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## Standing Committee on Public Accounts

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**Chair**

**The Honourable Shawn Murphy**

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Monday, January 29, 2007

•(1535)

[English]

**The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)):** I would like at this time to call the meeting to order and want to extend to everyone here, witnesses, people in the gallery, and members, a very warm welcome. *Bienvenue à tous.*

I would welcome Pablo Rodriguez, who, I understand, is a new member to the committee. Welcome, Pablo. No speeches by new members.

We have another new member. Do you want to introduce her?

Madam.

[Translation]

**Ms. Paule Brunelle (Trois-Rivières, BQ):** Hello, I am Paule Brunelle, the member for Trois-Rivières.

[English]

**The Chair:** Okay.

There are a couple of things I want to say before we start. First of all, as this is the third meeting on this particular issue, there will be no opening statements. Again, I want to remind members that the issue before the committee is whether or not government contracting policies have been respected, and hence, by extension, whether or not taxpayers got good value for their expenditure dollar.

We'd like to conclude this issue today. I would urge members to keep their questions short and relevant. I would urge all witnesses to keep their answers very brief and to the point. This committee has no patience for long, rambling, irrelevant answers.

There's one other point I want to bring out to the members of the committee and to the interested public. This is a very significant time for the committee. Going back, there's been a recommendation before different governments, starting with the Glassco commission and the Lambert commission, that deputy ministers become accounting officers before Parliament and, by extension, this committee. This committee made that recommendation in 2004. It was followed up by the recommendations made by Mr. Justice Gomery in his report tabled in February of last year. It was followed up subsequently by the government in a provision in the Federal Accountability Act and it became law on January 1 of this year.

You, Mr. Marshall, are the first person to appear as an accounting officer before Parliament. So I want to say that it's a very significant item and I want to congratulate you. I'm not sure you're aware of that, but congratulations.

**Mr. David Marshall (Deputy Minister, Public Works and Government Services Canada):** No. Thank you. It's a chance to make history.

**The Chair:** If there's nothing else preliminary, we're going to go right to the witness list.

The Liberal Party, eight minutes, Mr. Proulx.

**Mr. Marcel Proulx (Hull—Aylmer, Lib.):** There's an opening statement somewhere.

**Mr. John Williams (Edmonton—St. Albert, CPC):** I have an opening statement by the Auditor General.

**Mr. Marcel Proulx:** So do I.

**The Chair:** The Auditor General has given a short opening statement. Other witnesses asked to give other opening statements. This is the third time we've had the meeting. I have no problem if you want to do that, make an exception for the Auditor General.

Mrs. Fraser, I know it's very brief if you want to make those comments, but I think we'll limit it at that.

**Ms. Sheila Fraser (Auditor General of Canada, Office of the Auditor General of Canada):** It's really up to the committee, Mr. Chair. There were just a couple of points of clarification that we wanted to make before the meeting began, but, as you said, the statement's very short, so if members want to dispense with the reading of it, I'm....

**The Chair:** I think under the circumstances it would probably be best if we heard it from you. It is very brief.

**Ms. Sheila Fraser:** Thank you, Mr. Chair.

We thank you for this opportunity to clarify certain of the issues from chapter 5 of our November 2006 report. The audit raised two primary issues. The first is that fairness in contracting requires that business volumes set out in the request for proposal be accurate and that all bidders have equal access to the correct information. The government agrees with this view. As committee members will recall, departments have acknowledged that they now know that the business volumes set out in the request for proposal were not correct.

The second issue is the clarity of the terms and conditions of the contract. Our position on this is clear. The contract states that third-party services will be paid according to the ceiling rate established in the contract. In the case of property management services, the ceiling rate in the contract is zero percent, and the government has agreed with our interpretation.

[Translation]

The basis of payment set out in the contract does not distinguish between third-party services that are part of core funding and/or the third-party service funded from an employee's personal envelope. The contract is clear—"ceiling prices will apply for all services". As committee members will recall from the last hearing, the government has agreed with this interpretation.

At this time, departments should take steps to ensure that contract terms are respected.

Mr. Chairman, that concludes my opening statement, and we would be pleased to answer your committee's questions. Thank you.

[English]

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

Monsieur Laforest.

[Translation]

**Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ):** I would like a clarification from you, but perhaps you have already given it. Today's meeting will last three hours. Will we be hearing witnesses during all of that time?

[English]

**The Chair:** We have three hours scheduled for this meeting. We don't have to use the three hours, but that is what we have scheduled.

[Translation]

**Mr. Jean-Yves Laforest:** I would like to know how you are going to decide on the number of turns. How many will there be?

[English]

**The Chair:** It's up to the committee, but I propose that the first round be eight minutes each and the second round be five minutes each. That usually takes an hour and 45 minutes. Then if we go to a third round it will be five minutes each.

Again, I point out that we don't have to use the three hours, but we do have three hours scheduled, with the hope that the issue will be concluded at this meeting.

Mr. Williams.

**Mr. John Williams:** I'm not a fan of three-hour meetings, but if we are having a three-hour meeting I think there's enough time for everybody to have eight minutes each.

• (1540)

**The Chair:** That's certainly an option available to the committee. You're right that there would be enough time to do it.

Does anyone have any thoughts on that?

Mr. Christopherson.

**Mr. David Christopherson (Hamilton Centre, NDP):** Sometimes it's beneficial to hear a line of questioning from somebody else that ties into something you were thinking, and then you get a chance to speak. But this way you get eight minutes once, and no matter what comes up you're sort of done for the day.

**Mr. John Williams:** If we have eight minutes each all around, that will take about two hours. Then, under your eminent leadership,

perhaps we can have kind of a round-table question-and-answer period.

David's point is well taken, but we can leave it to the chair to adjudicate so it's fair and reasonable to all, kind of an open-ended free discussion period.

**The Chair:** Mr. Christopherson, you'll follow that.

Mr. Laforest.

[Translation]

**Mr. Jean-Yves Laforest:** In any event, we should avoid limiting ourselves. I agree entirely that we should reserve a time period at the end of the meeting in case there are questions remaining. If some members of the committee still have questions after the two eight-minute turns you have suggested, we will see what we want to do at that point.

[English]

**The Chair:** We'll proceed on that basis. In the interest of fairness, we normally go back to the Bloc Québécois and the NDP for another round of five minutes, just so we keep it somewhat balanced.

Mr. Proulx.

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

I wish to welcome all of our witnesses, some of whom we've already met, some of whom we haven't. I want to wish them a happy 2007.

We are privileged today to have Mr. Marshall, who has accepted our invitation. I understand that Mr. Bennett, for personal reasons and business commitments, could not attend, and Mr. Marshall has been sent to meet with us and give us some explanations. There are four or more new members around the table today, so we're going to do a little exercise together, Mr. Marshall, if you will allow me.

We've received a copy of the investigative report on a complaint of improprieties. Mind you, it's very difficult to read because some pages have been almost completely scratched out, with only the number of the page remaining. I understand that.

My understanding from witnesses at previous sessions is that you were the authority who decided to cancel one of the contracts. Let's just go back together for a second to identify the different contracts.

Number one would be the pilot project. Number two would be the one that was cancelled. Number three would be the one that was awarded after number two was cancelled.

Is that right?

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

**Mr. Marcel Proulx:** The one in place now that Royal LePage is working with at this time is actually number three.

**Mr. David Marshall:** Correct.

**Mr. Marcel Proulx:** Super.

I understand that you were the authority who decided to cancel contract number two. I would like to hear from you what pushed you to cancel contract number two, sir.

**Mr. David Marshall:** Well, Mr. Chair, the issues in front of me at the time were that the CITT had considered an appeal from one of the bidders on the number two contract in relation to a technicality in the sense of whether certain extra points could be earned or not. The CITT was recommending that we re-evaluate the contract bids in order to correct that technicality, so we were looking at that issue.

At the same time, Mr. Atyeo at Envoy had lodged certain allegations about a potential conflict of interest among the members of the government departments, including the Department of Public Works. The CITT, at the time, if I recall, had not considered those allegations, again, in that case, for a technicality, but I was certainly aware of them, and we launched an investigation to see if there was any merit to these allegations.

The conclusion was that there was no real conflict of interest, although there may have been a perception of one. The perception was strong enough and confusing enough to explain that I felt the integrity of the contracting process required that when you combine the need to re-evaluate and these other allegations, it was wise to re-tender and clear up any doubt. So that's what I did. That's what I recommended to the minister and that's what we did.

• (1545)

**Mr. Marcel Proulx:** Okay. Mr. Marshall, I want to choose my words, because I don't want to give an impression of wrongdoing on the part of Royal LePage, but what about the allegation of the fact that Royal LePage conducted the original contract, contract number one, the pilot project? The fact that they carried that out would have given them access or would have allowed them to understand—if I could say it that way—in a better way what you were asking of these bidders, whereas Envoy wouldn't have had that advantage, because they had never worked in that particular type of contract with your department. What are your comments on that, sir? How do you see that one would have had an advantage over the other?

Am I right in understanding that there were only two bidders?

**Mr. David Marshall:** I think it's important to understand which contract we're talking about. In the 2002 contract—Richard, correct me if I'm wrong—I think Royal LePage was the only qualified bidder.

**Mr. Richard Goodfellow (Manager, Project Delivery Services Division, Public Works and Government Services Canada):** Correct.

**Mr. David Marshall:** In 2004 there was more than one bidder.

**Mr. Marcel Proulx:** Could we relate to contract one, two, or three as we have explained before?

**Mr. David Marshall:** Okay, so you would like me to give you my sense of Royal LePage's position in relation to contracts one, two, and three.

**Mr. Marcel Proulx:** Well, especially to the fact that because they'd had contract number one, they knew what was involved. They knew some of the statistics that appear, from what we heard from Mrs. Fraser. We understand that the actual statistics were much different from statistics that could have been suggested or made to be understood by your people to both of the bidders—or more, if there were more than two—except that in the case of Royal LePage, because they conducted contract number one, which is the pilot project, they would have had the advantage of knowing that the real

statistics were not exactly the ones that your department was pushing forth.

Right, Mrs. Fraser, basically, in a nutshell?

**Mr. David Marshall:** Yes, I know this suggestion has been put on the table. I'd like to give the committee some context that may change our view on that suggestion, and this is why: the statistics that were asked of the bidders in contract three were based on a policy and a projection of what property management services might be required; they weren't represented as what historically had been used. My colleague from the Treasury Board Secretariat will be able to explain that to you.

