fraser:** Yes, that's right.

**Mr. Pierre Poilievre:** So the contract has been active now for two years. Is that correct?

**Ms. Sheila Fraser:** Yes.

**Mr. Pierre Poilievre:** Now that you've discovered these problems with the way it was awarded, what are you suggesting the government do with the contract? Should we continue to honour it as it is? Should we stop and start all over again? What are you suggesting we do? We of course inherited this entirely from the previous government. This was not something our government made a decision on. But we are where we are today, so what can we do?

**Ms. Sheila Fraser:** As I mentioned earlier, I really believe it is up to government to decide what action it will take. It would appear that government does not agree with us that the process was not fair and was not equitable. Certainly that is the indication we have received, that government's intention is to continue with the contract and review the process when it comes up for tender again. That is a decision that I think is up to government to decide, obviously depending on the consequences of the various options available to them.

**Mr. Pierre Poilievre:** Presuming the whole world were to agree that the contract was carried out improperly by the previous government, what could be done, conceivably? What could actually happen? What can you suggest?

If the contract were cancelled, would the government then face litigation from Royal LePage? What costs—

**Ms. Sheila Fraser:** I can't answer that. We obviously haven't done the analysis. I presume the government has probably done that analysis of the different options. The contract was re-tendered already once, based on allegations and conflict of interest.

**Mr. Pierre Poilievre:** But at that point when it was re-tendered, was Royal LePage actually in the process of carrying out work already?

**Ms. Sheila Fraser:** The contract had been awarded, I believe, and yes, the contract was under way. The contract was cancelled and re-tendered.

**Mr. Pierre Poilievre:** So Royal LePage was actually carrying out the work specified in the contract when it was cancelled and re-tendered.

**Ms. Sheila Fraser:** Mr. Sloan is just telling me that in fact they continued to provide the services until the new contract was signed.

**Mr. Pierre Poilievre:** All right. I'm going to turn it over to Mr. Sweet.

**Mr. David Sweet:** Mr. Goodfellow, you mentioned that you had designed the RFP. What aspect of the RFP did you actually assess?

**Mr. Richard Goodfellow:** I was present during the technical evaluations, and I performed the financial evaluations and did the method of selection results to determine the winning—

**Mr. David Sweet:** So you were the singular person on the financial aspect.

**Mr. Richard Goodfellow:** Yes, sir, and—

**Mr. David Sweet:** That's fine.

There were 289 questions asked and 287 answered, Mr. Bennett, and amazingly, the only two that were unanswered drilled down to the key elements of the discrepancy of this RFP. Does that surprise you at all?

**Mr. Ian Bennett:** There were 289 questions answered. The problem was, I think, with the answers to those two questions. It wasn't that those two questions went unanswered.

**Mr. David Sweet:** So you answered 289 questions. On these two that were asked, what was the answer? Considering that the Auditor General was able to find out the exact number of—

**Mr. Ian Bennett:** The answer was that the information contained in the RFP, after verification with the departments involved, was the best information that was available.

**Mr. David Sweet:** Did the minister at the time sign off on this contract? After the RFP is tendered, is this something that is analyzed by the deputy minister as well as the political minister?

• (1725)

**Mr. Ian Bennett:** Yes.

**Mr. David Sweet:** By both of them?

**Mr. Ian Bennett:** Yes, and it would have gone to the Treasury Board.

**Mr. David Sweet:** And it would have gone to the Treasury Board Secretariat after that.

**Mr. Ian Bennett:** Correct.

**Mr. David Sweet:** The employee or employees in question—with the impropriety of the original contract, were any of those individuals involved in the second RFP?

**Mr. Ian Bennett:** As I said, none of them. It was a completely new team. That's when Mr. Goodfellow took on his responsibilities. He was not part of the second team for the 2002 contract. It was completely new.

**Mr. John Williams:** To the gentleman from the RCMP, unfortunately your institution has been in the news, and not in a very favourable light, of late. However, I'm looking at paragraph 5.92, dealing with the reimbursement of expenses, which says:

However, when actual documentation is finally received by the RCMP, it uses only a limited, informal, risk-based audit approach to verify relocation expenses.

**The Vice-Chair (Mr. Brian Fitzpatrick):** Mr. Williams, you're out of time.

**Mr. John Williams:** Let me just finish the question, Mr. Chairman.

**The Vice-Chair (Mr. Brian Fitzpatrick):** Hurry up. I'll give you more time.

**Mr. John Williams:** What kind of operation are you running over there when you're doing informal reviews and things are slipping down through the cracks, and so on? You are the national police force, so we expect it to be done according to the rules. So what's this informal bit all about?