On the second point, I think it's very important to know that you heard from both Royal LePage and Envoy that neither firm actually based their strategy on the actual number in the RFP. Royal LePage based their strategy for bidding on whether the government's total cost would go up; therefore, since they felt that according to the policy it would not, they bid zero. Envoy has said that they interpreted the requirement as what the actual service would cost, and they bid accordingly, so I think the notion that Royal LePage somehow used insider knowledge is not as accurate as has been presented. I think the committee should think about it that way.

• (1550)

**Mr. Marcel Proulx:** You're saying Mrs. Fraser would be sort of wrong.

**Mr. David Marshall:** No; I'm saying that it's an assumption on the part of the Auditor General that bears scrutiny.

**Mr. Marcel Proulx:** I see. Thank you.

[Translation]

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

Mr. Laforest, you have eight minutes.

**Mr. Jean-Yves Laforest:** Good day. Welcome to the committee.

My first question is addressed to Mr. Badun. You are the president of Royal LePage. At the December 12 meeting, your vice-president, Mr. Bélair, stated, in reply to a question I put to him concerning Ms. Sandra Buckler's lobbying activities and the point at which she began to work as a lobbyist, that her role was to advise you on issues relating to the Public Accounts Committee.

Could you give us some further details on that, please?

[English]

**Mr. Graham Badun (President, Royal LePage):** Thank you for the question and the opportunity to clarify that.

We engaged Fleishman-Hillard, a firm we've used on and off over the years to help us with in preparation of bids, etc., when we learned that this committee was being lobbied by Mr. Atyeo and his advisers around certain aspects of the process. We engaged Fleishman-Hillard to help us in terms of a better understanding of the processes. It isn't an everyday occurrence for a firm of our nature to get in front of a committee like this. It's a bit of a foreign process, honestly, so we engaged them to help us better understand the process, help us determine what kinds of facts we needed to get out, and help us establish meetings with members of the committee and with other stakeholders, etc.

[Translation]

**Mr. Jean-Yves Laforest:** When did Ms. Buckler begin to do the work you asked her to do?

[English]

**Mr. Graham Badun:** It was work we asked of the firm; I believe she engaged with us and the firm around May of 2005.

[Translation]

**Mr. Jean-Yves Laforest:** This confirms what Mr. Bélair told us. I would point out however that Ms. Buckler registered as a lobbyist as of June 22, 2005. I think that there is, thus, an important ethics problem, since two Royal LePage representatives have told us that she began to lobby committee members in the month of May, since you were interested in the work of that committee, while she has not yet registered as a lobbyist. I want the committee to take note of this, as well as you.

I would like to put a question to Mr. Marshall. Last November 28, the Auditor General, Ms. Fraser, stated in her report that this contract had not been awarded in a fair and equitable way. Minister Fortier replied that same day to journalists who asked him what he intended to do about that that the contract was valid until 2009. I suppose that Mr. Fortier was aware of procedures and of the fact that this report would eventually be studied by the Public Accounts Committee. It is as though he made statements without waiting for the review by the Public Accounts Committee.

Since you are the deputy minister, did you recommend that he state that the contract was valid until 2009? If that is the case, did you contact the Privy Council Office before making such a recommendation? Can you tell us whether there was communication between the minister's office and the Prime Minister's office in this regard?

• (1555)

[English]

**Mr. David Marshall:** Mr. Chairman, I'll try to answer that. There are several aspects to the question.

Certainly the Auditor General has reported or stated in her report that in her view the process was not fair and not tendered fairly. And certainly we have taken this very seriously and have had discussions, both in my management team and with our minister, as to what has happened and about what our recommendation is. That is the normal course and that's what happened.

I must tell you that my recommendation, when all the factors were considered, was that while there were some administrative errors, potentially, or some confusion around the numbers, taken as a whole, the process was balanced and the result would not have changed in either case, depending on whatever might have happened. So my recommendation to my minister was that there was no basis for retendering the contract. That was my advice, yes.

[Translation]

**Mr. Jean-Yves Laforest:** So, you are the one who made that recommendation to the minister.

Do I have any time left?

[English]

**The Chair:** A minute.

[Translation]

**Mr. Jean-Yves Laforest:** In fact, you sent the committee a letter containing a certain number of replies in this regard. In the third paragraph of page 2 of your letter, you state that the result would have been same even if the benefit of the doubt had been given to the second-place bidder.

I find it unacceptable that concerning a contract of such a size, you say that it would not have made any difference that someone bid \$48 million and that someone else bid zero dollars. It seems to me that this should have set off warning bells at the Department of Public Works, that the department should have wondered why there was such a difference between two bids.

In all fairness, you should have wondered why, before attributing the contract, there was a \$48-million bid, which is not a small sum. I think that the federal administration may have become too large, and that \$48 million is no longer a big enough sum to cause it to react.

I find it completely incomprehensible that we are being told that this was not sufficient cause to change the contract. All the more so given that in the Auditor General's report, the weighting for the assessment of contract specifications was 75 % for technical value and 25 % for financial value, and there was no document to support such a decision. It was Ms. Fraser who pointed this out. This was not provided to her. The question was put to one of your assistants at a previous meeting. We were at first told that those documents would indeed be provided to us, but then it became clear that those documents did not exist.

So it is not documented, and you tell us that neither the \$48 million nor the number of specific cases would have changed anything in the final submission. It seems to me that this reply is totally inadequate. 75 % of the weighting went to technical value and, in addition to this, the bidder who obtained the contract already had a contract, and consequently, from the technical point of view, was in a much better position to verify all of the data in that contract.

Finally, I have a lot of trouble accepting your answer as the financial analysis was carried out by a single person. It is not that I'm calling into question the skills of Mr. Goodfellow, who performed that analysis. However, the fact that a contract of that size, close to a billion dollars' worth, was awarded on the basis of a financial analysis carried out by a single person is raising questions among the general population.

I would like some answers to those questions, Mr. Marshall.

• (1600)

[English]

**The Chair:** Mr. Marshall.

**Mr. David Marshall:** First of all, Mr. Chairman, I want to make sure that everyone understands that no one has questioned the accuracy of the financial analysis. Certainly it's better, and we will take the recommendation, to have more than one person look at it, but let's begin by understanding that the financial evaluation was accurate.

As to whether or not it's easy to believe the result would not have changed based on the evaluation, I appreciate that it's difficult to understand for a person just approaching the subject. This is a very complicated contract. I think the person who is questioning has understood that the financial part was only 25% of the total evaluation.

I also want to make sure everyone understands that this was not a secret allocation behind closed doors, with no documentation. It was clearly stated in the request for proposals how the evaluation would be done, so all bidders understood that it was 75-25.

The reason it was 75-25 was in fact discussed by the committee members, who decided on the evaluation. The fact is, it wasn't documented, but I can assure you that the two principal reasons were that the quality of the service was more important than the price, and also, relevant to your questioning, that when we put out the request for information, bidders came to us and said that the incumbent already had the service going, that they'd already taken their start-up costs, so someone new coming in would be at a disadvantage if one only looked at cost. So they asked us whether we would consider reducing the impact of price on the total evaluation. So it was a desire of both those who were not the incumbent and the program managers that the impact of price be reduced.

Now, you say, well, how come such a big difference didn't actually result in a change in the ultimate result? Well, of course, in addition to being only 25% of the total, this was only one of six issues that were considered financially. So I can assure you that when you do the numbers, it is a correct statement that this would not have changed the result on its own.

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

[*Translation*]

Thank you very much, Mr. Laforest.

[*English*]

Before I go to Mr. Williams, I just want to clarify an item. There are a couple of letters that have been given to us. They have been circulated in both official languages to each member of the committee.

The first letter is a letter dated December 6, 2006. It's from the Auditor General of Canada to Mr. Graham Badun, the president and chief executive officer of Royal LePage Relocation Services, regarding some information that was before the committee and regarding the issue of whether or not this was discussed with Royal LePage before the audit was tabled in Parliament.

The second letter is a letter dated January 26. It's from the Department of Public Works and Government Services Canada, under the signature of the deputy minister, to our clerk. It's basically a rehash, in perhaps a more elaborate form, of Mr. Marshall's testimony here today about his allegation that despite some of the inaccuracies in the information, he considers the process to be a fair one.

Those letters, colleagues, have been circulated. We consider them part of the evidence, so if anyone wants to question any of the witnesses on any statement in the letters, feel free to do so.

Mr. Williams, you have eight minutes.

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

Madam Fraser, Mr. Marshall said your position bears scrutiny. I was looking at your opening remarks today, and in paragraph 4 you say:

The basis of payment set out in the contract does not distinguish between third-party services that are part of core funding and the third-party service funded from an employee's personal envelope. The contract is clear—"ceiling prices will apply for all services".

Do you stand by that?

**Ms. Sheila Fraser:** I do, Mr. Chair.

**Mr. John Williams:** Mr. Marshall, do you agree with the Auditor General's assessment of the contract, in that the price quoted covered both what the crown was to pay and the amount to be charged to the individual employees?

**Mr. David Marshall:** Yes, I do. I agree with that interpretation.

**Mr. John Williams:** Admiral Pile, the last time you were here, you were saying you were going to reimburse the employees who had been charged by Royal LePage, presumably because they should not have been charged because the contract said the price was zero. Do you still agree that they should not have paid, should not have been charged?

• (1605)

**Rear Admiral Tyrone Pile (Chief, Military Personnel, Department of National Defence):** Yes, for those files that we review and find that an employee should not have been charged, they will be reimbursed. That is correct.

**Mr. John Williams:** Mr. Badun, how do you read the contract? Do you read the contract in the same way, that there was one global price and that the employees should not have been charged?

**Mr. Graham Badun:** We read the contract differently. We think there is an element in terms of that pricing matrix, but there are also several references. For example, on page 45, there's a reference to the policy, which says we have to administer the benefits under the integrated relocation policy document. That then goes on to talk about the real estate incentive, which is a component of the funding formula that describes the way in which property management services are to be paid for, that being as a component for those members who elect not to sell.

This is a complex issue, so I have included some illustrations.

**Mr. John Williams:** It doesn't seem very complex for these three people. The Auditor General, the Deputy Minister of Public Works, and Admiral Pile, who is in charge of human resources for the Department of National Defence, all say it's a simple thing, so why is it so complex for you?

**Mr. Graham Badun:** It's not complex for me in terms of how we understand the policy. The policy and all of the supporting documents and instructions that we were given—to bid on a total cost to the crown—have to take into consideration different elements of the agreement, and not just that one page. Our look at this indicated that there was a real estate incentive that was a component of part of the funding envelope for those people who elected not to sell their property.

**Mr. John Williams:** What's a real estate incentive?

**Mr. Graham Badun:** If I may, I could refer people to the illustrations that I had submitted or I could walk people through some charts that I brought with me.

**Mr. John Williams:** No, just tell me what a real estate incentive is. Is it to buy property? To sell property? To rent property? What's the incentive for?

**Mr. Graham Badun:** The incentive is to not sell the property. For members of the military who elect not to sell their property but rent it out instead, there is what's called a real estate incentive that's funded.

**Mr. John Williams:** But we're not going down that road, Mr. Badun. We want to know about the fact that you were charging these people a fee to manage their property. Mr. Marshall, Madam Fraser, and Admiral Pile all say the contract didn't allow you to do that because you said you'd provide that at no cost.

Let me go back to these ladies and gentlemen.

Mr. Marshall, do you think Mr. Badun has a case?

**Mr. David Marshall:** Mr. Williams, I do, and I'll tell you why.

**Mr. John Williams:** Let me ask Ms. Fraser whether she thinks he has a case.

**Ms. Sheila Fraser:** Mr. Chair, I would hesitate to get into the specifics.

Let me say, with all due respect to Mr. Williams, that this is a contract that has been issued with substantially incorrect business volumes. If it is a contract where bidders don't understand what the services are to be delivered and seem to have materially different opinions on that question, does this not raise the whole question about how fair and equitable this whole process has been?

Perhaps rather than getting into the specifics of whether it should be 0% or 8% or 9%, or whatever percent, I would say that if government is of the opinion that this is what the contract says, they should have the contract respected, and those people who paid for those property management services should be reimbursed.

I think this is one more indication that this whole process was not fair and equitable, because obviously the two bidders believe different things, as does the government department, as does our office, as does the current supplier.

**Mr. John Williams:** Okay.

Mr. Badun, in the letter from the Auditor General to you dated December 6, she states, referring to you: "You state that our figure of 183 is incorrect"—these are the number of property management files, I guess—"and that there were 33 such cases". So we had 33 people who own houses who said they'd rather keep their houses and rent them out rather than sell them because they were moving off somewhere else, and you accepted the responsibility to administer their property.

**Mr. Graham Badun:** Correct.

**Mr. John Williams:** Now, Mr. Marshall, the bid said that 60% of 15,000 moves—i.e., 9,000 families—would be requesting this service. When one of the bidders said, "But 60% of the people aren't even homeowners", you said—and I'll cite the Auditor General, in paragraph 32—don't worry; just stick with the original number.

There is a very major difference between 9,000 moves and 33 moves, and yet in your letter to our clerk you state that you think it's not a big deal, when you say, "The basis for this opinion has been that there was only an error in one piece of the data...." So it's not a big deal.

Thirty-three property management cases versus 9,000: is that not a big deal?

• (1610)

**Mr. David Marshall:** It's a big difference in number, but the impact was minimized by the weighting given to the pricing of the contract.

**Mr. John Williams:** I didn't ask about the weighting for the contract. I said, "Is that not a big deal?"

**Mr. David Marshall:** Well, you have to understand: a big deal in relation to what? I'm taking this to mean a "big deal" in relation to the overall evaluation, and in that case it's not a big deal.

**Mr. John Williams:** Well, I'm taking it as a big deal in that if companies want to bid on this contract, where they have to gear up for 9,000 houses to manage—all across the country, by the way—it's a huge undertaking, unless you have the infrastructure in place today to handle it. And you say it's not a big deal from a proposed bidder?

**Mr. David Marshall:** Well, the bidders interpreted that in their own way, and the pricing came in, obviously—

**Mr. John Williams:** No, I wasn't asking about how they interpreted it. You gave them the wrong information. You said there are 9,000 houses to be managed. There were only 33 houses to be managed. Now, 9,000 houses to be managed all across this country is to me a big deal—a huge undertaking. Thirty-three is nothing. I could handle that myself—I used to be in the business.

Don't you think that was a serious misstatement of the facts?

**Mr. David Marshall:** Well, Mr. Williams, the issue is whether or not that number had an impact on the overall evaluation, and it did not have a sufficiently large impact to change the result.

**Mr. John Williams:** Okay, let me go back to my first question.

You all agreed that the employees should not have been paying for the property management services?

**Mr. David Marshall:** Based on the zero remit, yes.

**Mr. John Williams:** Royal LePage say they have a different opinion, and I would suggest that you go to court and get it settled.

**Mr. David Marshall:** I have no doubt that we can settle it. This is a commercial dispute. We are aware that Royal LePage has already put some money in trust in order to refund it to the government, and I have no doubt that we will be able to resolve it.

**Mr. John Williams:** Now, Mr. Badun, I'm going to ask you a simple business type of question.

**Mr. Graham Badun:** If I could correct you on the pronunciation, it's "Bad-OON".

**Mr. John Williams:** My apologies.



Mr. Badun, I'm going to ask a simple business question. I used to be in business too. Thirty-three property management services is not a huge amount of money, given the size of this contract. Why don't you just pay it, get it over with, and then a lot of these problems brought here before this committee would likely be alleviated?

**Mr. Graham Badun:** This is a contract dispute, and it's a very minor element of a very large contract. We recognize that the money is important to the individual members. If in fact we've incorrectly interpreted, then by all means we will do that.

On a matter of principle, this is truly an interpretation difference. I think there are aspects to our interpretation, again referencing the different parts of the policies. It's very important to understand the whole aspect of all of the services and the reasons why we bid what we did in order to understand whether or not our interpretation has any merit.

We assert that the members have already been paid for this, and that's what this real estate incentive is. The money flows through from the government over to the members, and its sole purpose is to fund property management services. Our assertion is that to bid any more than zero would be to double-charge the crown.

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

**Mr. John Williams:** A point of clarification, Mr. Chairman.

Mr. Badun said to charge anything more than zero would be to double-charge for the services. Was there a concept of double-charging here? I'm lost here, and I need to have an explanation of this, Mr. Chairman.

Mr. Badun is saying that if you bill the government and bill the taxpayer, you get paid twice for the same issue. I thought the contract said to tell us how much the government has to pay for moving, and tell us how much you're going to charge the employee to manage the property. Am I right? Is that what the contract said?

Perhaps Mr. Badun can explain this double-billing concept to me.

**The Chair:** Do you have anything to add very briefly, Mr. Badun?

I think it's pretty clear. You've given a ceiling rate, and the ceiling rate is zero. You felt you were able to charge the armed services personnel. Most people, at least around the witness stand, disagree with that assertion. Again, that's a commercial issue that will perhaps have to be resolved in another forum. Do you have anything to add to that?

**Mr. Graham Badun:** I think that's the heart of the matter. This is a commercial dispute, and contract law would dictate that you can't take any one provision of a contract and look at it in isolation. There are several other provisions that reference this real estate incentive and how it's funded. I think that's the proper way to look at it.

I'm not suggesting that anybody has to agree with me. I'm just suggesting that we have a very solid foundation for our interpretation of the contract. There was the same interpretation in 2002 and in 1998.

•(1615)

**Mr. John Williams:** I'm sorry, Mr. Chairman, I asked Mr. Badun to explain this double-dipping concept he was speaking about, not whether he justifies and believes he is right in the contract. As you

say, that is another forum. It's the double-dipping that I don't understand. He is saying that if you bid more than zero to the government, you would get paid by the government and paid by the employee too. The government witnesses are saying that was not the contract. I need clarification. I can't understand it. Does the government suggest double-dipping?

**Mr. Graham Badun:** I'll do my best.

First of all, it's important to note that Royal LePage doesn't receive the funds for property management. The funds flow through third-party contractors. It comes back, very simply, to the total cost to the crown, which is the way we were instructed to bid. According to the policy, which is a supporting document to the RFP, property management services will be funded through this real estate incentive.

Simply put, the real estate incentive—and I understand you don't want to go there, but it's important to understand it in order to answer the question—is a function of the real estate commission that would have otherwise been paid to the member who sold a house. That goes to the individual in a personalized envelope, and it is to be used expressly for property management services, but they can choose to cash it out and do whatever they want with it. Our assertion, when we look at total cost to the crown, is that if we put anything more than zero in there, we are double-charging, because the crown has already been paying for it through this real estate incentive and then would be paying for it again through this thing.

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

Mr. Christopherson, you have eight minutes.

**Mr. David Christopherson:** I want to follow up on that.

Madam Fraser, what do you think about that?

**Ms. Sheila Fraser:** We obviously disagree with that. We believe that the percentage that was requested would be the percentage for the property management services. In the contract as well it says that any subcontractors are to respect the percentages given in the contract. So if it's a zero bid then the subcontractor has to bid zero as well. We have come to the conclusion, with which government agrees, that those people should not have been charged for those services.

**Mr. David Christopherson:** Just to follow up on that, Admiral, you had made the commitment before, and you made it again today, that you were going to look at every file, and if there was money to be refunded—I do recall Mr. Williams asking this at one of the meetings—then you would be going after, to use the first word that comes to my mind, Royal LePage to pay for it. Is that going to happen?

**RAdm Tyrone Pile:** After we do a file assessment, Mr. Chair, of all of the files, and if there are members we feel should be reimbursed who are in that situation, I believe that an adjudication process would be necessary afterward to determine who pays.

**Mr. David Christopherson:** I wouldn't, but I'm not an accountant. Okay, thank you.

I want to move to the broader picture here. We still seem to be at the point where the ministry is arguing not so much that there weren't things that happened that were big, but more that those things were inconsequential to the final outcome; this is basically what I'm hearing. I don't pretend to understand the formula, but what you're saying is that even if you had applied the worst-case scenario, it wouldn't have changed the outcome, and therefore your position that it was a fair and equitable contract stands—the process.