**Mr. Alain Séguin:** We responded to the Auditor General. We agree with the concerns raised, and in fact we are developing guidelines that are more—

**Mr. John Williams:** On a point of order, Mr. Chair, I ask what this informal bit is all about. Is this the way they do business? I don't need to get guidelines in the future. I want to know why this was the case.

**Mr. Alain Séguin:** Why were they informal? It specifically relates to the Pacific region. The feeling was that because of the volume—and there are a lot of transactions in the Pacific region—they felt that using a “less than statistical” risk-based approach was appropriate. We don't feel it's appropriate, and we're therefore making corrections.

**The Vice-Chair (Mr. Brian Fitzpatrick):** We all want to hear from Mr. Christopherson now. We're anxiously waiting for him.

**Mr. David Christopherson:** I don't know about that, but I do have the floor.

Thank you, Mr. Chair.

Thank you, all.

You answered the question, Mr. Bennett, and it was just a factual, historical one, in that Minister Scott Brison and Mr. Marshall were the minister and deputy respectively for the third contract. Since we're doing it one, two, three, for the first two, who would have been the deputy and the minister?

**Mr. Ian Bennett:** I don't have that information off the top of my head. We can easily check, though.

**Mr. David Christopherson:** You'll bring that to the next meeting, then, when you've had a chance to think about it?

**Mr. Ian Bennett:** Yes.

**Mr. David Christopherson:** I appreciate that.

Also, Admiral, I just wanted to clarify something. Based on Mr. Williams' questions, I understand that your first concern is for your members. That's what we want to hear from our senior command officers. But we also do want you to address the issue of where that money is going to come from. If you're not going to go after LePage for it, I'd like some explanation as to why not. That's the request.

**RAdm Tyrone Pile:** I understand your concern.

**Mr. David Christopherson:** Good. I just want to be clear that you're clear about what we're asking for. In terms of what we get back, we'll see.

**RAdm Tyrone Pile:** I will get back to you. I just want to be certain of the legal mechanisms.

**Mr. David Christopherson:** Fair enough. I just want it to be crystal clear that we're all crystal clear.

The crux of this matter, as I understand it, has a lot of different pieces attached. Because there was an inherent unfairness, according to the Auditor General and according to the person at the company that wasn't the bid winner, and because information was wrong, there wasn't an actual fair bidding process. That does get into current times in terms of what the government's going to do about this situation, but we'll leave that aside and deal with it in another place.

The first question would be, in your opinion—and I'd like the Auditor General to respond, because it picks up on where one of the other members left off—isn't a \$50-million difference in two bids something that would raise an eyebrow, in that somebody is either a super business person who has found a way to make money out of thin air; or that there's something wrong here, that there's an advantage somewhere; or that somebody doesn't have the capabilities to provide what they're saying for that amount? Isn't that a big enough amount of money between two credible bidders to have somebody raise an eyebrow and say, "Wait a minute. These are two credible people, so these things should be a few million apart, not tens of millions."

• (1730)

**Mr. Ian Bennett:** Mr. Chair, again I go back to two things, quickly. Number one, in a number of different areas, goods, and services, suppliers bid zero. I take the point that it was a very significant difference between the zero and the price in other bids, but second-judging that business intelligence as to why they would bid zero puts Public Works and Government Services on a very slippery slope.

The second point is that there is jurisprudence in terms of our ability to compare one bid to another. There have been cases before the CITT. Looking at those, did the department have the latitude to really compare one bid to another and do the assessments? In retrospect, the Auditor General has said that in looking at all factors and all things combined, there should have been flags, and we take that point.

**Mr. David Christopherson:** But we can't just let it go at that. That's not good enough, I'm afraid. To say to you that a bidder chooses to put zero and therefore that's up to them, it's a business decision.... If somebody bid on a new bridge and they put zero for

concrete, somebody ought to be saying "Wait a minute. How the heck can they do that and still manage to do the job in a way that's acceptable?" So let me get into a little more detail on this.

And by the way, I realize it has to be tweaked with legal people, but one other thing I'd like to ask you for is a one-pager on that apparent conflict of interest, what the circumstances were, and what was found out. I don't need names or an indication, but there's nothing wrong with telling us what the circumstances were. If you decide not to respond, then send a letter in saying that and we'll deal with it. But I'd like to at least get a précis on what happened there, because I don't know.