**Mr. David Marshall:** Yes, for that reason and the other reasons that I outlined in my note to the—

**Mr. David Christopherson:** The mitigating circumstances—

**Mr. David Marshall:** Yes.

**Mr. David Christopherson:** —which of course the Auditor General rejects too, and said so in her original report. So the fact that you put more detail on them doesn't change anything as I've seen it, it just puts us further into it.

If I can, we've had an opportunity to hear from the ministry, the Auditor General, and from Royal LePage. Can I ask for comments from—I'm sorry, sir, I want to pronounce your name right: Bruce...

**Mr. Bruce Atyeo (President, Envoy Relocation Services Inc.):** It's Atyeo.

**Mr. David Christopherson:** I'd like to hear from Mr. Atyeo. We've had all these experts say that nothing would change for him. I'd like to hear from him, what he thinks about whether or not that would have changed the scenario.

**Mr. Bruce Atyeo:** Thank you, Mr. Christopherson.

Actually, I'd like to impose on your question very briefly to ask a question of order, because I don't know what the rules are here. I received this letter from Mr. Marshall to the committee about an hour before the meeting started, so I've only had a chance to read it briefly. My question for Mr. Chairman is, as a witness, would we not be entitled to receive this kind of documentation at the same time as the rest of the committee?

• (1620)

**The Chair:** No.

**Mr. Bruce Atyeo:** No. Are we entitled to receive it?

**The Chair:** Not normally, it wouldn't be the practice, but you obviously have it.

**Mr. Bruce Atyeo:** Then the answer to your question, Mr. Christopherson, can be summed up by saying that even with the brief review I've had of this letter, it is full of inaccuracies. Mr. Badun's explanation is incomprehensible to me. I'd join the Auditor General and Admiral Pile and Mr. Marshall on that.

If Mr. Marshall believes what's in this letter, and I presume that most of what's in here was told to him by somebody, he's being lied

to. Therefore, this committee is receiving incorrect information from Public Works.

Now, I can go through it, but I don't think you want me to do that.

**Mr. David Christopherson:** No, I don't, not right now.

**Mr. Bruce Atyeo:** So that's my answer. The bottom line is when I do the calculations, Envoy won the CF contract, and I'd be more than willing to share those calculations with Public Works.

**Mr. David Christopherson:** I can suggest to you that at the very least if you want to submit a written analysis we would receive that. Whether there's time or not, that remains up to the chair and the committee, but I'd certainly want to see an analysis if you have one.

I'm going to take another step back and pick up again where my friend Mr. Williams was, on whether it's a big deal or not. As I recall, the number we're dealing with is pretty close to \$50 million, correct?

**Mr. David Marshall:** Yes, close to.

**Mr. David Christopherson:** Right, and that's a big dollar, that's a big number.

**Mr. David Marshall:** Yes, but you have to—

**Mr. David Christopherson:** Yes, it is. No, no, I'm not asking your opinion, I'm telling you I think it's a big deal. I think \$50 million is a lot of money.

The whole premise of this has been that that \$50 million has not been properly represented in the process, so there was an unfairness. The one on the inside who currently had the contract was aware of what the real numbers were, and the ones that were bidding had to bid on a number based on a formula that was inaccurate and didn't show actual costs, which were much less than what the formula provided.

We keep coming back to this main point of whether or not we're going to side with the deputy minister that this is a fair and equitable contract and should be allowed to stand, or with the Auditor General, who has said it's not. It seems to me that if we agree with the Auditor General we're going to have no choice but to recommend to the government that this be cancelled and re-tendered. I'm not hearing anything to give me confidence that there's enough question in what the Auditor General has done that we should set her work aside in favour of the department.

Now, I'm wide open, Mr. Marshall, for you to find a way to convince me. Please don't use a lot of formulas and details; you'll just waste your breath. But if you can, summarize where we would be serving the public not to act on the words that we're getting from our own Auditor General.

**Mr. David Marshall:** You've asked me for a tall order, but let me honestly try.

Of course \$49 million is a large number, but there are so many speculations on which conclusions are being based here. First, there's the speculation that Royal LePage used insider knowledge and bid zero. We know they've been very consistent, I have to tell you that. From the pilot project to the 2002 and the 2004, they bid consistent with the understanding that they didn't want the government to pay twice. That's why they bid zero. So it's not that they knew a real number.

The other question I want you to consider is yes, of course \$49 million is a very large number, but you have to put it into the context of a billion dollars a year for all the other services flowing through. So when you want to look at the impact and whether it swings a result, you have to look not just at the absolute number but its relationship to the total being evaluated. Then you'd see that it's only 25% of the total evaluation, and so on. I know that it's hard for you to see this, but that is what in fact happened.

We recognize that confusion existed around this number, around why it was put as an estimation of the future instead of the past, and how each of the bidders interpreted it.

Also, please understand that we affirm—and I think the Auditor General would agree—that there was no bad faith involved here. There was an attempt to do the right thing. We'd already rebid the original contract, because we wanted to be sure it was good. When I looked at the cost to the crown—from the disruption of service and unwinding an existing contract, and so on—it seemed that there was no egregious error in the existing contract, which expires in 2009, sufficient to require anyone to rebid it. That was my advice to the minister.

• (1625)

**Mr. David Christopherson:** I'm glad you were able to take the time you needed.

We've had this come up before when you talked about the fact that you did a pilot, reviewed it, and yet there were mistakes in the first application that remained in the final one, in terms of transposing the 60% and the 40%. As I understand it, this concern was transmitted to you in writing, and yet in the final report it's still wrong.

So I have some concern with the due diligence that your ministry claims to have done, when such a glaring error remained all the way through.

**Mr. David Marshall:** It may be helpful to ask my colleague from the Treasury Board Secretariat to give you a bit of insight into how this number was put into the RFP. You might get a better sense of whether there was an attempt to see the historical number or some projection.

However, whether we got it right or not, there was an honest attempt made to project the needed number. So if you'll permit—

**The Chair:** Yes, Mr. Marshall, I think that would be very beneficial, because we've had three hearings and I've asked the question myself.

Nobody has really come forward to admit why or how the mistake was made, or to take responsibility for it. So if the Treasury Board can bring some light to this situation, we would certainly be glad to hear from them.

Then we'll go to Mr. Rodriguez.

**Mr. Dan Danagher (Executive Director, Labour Relations and Compensation Operations, Treasury Board Secretariat):** It's important to point out that the policy for relocation services changed in 1998, and this was a national joint council policy. For those of you who understand, this is where the bargaining agents and the government get together.

At that time, we wanted to put some controls on government expenses, plus we wanted to encourage people to hang on to their homes, because it was a more cost-effective way to manage relocations. The policy changed in 1998 to give an incentive to employees to hang on to their homes.

Ergo, we had no historical data prior to the pilot contract. An interdepartmental working group was established at the time, and they developed a logic model based on two facts that they knew.

From the experience of the forces at the other end of a relocation, they knew that 40% of people purchased homes and 60% rented. The logic said that if people bought homes at the receiving end, the destination of a relocation, they wouldn't keep a home at the originating end.

The logic model that was used in place of actual past business volumes was that a maximum of 60% of people would exercise the home retention scenario and that had to be balanced with 40%. If the number turned out to be 30%, then the other number would be 70%. It always balanced out. For example, for all of the fees for all the services in the RFP, if one would go down, another one would go up in percentage.

It speaks to what Deputy Minister Marshall was talking about a little earlier. It's difficult to look at any one of these things in isolation. But that's a little of the history of it.

From 1998 to 2002 this was a pilot for a smaller population of the government. It was forces personnel, RCMP personnel, and only GIC appointees and EXs. It was not the whole public service.

Again, in 2002 we still didn't have enough data, and we felt the incentives hadn't had an impact at that point. It was again decided that we would not use past data in the bid evaluation.

You need to understand that in the RFP it does not represent these numbers as business volumes. It never did that in any of the RFPs. It's for the purpose of evaluating bids. The bidders are to set prices or fees for different services, and this is how we would evaluate them. There was never a representation at any point that these were business volumes. It was a logic model the crown came up with, based on the knowledge and the data that it had.

The model was reused again in 2004, partly because there was such a short lead time after it had been previously used in 2002 and partly because the data hadn't yet moved up to where the target was.

But a key thing here—and I think Graham Badun referred to it before—is that most of the employees did not avail themselves of services from Royal LePage for property management. Therefore, we as the crown had no way of capturing the number of people who availed themselves of property management services. It was a database wherein people weren't obliged to tell us. They could have a neighbour manage the home during their absence. They could shut up the house. We'd have no way of knowing.

Obviously, through surveying and the attention that has been focused on this issue in the last few months, we will probably change that focus for a future one, but that's where we've been in the past.

A logic model was used. We never represented those as business volumes, and it's consistent with the fact that when people asked for business volumes, we told them that they weren't available. In a sense, we've been consistent all along.

I tried to keep it brief. It's a little more complex than that, but I kept it.... I'm sorry.

• (1630)

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

Mr. Rodriguez, you have eight minutes.

[*Translation*]

**Mr. Pablo Rodriguez (Honoré-Mercier, Lib.):** Thank you, Mr. Chairman.

For a first meeting, this is quite light and entertaining. Is this always the way things go, at your committee? I'm trying to understand as we go along, but of course without any kind of introduction or presentation, it isn't easy.

I would like to go back to the issue of the \$48 or \$50 million, because this seems to be at the heart of the debate. My question is addressed to Mr. Atyeo.

According to you, is that the reason you lost the bid?

[*English*]

**Mr. Bruce Atyeo:** Yes, between the \$48.7 million identified by the Auditor General and the technical points that were not awarded by the evaluation committee that should have been, the calculation shows that Envoy won the CF contract.

[*Translation*]

**Mr. Pablo Rodriguez:** Fine. So it wasn't just a matter of money. If there hadn't been this gap of \$48 million, since 25 %, if I understand correctly, was allocated to the budget, would you have obtained the contract, or would it have been given to Royal LePage in any case?

[*English*]

**Mr. Bruce Atyeo:** We would have won the tender for the military contract.

[*Translation*]

**Mr. Pablo Rodriguez:** Does that represent a large portion of the contract?

[*English*]

**Mr. Bruce Atyeo:** Yes. That is the big contract. There are two contracts, one for the military and one for everything else. The military is the larger by far.

[*Translation*]

**Mr. Pablo Rodriguez:** Fine. If I understand what Mr. Badun said, in their mind, they did not want to bill twice. That is why they wrote in zero dollars. For your part, did you want to bill twice?