On the second one, there were complaints, apparently. You have stated that you didn't know these huge problems were there until the Auditor General found them, yet the bidders commented on both aspects: the inaccuracy of the 60% and 40% in the template of the RFP, but also wanting to know what the actual volume numbers were. The answer came back that the numbers were not available, but we're going to deal with that.

**Mr. Ian Bennett:** Again I simply say to the committee, Mr. Chair, that there were 289 questions asked. There were two questions with respect to the question that is being raised. In terms of whether there were flags going up when you look at that type of scenario, there were not, because all 289 questions were important.

**Mr. David Christopherson:** I'm sorry, but let me ask you a question. If a complaint comes in—

**The Vice-Chair (Mr. Brian Fitzpatrick):** Your time has expired. Sorry.

**Mr. David Christopherson:** Then we shall return to this interesting subject on another day.

I thank you all very much for your answers.

**The Vice-Chair (Mr. Brian Fitzpatrick):** They're very good questions, with very good commentary, but we have to move on.

**Mr. John Williams:** On a point of order, Mr. Chairman, my watch says it's about 5:35. According to my records, we always wrap up at 5:30. In fact, I have here the new schedule for next year, 2007, which says committee meetings run for two hours and then wrap up at 5:30 at night and so on.

Some people have private members' bills in the House and other things. I raised this issue a couple of weeks ago that committee meetings should start on time, at 3:30, and finish on time, at 5:30. We have to leave. What's the scoop?

**The Vice-Chair (Mr. Brian Fitzpatrick):** There was an informal understanding with the chair that we were going to run to 5:38, which is in about two minutes from now. What's the wish of the committee?

Ms. Ratansi was on the list, and she was going to share her time with Borys. Why don't we just let that transpire, and then we can move on?

**Ms. Yasmin Ratansi:** When I look at the chart that the Auditor General has given, PWGSC is the body that looks after the integrity, the accountability, and the equality of a contract. These are the guiding parameters of procurement, and we have a lot of people who get concerned. They keep on saying this doesn't happen and that government gives bids to whoever its friends are. As legislators, we try to ensure that there is a fair process. I hope that, as an operational body under that legislation, you would do the same. Hence, I have a question.

In paragraph 5.27, the Auditor General says that in regard to “the request for proposal, we noted that a potential bidder had asked PWGSC to provide figures showing the actual use of property management services”, but there was no correct information. If you don't have correct information, how does one believe in the integrity of the process? How does one respect that there was equal treatment given to any other bidders? There were bidders who were there before and who probably had knowledge of it.

So can you give me some comfort as to where I can get some satisfaction on this information, and whether it's the Treasury Board policy that financial evaluation of a bid like this should be done by one person? I know you told me you have probably changed it for the next round, but I want to know where the integrity is, where the accountability is. Thirdly, there should have been a holistic approach in reviewing the bid, but management seems to have not gotten the right collective information, so they couldn't make the decision. How do I trust the process?

• (1735)

**Mr. Ian Bennett:** Mr. Chair, there were three questions. On the first question, I'd come back to this point, the question being the basis on which the information was included in the bid. My answer would be that it was based on the best available information that was made available to the department at that point in time.

**Ms. Yasmin Ratansi:** But if it is incorrect information, then it's garbage in, garbage out, so how do I know you protected the efficiency and effectiveness of taxpayers' dollars? There is no return on investment. I have no faith.

**Mr. Ian Bennett:** Again, on the issue in terms of going back and working with departments, asking for validation of the business volumes was the action that was undertaken. With respect to the information going forward, I want to be clear that the practice at Public Works and Government Services, as instituted in terms of more than one person reviewing the bids, is not just in place for this transaction, but for all major transactions that will be going forward in the future. We take to heart the Auditor General's comment.

With respect to flagging all salient information items as a bid goes forward to senior management, such as the fact that there are discrepancies within the bid, that is taken to heart as well and will be corrected.

**The Vice-Chair (Mr. Brian Fitzpatrick):** Mr. Wrzesnewskij.

**Mr. Borys Wrzesnewskij:** Thank you.

Mr. Goodfellow, how many people are on your team?

**Mr. Richard Goodfellow:** If you mean on my team during the financial evaluation, it was just myself.

**Mr. Borys Wrzesnewskij:** What about preparing the proposal?

**Mr. Richard Goodfellow:** In preparing the RFP, it was the interdepartmental committee, with representatives: the project authority from Treasury Board, and the two departmental authorities, one from RCMP and one from National Defence. We met on several occasions, usually twice a week, and we worked collectively in developing the RFP.

**Mr. Borys Wrzesnewskij:** Can we receive a table with the names of those people?

Were you the lead?