[*English*]

**Mr. Bruce Atyeo:** Actually, Mr. Badun and I don't interpret the RFP and the ensuing contract in the same way.

This is a very simple situation that has a big red herring flopped all over it. The fact of the matter is that the government said that if you don't sell your house, we save \$6,000 worth of real estate commission, so we're going to give you a portion of that savings to use in any way you want. For example, you can pay a property management firm to look after the house you haven't sold. It's that simple. Instead of giving the money to a real estate broker, the government is giving it to the transferred employee; it's still coming from the government.

Who cuts the cheque to the property management company is totally irrelevant to this whole question. The employee pays the property management company, not Royal LePage, but the money still comes from the government. It's a red herring to say that government is being charged twice.

[*Translation*]

**Mr. Pablo Rodriguez:** I see.

[*English*]

**Mr. Bruce Atyeo:** It's—

[*Translation*]

**Mr. Pablo Rodriguez:** Do you feel there are other reasons that explain why you did not get the contract?

[*English*]

**Mr. Bruce Atyeo:** Our proposals were evaluated incorrectly, as confirmed by the CITT decision, and we were penalized on the technical points at least with respect to 24 points and arguably with respect to 48 points. The CITT looked into it and agreed with us on that. When you add the technical points to what we were given, we were 94% compliant and almost \$60 million lower in price.

•(1635)

[Translation]

**Mr. Pablo Rodriguez:** Ms. Fraser, in your report, you said: “We have concluded [...] that the contracts were not tendered in a fair and equitable manner”.

This is a very critical judgment you passed on the contract tendering process. Was it mainly due to the \$48 million discrepancy?

**Ms. Sheila Fraser:** There were basically two reasons. First, the business volumes indicated in the call for tender for services were significantly different from the real business volumes. In the call for tender for services it was indicated that a few more than 7,000 persons a year would need management services. In reality, there were about 30.

We pointed out that those who could have bid did not have the exact figures. Requests were made to have the figures clarified. For the benefit of the committee, I want to add that this is the first time today that we have obtained an explanation—the one which has just been given—as to the way in which the figures were determined. We worked for months with several departments to try to understand where these figures came from and we were never given an explanation.

We have a signature from the departments who recognize that the facts reported in our documents are accurate. So I find it off-putting to discover today that there seems to be an explanation for the figure of 7,000 persons which was put forward. The business volumes did not reflect reality. When the bidders asked questions they were told that the real volumes were not available.

**Mr. Pablo Rodriguez:** Fine.

**Ms. Sheila Fraser:** Questions should have been raised about these figures.

**Mr. Pablo Rodriguez:** If you conclude that the contracts were not tendered in a fair and equitable manner, I presume that you also recommend that the process be redone. Is that correct?

**Ms. Sheila Fraser:** Of course, it is up to the government to make that decision; it must take other aspects into account, assess what is important and what the consequences will be, as Mr. Marshall indicated.

**Mr. Pablo Rodriguez:** But the government decided that it would start over...

**Ms. Sheila Fraser:** The government decided to abide by the existing contract until it expires in 2009.

**Mr. Pablo Rodriguez:** Is that a common practice for a government to decide to respect a contract after the Auditor General has said that it was not tendered using normal criteria?

**Ms. Sheila Fraser:** We have not had many cases like this one, Mr. Chairman, which is probably a good thing.

**Mr. Pablo Rodriguez:** So this is quite rare.

Mr. Marshall, do you agree with Mr. Atyeo, who says that had there not been this \$48 million spread, they would have won the military part of the contract, which was a large part of it?

[English]

**Mr. David Marshall:** I do not agree with Mr. Atyeo on this point. The result would not have changed because of the \$48 million we are discussing now. It would have required a whole lot of other speculative changes to have occurred at the same time, and that's not appropriate in a bidding process.

[Translation]

**Mr. Pablo Rodriguez:** My question is addressed to you again, Ms. Fraser. I want to go back to the matter of the 2004 contract. That call for tenders was the result of a problem which occurred with regard to a 2002 call for tenders, correct?

Ms. Sheila Fraser: Yes.

Mr. Pablo Rodriguez: So there was a problem in 2002. Did those problems reoccur? Did you see similar problems in 2004?

**Ms. Sheila Fraser:** We did not review the 2002 process, we simply indicated that there had been conflict of interest allegations in 2002. The department investigated and established that there had not been a conflict of interest as such, but that there could be negative perceptions. Consequently, the government decided to cancel the contract and to do a new call for tenders. There were no such issues in 2004. The team was completely different.

**Mr. Pablo Rodriguez:** Precisely. You were given the mandate to do an audit for 2004, but since what happened in 2004 derived from what had happened in 2002, why were you not asked to also do an audit for 2002? Do you know?

**Ms. Sheila Fraser:** That was the committee's decision. We were asked to review the 2004 process because there had been several questions and complaints with regard to the awarding of the contract in 2004.

•(1640)

**Mr. Pablo Rodriguez:** Thank you.

[English]

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

Mr. Fitzpatrick.

**Mr. Brian Fitzpatrick (Prince Albert, CPC):** Thank you, Chair.

Concerning the volumes that were misdescribed in the tender document, if I understand the Auditor General correctly you didn't feel there was anything that was deliberate. It was simply the product of a mistake or a screw-up, if I can use that term.

**Ms. Sheila Fraser:** We saw no indication that this was wilful in any way. I think many people would say it was kind of an honest mistake.

The volumes that were in the 2004 request for proposal were the same as those in the 2002 one. They were simply carried forward.

**Mr. Brian Fitzpatrick:** I shouldn't doubt you, Auditor General. When I first asked you about this report I had a difficult time trying to envision how such a glaring error could take place.

But I think Mr. Goodfellow, who was the witness before us, was a good, honest witness. He gave his version of events. He said that the thing was so thick and there was some urgency to get on with it, so he just re-used the first one. He duplicated a mistake that was already in the first set of documents. I think I can understand that part of it.

There are two aspects to the assessment process or the evaluation process: 75% is technical or quality, and 75% is money. If I understand your report, you could not find anything wrong with the way the department handled the technical part of the evaluation. Is that correct?

**Ms. Sheila Fraser:** In the report we note that the department put in place many good procedures and a fairness monitor, for example. There were a number of procedures they put in place that would have given rigour to the evaluation. It's perhaps unfortunate that the business volumes were wrong, because otherwise it could have been a very good process.

**Mr. Brian Fitzpatrick:** With that information, I want to thank the department also. There was some hesitation to provide members of Parliament with stuff, but they did provide us with their scorecard. The department didn't appear to want to provide the scorecard to MPs, but we did get it.

I actually accept your point that the 75% technical—the result that was given on that one—is valid. I actually reversed the scoring to give Envoy the benefit of the doubt on the financial...and did my calculations on it. If I'm correct on those, the Royal LePage people would still have won the tender. I'm not a mathematician, but to me this is giving the most generous of interpretations to Envoy on this process.

Would you have any disagreement with me on that, Mr. Marshall?

**Mr. David Marshall:** No, we agree with you on that, and that's the basis of our assertion that it would not have changed the result. We obviously would have loved to have had better data, but they wouldn't have changed the result.

**Mr. Brian Fitzpatrick:** Okay.

I'm trying to get my mind around the personalized accounts as well. If I were an employee, let's say in the armed forces or the RCMP, it would seem to me that if I wanted to keep my property the government isn't incurring a realty commission on the sale of the property—and the government credits the employee that amount of money in their own account as their own money.

**Mr. David Marshall:** That's right.

**Mr. Brian Fitzpatrick:** They have the option, if they want, to manage that property on their own, which many people try to do in this world. I'm not sure it's advisable or not, but many people do that; they rent out their own property and take care of it themselves, through friends or relatives, or the private sector, or whatever, and it's their money to keep. If they save anything out of that, they don't refund it to the government. It's their money.

**Mr. David Marshall:** That's right.

**Mr. Brian Fitzpatrick:** And if they decide to have a property manager like Royal LePage come in, they're going to have to pay them a fee to manage the property for them. Correct?

• (1645)

**Mr. David Marshall:** Yes, correct—normally.

**Mr. Brian Fitzpatrick:** So if somebody did bid more than zero vis-à-vis the government, then you have this other arrangement, which is not a contract with the government, but a contract between the member and the property relocation service, which is a different kettle of fish, as it's their money. So if it were anything more than zero, it would seem to me that the relocation people would actually be getting more money than was bargained for.

Am I wrong in this interpretation?

**Mr. David Marshall:** No, that is exactly the interpretation Royal LePage took. That's why they said they bid zero. That's very important to understand, because there's an implication here that they used insider information, and I don't think that withstands scrutiny.

**Mr. Brian Fitzpatrick:** No, I think the thing we've all been confused about is this account. We assume that it's the government's account. It's not the government's account, but the individual's account, and they can do what they want with that money. So it's in fact their personal property, and it doesn't get refunded back to the government if they don't use it.

**Mr. David Marshall:** That's right.

**Mr. Brian Fitzpatrick:** Maybe the department might want to re-evaluate this kind of arrangement, but that's the way I understand the arrangement is right now, and I think it's important that everybody on this committee understand what the factual arrangement is.

Now, I come from the school of thought—which maybe is wrong—that not only must justice be done, but it must also be seen to be done, to use a lawyer's statement. I guess I've got a number of questions here, because it's going to be very difficult to explain to taxpayers in this country that this arrangement or process we went through here is fair to the taxpayer and that they're getting good value for their money out of this whole process. I think a lot of us are starting to grapple with the mistake and all of the consequences of the mistake. But it's going to be hard to explain to my constituents how this thing worked out. People have to believe that the process is fair and equitable to taxpayers in this country, and I'm not sure we're going to be able to do that.

I'm going to have to ask you, Mr. Marshall, as you're in charge of the department as the deputy minister—and I believe the political minister at the time was Mr. Brison—where does the buck stop here? Who is responsible for this colossal screw-up?

**Mr. David Marshall:** The department is, Mr. Chairman. This was an administration issue. It was handled by departmental officials. So as the accounting officer, I would take responsibility for it.

**Mr. Brian Fitzpatrick:** If I understand you correctly, sir, if this committee recommends it and the government listens to us and we re-tender this whole process, from a taxpayer standpoint, you're quite sure it would cost the taxpayer a fair amount more in the way of dollars to rectify.

**Mr. David Marshall:** I do indeed, sir.

This is a big contract. It involves many people. The contract finishes up in 2009, which is not that far away.

To start now, re-tender.... We have a contractor, through no fault of their own, holding a valid contract with the government. You have issues of termination for convenience. You have issues of the cost of bidding. It would cost a large sum of money to re-tender.

**Mr. Brian Fitzpatrick:** Have we learned anything from this experience that we can use going forward?

**Mr. David Marshall:** Yes. I must say that we issue tens of thousands of contracts every year. We can't claim that there will never be a mistake. We do feel that here there was confusion that should have been avoided, and we've learned a lot from this. We will certainly improve our processes. We may ask for more certifications of numbers and improve things that way.

In my view, when you take it as a whole, when you look at all the things we did to make sure things were fair, an administrative error or an administrative misunderstanding persisted. I really feel that in the interest of the taxpayer and service—and Royal LePage has given very good service—there's no purpose served in re-tendering this thing.

We should consider not exercising the option years, perhaps. I've been discussing with my minister the option of running a new process so that when the contract normally ends, in November 2009, we will have the result of a new tender. I believe, taken as a whole, that's the right thing to do.

• (1650)

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

Thank you very much, Mr. Marshall.

Just before we go to Mrs. Sgro, I have a few questions, if I may.

Going back to you, Mr. Danagher, this thing has been going on for a couple of months now. We've heard a lot of witnesses. This is our third hearing. And this is the first time we've heard of this so-called "logic model". I'm surprised that you and Mr. Goodfellow came....

Nobody ever mentioned this before. In fact, it actually conflicts with some of the remarks in the auditor's reports. During the proposal process, certain bidders questioned Public Works and Government Services as to the veracity of the information in the request for proposals, and they were told.... I'll just read it:

PWGSC subsequently communicated to all bidders that actual volumes were not available for the past five years but the estimated number of annual moves could be found in the RFP.

This is elaborated further, and to a certain degree contradicts what you're saying here now.

It seems to me, Mr. Danagher, this was a major mistake that was set out in the request for proposals. And you're saying that the mistake emanates from this so-called "logic model" developed by the Treasury Board Secretariat. If that is the case, does your secretariat accept responsibility for this mess?

**Mr. Dan Danagher:** I have to clarify a few things. It was a logic model that was developed by an interdepartmental working group of

which the Treasury Board Secretariat was one member. So for our part in that, yes, we accept all responsibility.

It was a predictive model. When predictive models are examined after the fact, many of them don't withstand the test very well. This one was off by several orders of magnitude. We acknowledge that.

We do, however, stand by the point that the number of property management services actually purchased was different from the ones that would have been funneled through Royal LePage itself. If we use, for example, the people who opted for the personalized fund approach that the member, Mr. Fitzpatrick, just referred to, if we use that as a proxy for that number, it would be some ten- or twenty-fold higher. I think the numbers that we're looking at right now are about 440, or a number in that magnitude, versus 32.

We did our best. We had certain information that was available at the time. I can't speak for what was given to the auditors at the time. Unfortunately, I wasn't part of it. I can tell you that it hasn't been well documented. We acknowledge responsibility for that as well, and we are taking steps to ensure that sort of thing doesn't happen again.

**The Chair:** Finally, Mr. Goodfellow, from the evidence, one of the prospective bidders questioned the number of 9,000 clients who would need property management services. They basically said that based upon a lot of things, that didn't seem right. They wanted more accurate information, and you told them that the information was accurate. Do you have anything to elaborate or explain on that?

I think the mistake was made, and in life sometimes it's how you handle mistakes. It really should have been caught at that point in time. If someone had been looking at what was going on, they would have said, "Listen, this is crazy; it's not 9,000. Let's get the right information. Let's get the right information into the hands of all prospective bidders so that the bidding process can be done fairly, transparently, and openly." But no, that was not the case. What you did was say that the information, the 9,000 clients, was correct and that they were to rely on that information in preparing and submitting their bids.

**Mr. Richard Goodfellow:** Mr. Chair, I'd just like to clarify a bit. As Mr. Danagher said, it was a collaborative effort. I was brand-new to the procurement process in 2004. I did not have any technical expertise in relocations. I had to rely, as did the members of the interdepartmental committee, on that type of information. I was not aware that the volume was not accurate until the Auditor General raised that issue this past summer.

I see the flags that the Auditor General has pointed to. I did not consider, at that time, two questions out of 289 concerning the business volume for property management to be a significant indicator that the number may not have been accurate.

The other thing was that we had a bidders conference. All the potential bidders were there. We went through all the outstanding questions that had been received, and we did not get any comment at that conference about the business volumes for property management. So there was no indication to me at all, and I relied on our technical experts to use that volume. It was the same percentage that was used from 2002, which at that time was only about 18 months old.

• (1655)

**The Chair:** I have just one last technical question to the auditor herself.

Mr. Atyeo has made the allegation that the technical points were erroneous. Did you audit that process? I believe you opined that the process was fair, did you not?

**Ms. Sheila Fraser:** We'd just note that this is related to a CITT decision where PWGSC in evaluating the technical portion—and I'll ask Mr. Marshall to correct me if I'm not correct in this—had reduced that bid, had taken points away from that bid.

**The Chair:** That was in the contract, was it not?

**Ms. Sheila Fraser:** It went back to the CITT. The CITT agreed that the department should not have done the comparison that they did, but did not reinstate those points because it was judged at that point that it would not have a consequence on the final outcome of the bid.

**Mr. David Marshall:** That is correct.

**Ms. Sheila Fraser:** So when Mr. Atyeo says that, it would be not only the question of price that could potentially change, but also those points on the technical merit, and it becomes, of course, very speculative as to what the outcome might actually have been.

**The Chair:** Okay, thank you very much.

Ms. Sgro, you have eight minutes.

**Hon. Judy Sgro (York West, Lib.):** Thank you very much.

I, as my colleague, am coming into this cold today in trying to follow this complicated procedure.

As just a question for the Auditor General, you pulled ten files on the Canadian Forces members. Did you not think maybe you should have pulled twenty and you would have gotten additional...? Did you have reason for concern to stay just at the ten files?

**Ms. Sheila Fraser:** We picked the ten out of those that had property management services, which are about thirty or some a year, to see what was being charged to them, and we noted that they were being charged for property management services. So once we noted that, that was sort of the finding. Then it is up to the departments to go back and actually do a much more exhaustive review and go through, I would say, all the files, because there are so few of them, and ensure that people are reimbursed for this.

**Hon. Judy Sgro:** Have you heard anything in the testimony in these hearings that would give you cause to change any of your report?

**Ms. Sheila Fraser:** There is nothing I've heard today that would change our conclusions. I must admit, though, there is a certain number of supposed information that has been given to the committee, and this is the first time we have heard this. Had we

been made aware of that, we would have obviously audited that and would probably have included that within the report and been able to respond one way or another. For example, about the business volumes that were presented in the bid, that was never presented to us.

**Hon. Judy Sgro:** Do you have any concerns that there are other departments or contracts that are not being monitored as effectively as they should be?

**Ms. Sheila Fraser:** I find it hard to answer on the basis of this one particular contract. I think it's very clear that this contract was not managed in the way one would expect, afterwards. We point to such things as the reconciliations and the assurances that the billings were actually for the services. The departments have agreed with these observations.

We will obviously continue to monitor other contracts across government, and I would hope that the conclusions in those cases would not be the same as in this case.

**Hon. Judy Sgro:** Has there been any way in which you have felt that anybody personally gained out of this, or do you feel that it's strictly an administrative error?

**Ms. Sheila Fraser:** We saw no indication that it was anything other than an administrative error.

**Hon. Judy Sgro:** Quite often, when the various departments are doing a contract involving three or four departments to tender something out.... Is there a way of tightening that up? Quite often someone's relying on someone else in another department, and someone else is relying on someone else's technical knowledge, and it doesn't always come together as tightly as it should.

**Ms. Sheila Fraser:** Absolutely, and I think that's one of the things that can be learned from this one.

And in all fairness, Mr. Marshall and his group have been getting a lot of attention about the errors in the business volumes, but those business volumes were given to them—at least our understanding is that they were—by the departments. They do the procurement on behalf of departments, so the departments, when they establish the business volumes, should be spending much more time and care.

Anyway, Public Works might want to consider what kind of assurance they receive from the departments on business volumes that can have a pretty significant effect in the contracts.

• (1700)

**Hon. Judy Sgro:** I'm going to give Mr. Proulx the balance of my time, Mr. Chair.

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

Mr. Badun, has your company ever had any pressures from anybody at Public Works or from the government to sign deals with subcontractors, whether companies associated with your own company or other companies?

**Mr. Graham Badun:** Not to my knowledge.

**Mr. Marcel Proulx:** Okay.

Mr. Marshall, do we agree that there is a section in the contract that says that there has to be a sharing of independent contracts that are given through this process among real estate companies?



Let me explain. With all of these different moves, there have to be quite a number of real estate listings that are given out. Is there not a section in the contract that requires the main contractor, in this case Royal LePage, to report to Public Works how that particular aspect of sharing is being done or has been done?

**Mr. David Marshall:** My understanding is that any qualified subcontractor, say an appraiser or a lawyer, is entitled to the business. An individual who's moving can nominate their own lawyer, and as long as the fees are within the limits the government has agreed, that lawyer has a right to that work.

As to whether they have to report and be monitored, perhaps I can just turn to Mr. Goodfellow on the detail.

**Mr. Marcel Proulx:** I want to make sure we understand my questioning here. I want to know whether there's anything at all in the contract that forces, in this case Royal LePage, to report to you, on a monthly or annual basis, who has benefited from contracts—in this particular case, through real estate listings, whether it be to sell a house or to rent it.

Is there anything in the contract that says that Royal LePage has to report these statistics to Public Works?

I'll tell you where my question comes from. I've looked at the contract. My understanding is that it exists. I happen to live across the river in Hull-Aylmer. There are a lot of military personnel, a lot of RCMP personnel, a lot of government personnel who move in and out. I don't understand why, but none of the companies I know of—and I know just about all of them—has ever been approached by either the forces, the RCMP, the government, or Royal LePage to handle any of these listings. So I'm trying to find out from you whether they are supposed to report, and then I'll go to Mr. Badun to ask him what he's done with the reports, if you haven't received them.