**The Vice-Chair (Mr. Brian Fitzpatrick):** Just to be clear on that, do we have a clear undertaking to provide those by Tuesday of next week, Mr. Bennett?

**Mr. Ian Bennett:** Okay.

**Mr. Brian Fitzpatrick:** Thank you.

They'll be available too?

**Mr. Ian Bennett:** Yes.... Oh, I'm not sure. Richard could speak to that, Mr. Chair. I don't know whether all of those team members are still active in the federal public service. I can't make that commitment; I'm sorry.

**Mr. Borys Wrzesnewskij:** Were you the lead?

**Mr. Richard Goodfellow:** I was the lead for the terms and conditions portion of the RFP, and the departments were responsible for providing their statements of work. We worked collectively in developing the evaluation.

**Mr. Borys Wrzesnewskij:** Who did you report to?

**Mr. Richard Goodfellow:** I reported to a senior director.

**Mr. Borys Wrzesnewskij:** Besides the team that was putting this together, who else would have had input on the structuring of this proposal?

**Mr. Richard Goodfellow:** We have several review processes within the department prior to publishing the RFP. We published a letter of interest with a draft RFP; we put it out to industry and solicited comments.

**Mr. Borys Wrzesnewskij:** Could you provide us with a listing of that as well?

What kind of relationship were those—

**The Vice-Chair (Mr. Brian Fitzpatrick):** That's your last question, Mr. Wrzesnewskij.

**Mr. Borys Wrzesnewskij:** The one I've started, or—?

**The Vice-Chair (Mr. Brian Fitzpatrick):** Finish it.

Is there a point of order?

[Translation]

**Mr. Jean-Yves Laforest:** I have a point of order, Mr. Chairman.

Before the end of the meeting, I would like to remind the committee members about the motion that I introduced at the very beginning of the meeting. I would like to know whether the committee will vote in favour of having Deputy Minister David Marshall appear on this matter.

[English]

**The Vice-Chair (Mr. Brian Fitzpatrick):** Okay. I'll keep that in mind, Mr. Laforest.

Let us get a reaction to Borys' question.

Is this a point of order?

**Mr. John Williams:** I want a question.

**The Vice-Chair (Mr. Brian Fitzpatrick):** You're out of order. I've always wanted to say that, too, Mr. Williams: you're out of order.

Let's get back to the agenda.

**Mr. Borys Wrzesnewskij:** Yes. Were any of your team contacted by Royal LePage? Were any of those people involved in the process, and what kind of relationships are you aware of that existed with Royal LePage?

• (1740)

**Mr. Richard Goodfellow:** The departmental authorities and the project authority were involved in the program operations during the previous contract. But I'd like to point out that those individuals were not involved in the technical evaluation process.

**Mr. Borys Wrzesnewskij:** So people who had existing relationships were in on the process.

**Mr. Richard Goodfellow:** That's correct.

**Mr. Borys Wrzesnewskij:** Thank you.

**Mr. Richard Goodfellow:** No, "were not"; they were not.

**Mr. Borys Wrzesnewskij:** No, I mean for the proposal.

**Mr. Richard Goodfellow:** In the development of the RFP, yes.

**Mr. Borys Wrzesnewskij:** Thank you.

**The Vice-Chair (Mr. Brian Fitzpatrick):** We have a couple of points of order. We're finished questioning. Maybe we will give the witnesses the honour of being able to leave while we're raising our points of order, unless they want to stay to listen to them.

Mr. Christopherson.

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

I just want to request, and I can do it by way of motion, if you require it...

One would be that there has been reference a few times to these 280 questions, and in the key area we keep asking about just one and two. Could we get, for one thing, a copy of all the questions that were asked and the answers that were provided? That's one thing, and two is a copy of the internal departmental complaint process in detail: generically, if I'm a bidder and there's a process and I have a concern, what is my process; what am I informed of?

Please provide that in writing, and whether or not there was any—and I'm emphasizing "any"—variation from that process with regard to these contracts.

**The Vice-Chair (Mr. Brian Fitzpatrick):** Is that agreed, Mr. Bennett?

**Mr. Ian Bennett:** As a point of clarification, Mr. Chair, I just want to make sure that.... I am not aware that were complaints during the

2004 RFP process. There were certainly questions, but I take it that the question—

**Mr. David Christopherson:** Let me be clear, then, Chair. I want to make sure I'm right.

My understanding was that there were complaints from bidders, and it may have been in the 2002 process, but some of the things they were concerned about still remained in the 2004 contract, so it's legitimate to see whether or not you responded in a way we feel was adequate.