**Mr. David Marshall:** Okay, go ahead.

**Mr. Marcel Proulx:** Maybe they got lost in the mail, but we'll find out later.

**A voice:** Let's have a regular post office.

**Mr. Marcel Proulx:** Maybe. Then we'll get Minister Cannon in here.

**Mr. Richard Goodfellow:** There is a provision within the contract whereby Royal LePage does have to track when business is given to a particular third-party service provider. That is called a referral. It would only be in the instance in which I'm a transferee and I go to Royal LePage and ask them for a suggested name of a supplier—for example, a realtor. They have to track that. They have to distribute it according to the market share within that region. They report it on a quarterly basis, but it happens very infrequently. The selection of any third-party supplier—

**Mr. Marcel Proulx:** Excuse me—what happens infrequently, reporting or referrals?

**Mr. Richard Goodfellow:** No, sir, it is the referrals.

There have only been five documented cases in which somebody has asked Royal LePage for a suggested name of a supplier. When you're relocating, you get an information package from Royal LePage. It has all the participating third-party suppliers within that

area. You choose the person you want to use. You can pick from that directory or go through the yellow pages or pick through word of mouth. It's your choice.

● (1705)

**Mr. Marcel Proulx:** Thank you.

I'm short on time. Mr. Badun—

**The Chair:** You are actually over time.

**Mr. Marcel Proulx:** Well, on the second part of my question, Mr. Badun was getting ready to reply.

**Mr. Graham Badun:** I'm not sure I know the second part of your question.

**Mr. Marcel Proulx:** You're being a bad boy. It's your business. It's referrals. To whom do you refer all of these different real estate listings?

**Mr. Graham Badun:** We don't manage referrals, except in the instance Mr. Goodfellow was just mentioning. Members receive a package that has a list of all the qualified suppliers for the area they're moving into, and they select them. In fact, I'll go further and say that each of the members signs a piece of paper acknowledging that in fact we didn't ask them to go anywhere and direct business anywhere. We are prohibited from managing that part of the contract unless specifically asked.

**Mr. Marcel Proulx:** It won't happen because it's private business, but if Mrs. Fraser were to look into your books, there wouldn't be any referrals and there wouldn't be any listings kept by your company?

**Mr. Graham Badun:** That's correct. Well, there will be, by nature. I assume you're referring to the residential part of the Royal LePage business, so there is going to be by nature, because there are certainly elements of them in parts of it, but none that we've handed them. They've earned every file. Whether it be RE/MAX or Century 21 or Royal LePage, those people are local business people who earn every file they receive.

**Mr. Marcel Proulx:** Unbelievable. Thank you.

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

Mr. Poilievre is next.

**Mr. Pierre Poilievre (Nepean—Carleton, CPC):** Why is the government in the business of paying property management fees in the first place? I ask that question because we have this incentive program that covers 80% of the transaction costs someone would have paid if they sold their property, up to a cap of \$12,000. If you go on MLS and look for an income property, you'll find on the fact sheet that one of the basic expenses of an income property is management. If you can't manage it yourself, you test whether the income from the property is sufficient to cover the management fee you might have to pay. Sometimes they charge 3%; sometimes they charge 6%. In any event, it is one of the expenses property investors always expect to incur unless they can manage the property themselves.

I think the responsibility of the government here is clearly to help the transferee with the costs associated with the transfer—that is to say, to pay their real estate fees, their legal fees, etc., and the cost of transportation—but if that individual wants to own a property and have it produce income for them while they're gone, it is not the role of the government to pay a property management fee. It is the role of the individual to decide whether or not they believe a given property lives up to the economics of an investment, is it not?

Why is the government paying property management fees? That's what I don't understand. Why would they?

**Mr. Dan Danagher:** It's probably a question that's best fielded by the Treasury Board Secretariat.

It was a policy decision taken, as I mentioned before, in 1998. The main reason for it is that the old policy was quite old and didn't anticipate real estate commissions on houses of values of \$1 million and more, which was becoming a little bit more common. The old policy essentially would pay the full commission, or 80% of the real estate commission, for, say, a million-dollar home. Those big-ticket expenditures were getting significant. Some employees, particularly in markets where the real estate market was hot, were looking a second time at relocations, because to sell their homes would mean to lose equity, so we were having some feedback—

**Mr. Pierre Poilievre:** Isn't that what the incentive program is meant to cover? You have this 80% incentive program, so 80% of up to \$12,000—

**Mr. Dan Danagher:** That's right.

**Mr. Pierre Poilievre:** —would be—forgive my poor math—\$9,500.

**Mr. Dan Danagher:** I'm sorry, I misinterpreted your question. Now I understand. You're quite right, at the end of the day, the incentive is \$12,000. You've got that number correct. That includes any expense related to employees retaining their homes, including project management. We don't pay them anything above that amount, other than the costs of a moving van, etc., which would be the normal cost of moving. If they had to pay property management services, that's within the \$12,000, and essentially it's their money.

**Mr. Pierre Poilievre:** It's part of the incentive.

**Mr. Dan Danagher:** That's right.

• (1710)

**Mr. Pierre Poilievre:** Was that understood by Envoy?

**Mr. Bruce Atyeo:** The only reason the RFP required bidders to include a ceiling price was to protect transferred employees from being gouged on property management services, which they had to pay themselves out of money the government had given them. We were all told we should assume we would be managing approximately 7,200 property management files per year. We were also told to assume a rental amount of \$12,000 per year, or \$1,000 a month in rent. Property management fees are typically expressed as a percentage of the rent. We did 8%—

**Mr. Pierre Poilievre:** That's fairly high.

**Mr. Bruce Atyeo:** —of \$1,000.

**Mr. Pierre Poilievre:** So you were being very careful there.

**Mr. Bruce Atyeo:** We had to assemble property management firms across the country, in many locations where there aren't a lot of property management firms, that would manage these vacant houses for perhaps a year or two years. And yes, we were being conservative, because that's a tall order. Royal LePage said they could do it for—

**Mr. Pierre Poilievre:** I don't mean to interrupt you, but I'm limited on time. Can you show us in the contract at some point—maybe now isn't the time—where you say it indicates that charges on property management were to be bid at their cost rather than the exposure of the crown? That's the difference of interpretation here. One of you said that only the costs to the crown were to be included, and the other said the total costs. I'd like to know where in the contract it says one or the other.

**Mr. Bruce Atyeo:** All the third-party services were to have a cap, which is commonly known as the ceiling price. That is what the government would pay for those services they had to pay for through the contractor. If the third-party supplier charged more than that, then either the relocation management company had to eat the difference, or in this case the employee would have to eat the difference. This ceiling rate was imposed to protect the transferred employee.

**Mr. Pierre Poilievre:** Finally, we've inherited this problem from a previous government. Our job now is to determine where to go from here. I want to know from Deputy Minister Marshall, have you or your department commissioned any work to ascertain what costs might be incurred by rebidding? Have you done any studies? Have you consulted any outside parties? Do you have any information on that whatsoever? Because we need to know that information. Any advice?

**Mr. David Marshall:** Yes, Mr. Poilievre. We have looked at this very carefully. We've sought outside legal advice. Our advice has been that there is no merit in rebidding this contract, so that's a piece of advice we've considered.

**Mr. Pierre Poilievre:** Why is there no merit in rebidding?

**Mr. David Marshall:** Because the process generally followed was balanced, and the result would not have changed, in any event.

**Mr. Pierre Poilievre:** Would there be any costs associated with rebidding?

**Mr. David Marshall:** Yes, yes, there would be. I'm going to give you the source of the costs, but I won't give you a number because obviously this is a commercial transaction. I'll tell you the source. There would be considerable cost in the first place because with Royal LePage we would have to terminate their contract for convenience. They've done nothing to cause us to cancel their contract, so there are lost profits for LePage. There are bid-preparation costs potentially, and there are other costs involved as well. So when you look at the total at stake, it is certainly a very considerable sum, and I don't think this is justified in terms of a burden to the taxpayer at this stage, when you look at everything involved.

**Mr. Pierre Poilievre:** What is the source of this information, and what is the number?

•(1715)

**Mr. David Marshall:** Well, you know, you can appreciate that if I were to give you a number, it signals what our negotiating might be, should we at some point want to cancel the contract. I don't think that's appropriate in a commercial transaction.

I can tell you that it is a large number, and that has been taken—

**Mr. Pierre Poilievre:** And your source?

**Mr. David Marshall:** We have Department of Justice lawyers who give us a sense of—

**Mr. Pierre Poilievre:** So it's department lawyers. Is that who your —

**Mr. David Marshall:** Department lawyers, and our own look at the contract and what it might cost.

**Mr. Pierre Poilievre:** But is this the source of...?

I'm sorry. I want to be very precise on this point. Who has done this assessment for you? Is it someone in the government, or is it someone in the private sector? Who has done it?

**Mr. David Marshall:** The assessment of the cost has been done by people within the government.

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

Thank you, Mr. Marshall.

Madame Brunelle, you have eight minutes.

[*Translation*]

**Ms. Paule Brunelle:** Mr. Chairman, I am going to give my time to my colleague Jean-Yves Laforest.

**The Chair:** Mr. Laforest.

**Mr. Jean-Yves Laforest:** Mr. Badun, I want to come back to the fact that the committee adopted a motion following a letter sent to it by Mr. Atyeo asking for an audit of the whole process in April 2005. You say that you hired Ms. Buckler in May 2005 to meet with members of this committee.

Can you tell us who those MPs were?

[*English*]

**Mr. Graham Badun:** You're right. We did engage Fleishman at that point in time, and I want to be clear and come back to a point you raised earlier on this. When we engaged the firms...

This matter about the registration just recently came to my attention. It's my understanding that it was an administrative error and they raised the issue with the registrar at the time. The registrar acknowledged the mistake and they fixed it.

Certainly there are several consultants who would have been working on the file at that particular point in time, and it's my understanding that there was no intent to deceive. It was a genuine error and I took them at their word for that.

With respect to the process and the meetings, and whatnot, you referenced Mr. Atyeo having engaged the committee. At the time, Mr. Atyeo made a submission to this committee that we later learned included a piece of research to a reader. This purported to have been prepared either for or by the Canadian Real Estate Association.