**The Vice-Chair (Mr. Brian Fitzpatrick):** Another document we should have for the next meeting as well, Mr. Bennett, is the scorecard on the evaluation. There were points assigned and they were graded or scored. It would be relevant to this committee that we would have that scorecard with the point total.

**Mr. Ian Bennett:** Mr. Chair, with respect, I would need to defer to legal advice on that, and I will take counsel on that.

**The Vice-Chair (Mr. Brian Fitzpatrick):** Legal advice—?

**Mr. Ian Bennett:** Yes. I'm not sure that we would normally disclose that type of information.

**Mr. David Christopherson:** You can either provide the document or a legal position as to why you're not—

**The Vice-Chair (Mr. Brian Fitzpatrick):** It would have to be a pretty good legal reason not to provide that document.

We'll be meeting again, for some of you, on Tuesday.

**Mr. David Christopherson:** Can I ask one other question about the process? I don't know if you can answer or not. If there were confidential information—say, you couldn't use a descriptor of a position even though you weren't naming someone because it might lead to that person's name if you were in the department—do we have the ability to go in camera and receive that kind of information? Or are we only entitled to what we can receive in a public session and we don't have the ability to do confidential briefings on matters?

**The Vice-Chair (Mr. Brian Fitzpatrick):** I'm advised by a wise person that we could do that.

**Mr. David Christopherson:** That is good to hear. Thank you.

**The Vice-Chair (Mr. Brian Fitzpatrick):** Okay, that wraps up the meeting for today.

Before we adjourn we'll be hearing from Mr. Laforest, but maybe we'll just give these folks a minute.

Mr. Bennett, did you have a comment?

**Mr. Ian Bennett:** Mr. Chair, the committee should be aware that Mr. Marshall will be out of the country continuing his medical leave next week, so in terms of the meeting scheduled for Tuesday—

**The Vice-Chair (Mr. Brian Fitzpatrick):** Where is he getting his medical treatment?

**Mr. Ian Bennett:** I'm not sure.

**The Vice-Chair (Mr. Brian Fitzpatrick):** Okay, that's privacy, I guess.

• (1745)

**Mr. David Christopherson:** When will he back, though?

**Mr. Ian Bennett:** I would think he would be expected back the week after next, all things equal.

**The Vice-Chair (Mr. Brian Fitzpatrick):** Okay, perhaps you could raise your point of order, Mr. Laforest.

[*Translation*]

**Mr. Jean-Yves Laforest:** If Mr. Marshall is ill, we cannot do anything about that. However, we can still pass a motion to have the Deputy Minister of Public Works and Government Services Canada appear before the committee when he is available.

[*English*]

**The Vice-Chair (Mr. Brian Fitzpatrick):** Do you have something to say on that, Mr. Williams?

**Mr. John Williams:** Yes, I do, Mr. Chairman.

Mr. Marshall has appeared before this committee on a number of occasions. I think back to the sponsorship scandal, when Public Works was under a dark cloud and he was extremely forthcoming and helpful to the committee. It's unfortunate that his health is not good at the moment, but I would ask that we defer the motion, Mr. Chairman, because Mr. Marshall has always come to the committee whenever he has been invited to come to the committee, and I would expect that it would be the same again this time.

Therefore I would ask that we not do a formal motion on it and that we act to defer...so that when we extend an invitation to him, I'm quite sure he will appear.

**Mr. David Christopherson:** That remains in the realm of an invitation, as opposed to a command performance sort of thing. Okay.

**Mr. John Williams:** That's right, it's an invitation, as we normally extend to all other witnesses who come before this committee. I'm quite sure when his health allows him to come before this committee, Mr. Marshall will be quite willing to come, even though he may have difficult questions. He knows that, but he's always been able and willing to come in the past. So I would ask if the mover would be prepared to just leave the motion on the table at this time.

[*Translation*]

**Mr. Jean-Yves Laforest:** Mr. Chairman, Mr. Williams is talking about his experience based on past situations. Personally, I do not see any objection to this. The reason I introduced the motion was that we had passed a motion to invite the other witnesses. However, given that all members of the committee are acting in good faith, I am willing to defer my motion. We may not need to propose it again, but we could invite him to come as soon as he is available.

[*English*]

**The Vice-Chair (Mr. Brian Fitzpatrick):** Thank you very much, Mr. Laforest.

I think we are all in agreement that we hope everything works out well for Deputy Minister Marshall.

Thank you very much, witnesses, and for many of you, we'll be seeing you again.

The meeting is adjourned.

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

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