When we saw the research, we contacted the Canadian Real Estate Association to challenge the accuracy of it and to request and at least get our side of it, only to have them confirm that in fact no research had ever been commissioned for, nor authorized by, the Canadian Real Estate Association. So we were shocked to find out that the committee was hearing this after Mr. Atyeo had exhausted the CITT claims and channels to take a political route and to misrepresent the —

[*Translation*]

**Mr. Jean-Yves Laforest:** You said earlier that Ms. Buckler met with some MPs. I would like to know the names of the MPs in question, and not necessarily all of the process involved.

[*English*]

**Mr. Graham Badun:** I'm sorry, I don't have that on the tip of my tongue. I can get that for you, though.

[*Translation*]

**Mr. Jean-Yves Laforest:** You don't recall the names of these MPs. Do you have them in your files? I suppose Ms. Buckler reported to you on her work?

[*English*]

**Mr. Graham Badun:** You know, honestly I don't know. I took over running this company about a year and a bit ago. That was prior to my time in terms of direct involvement in that, so I'd have to go back and look at files and ask some questions. If you'd allow me, I'd be happy to do that.

[*Translation*]

**Mr. Jean-Yves Laforest:** I would like you to provide them to us.

Earlier, you talked about an error. Were you talking about an entry error, or about an error concerning Ms. Buckler's registration? As you know, Ms. Buckler is the Prime Minister's Director of Communications. So I think it is extremely important that you provide us with the correct information.

[*English*]

**Mr. Graham Badun:** I believe—and again, acting in terms of what they told me—it was just a date error. Again, once remedied, it was acknowledged by the registrar that this was a genuine and legitimate mistake and they had it registered, but there were certainly other members of the firm who were acting on our behalf who were registered.

[*Translation*]

**Mr. Jean-Yves Laforest:** In any case, I remember that you told us that she was hired in May 2005—Mr. Bélair had also said the same thing—and that she registered as a lobbyist on June 22, 2005.

At the previous meeting, on December 12, 2006, Mr. Bélair, in reply to a question I put to him, did not deny that Ms. Buckler's mandate was to delay the adoption of a resolution put forward by member of Parliament Dean Allison, a member of the committee. That motion was a request that the committee ask Ms. Fraser to carry out an investigation. Mr. Bélair did not deny that that was Ms. Buckler's mandate.

Can you deny it?

• (1720)

[English]

**Mr. Graham Badun:** What I'd be prepared to comment on is the fact that we engage for general procedural understanding of this process. You have to understand that this isn't something we, as a private company, and I, as a private citizen, go through on a regular basis. There was no specific mandate to push back dates; it was truly to understand the process.

[Translation]

**Mr. Jean-Yves Laforest:** There was no specific mandate to delay the date of that motion's adoption. I am asking you whether Ms. Buckler's mandate was to meet with MPs to prevent that motion from going forward, from being passed by the committee, so as to prevent the Auditor General from investigating the process?

Mr. Bélair did not deny that that was the case. I am asking for your opinion.

[English]

**Mr. Graham Badun:** The mandate of Fleishman-Hillard—again with multiple people involved—was to get facts out to help us understand the process. There was no mandate at all around delaying dates and recommendations. That was absolutely not part of it.

[Translation]

**Mr. Jean-Yves Laforest:** What was her mandate, then?

[English]

**Mr. Graham Badun:** It was to help us understand the process; to help us understand what it means to have the public accounts committee review something; to help us get facts out in order to make sure that all sides of the story were understood, etc.

[Translation]

**Mr. Jean-Yves Laforest:** You already had the contract. The contract had been awarded to you six months before and a letter had been sent by Mr. Atyeo to the public accounts committee emphasizing the fact that the process seemed unfair to him at the very least. He outlines several facts. Between the moment when that letter was tabled and the moment when it was discussed for the first time at the committee in April 2005, close to six and a half months elapsed, since this resolution was passed in November 2005.

In the meantime, you hired lobbyists to understand what was going on, but they made representations to MPs. I have trouble understanding: if the mandate was not to delay things, that is nevertheless what happened, since it took six months before the motion was passed and referred to the Auditor General.

What do you think of that?

[English]

**Mr. Graham Badun:** I'm afraid I can't comment on the length of time proceedings and motions take. I'm just not capable of answering that question. I'm answering to the best of my ability on what we engaged them to do. How long a committee takes to undertake and make a decision is outside of the scope of my skills and knowledge.

[Translation]

**Mr. Jean-Yves Laforest:** In any case, I would like you to send us all of the documents, please. I would like you to send us whatever

information you have with regard to the mandate and to the reports that were submitted by Ms. Buckler.

[English]

**Mr. Graham Badun:** I'm sorry, I didn't get a translation on that.

[Translation]

**Mr. Jean-Yves Laforest:** We're having a small interpretation problem.

[English]

**Mr. Graham Badun:** There was a translation issue.

[Translation]

**Mr. Jean-Yves Laforest:** I would have a last question for Mr. Marshall.

In the reply you sent to the committee, in the fourth paragraph on page 3, you say that you took other measures to make the rules of the game more equitable. You said precisely this:

In terms of price, we went further, as a result of feedback from suppliers and recognized that a new supplier would suffer extra costs [...] The financial evaluations were equalized as between the incumbent and other bidders to level the playing field.

In saying that, are you not admitting, in a way, that there was a problem involving the financial evaluation and that you attempted in different ways—you say so yourself—to correct a situation which may have been unfair? If that is not an admission—and to my mind, it is one—that there was a situation you already felt was problematical, how do we know that the measures you took to correct the problem are really effective in correcting potentially unfair situations? All the more so since, in reply to a question put to you by Mr. Fitzpatrick, earlier, you said that you had drawn lessons from all of this process. When you admit that you have drawn lessons from something, you are admitting by the same token that there was a faulty process and that you did not have full control over a process that would have been completely transparent and equitable.

• (1725)

[English]

**Mr. David Marshall:** Mr. Chairman, I want to make sure that the member who asked this question understands that these are not steps we took after the event. These are the processes that govern the entire request for proposals and the bidding. In other words, when we say we tried to level the playing field, we did that ahead of time. We only learned about the confusion around the number two year later. So there was no attempt to bolt on any additional things later. What I was trying to point out to the committee was that without knowing there was an error, if you look at the fact that we reduced the effective price—

[Translation]

**Mr. Jean-Yves Laforest:** It was an acknowledgement of the problem.

[English]

**Mr. David Marshall:** I'm sorry, no, but the understanding of the problem, is that what you're...?

[Translation]

**Mr. Jean-Yves Laforest:** You say that this is not an admission of guilt. However, you knew in advance—I am not making this up, you intervened in advance—that there were problems, since you tried to correct things.

[English]

**The Chair:** Okay, Monsieur Laforest, that's it.

[Translation]

**Mr. Jean-Yves Laforest:** The question...

[English]

**Mr. David Marshall:** I must say I find this to be completely unsupportable, that we knew there was a problem and tried somehow to create some false processes. That is completely a misunderstanding, I am sorry to say.

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

Mr. Sweet.

A point of order?

**Mr. Marcel Proulx:** On a point of order, Mr. Chair, I want to be sure that Mr. Badun finally received the right translation of Mr. Laforest's question, in which Mr. Laforest was making sure that Mr. Badun would supply the committee with the list of the MPs and the employees who Mrs. Buckler would have approached.

I understand there was a problem in translation at that exact time, so I want to make sure that Mr. Badun has the translation he was looking for.

**Mr. Graham Badun:** Thank you. I will ensure that this happens.

**Mr. Marcel Proulx:** Did you get the translation?

**Mr. Graham Badun:** No, but thank you. I had the point from earlier.

**Mr. Marcel Proulx:** Now you have it—no charge.

Thank you.

**The Chair:** I was going to bring that up too.

Mr. Badun, I want to raise the point that hopefully we will be moving to write a report on this issue. I'm not entirely clear whether this is going to be relevant to our report, but I would like you to get the information to us within the week, if it's possible.

Please send it to the clerk of the committee. He will make sure it gets out in both official languages to all the committee members.

Mr. Sweet, you have eight minutes, please.

**Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC):** Thank you, Mr. Chair.

As a point of follow-up, Rear Admiral Pile, at the first hearing we discussed 36,250 account files that hadn't received sufficient verification regarding expenses, either before or after. I wanted to check if prior to coming here today you might have made a call and found out if those verifications are now in process.

**RAdm Tyrone Pile:** Actually, Mr. Chair, I anticipated this question. I brought a summary of the management control frame-

work that is currently under way within the Canadian Forces. I can provide a copy of the management framework to the committee.

**Mr. David Sweet:** Thank you, Rear Admiral.

**The Chair:** Are you going to file it today?

**RAdm Tyrone Pile:** I will file it today, yes, Chair.

**Mr. David Sweet:** Great.

Mr. Marshall, I think one of the reasons why you see some of the members around the table continuing to have a problem with the model, which Mr. Danagher talked about, and the subsequent re-tendering is because this final contract was re-tendered in the light of some very serious allegations.

I'm reading from a memo that you wrote to the minister on August 26, 2003, which says:

...that an acting manager from our department who was responsible for the relocation program and involved in developing the evaluation criteria is in an apparent conflict of interest due to having accepted hospitality from Royal LePage. Other evaluation team members, including an employee who reported to this manager and employees of other government departments, accepted hospitality from Royal LePage that contravened the government hospitality policy.

So in the spirit of what my colleagues said—that not only do things have to be done justly, but they have to appear just—we are moving into a new contract tendering process with this kind of information that is very much out of date. It could have easily been updated by having the pilot project in the original contract already under way and by Royal LePage being very clear on the fact that the property management estimates in the contract were nowhere near accurate. Yet no one asked the incumbent company that was looking after this what their data were.

Could you please explain that?

● (1730)

**Mr. David Marshall:** I think Mr. Danagher can help. Go ahead.

**Mr. Dan Danagher:** As I mentioned before, we did have knowledge, obviously, of the number of employees who did strike and did exercise the personalized fund. So we did have some idea of a higher estimate than the actual number of people that Royal LePage was reporting to us.

By 2002—and I think this is the contract you're asking the question about—or maybe it was 2004, but in either case, it was decided, because the population of the pilot wasn't sufficiently large and the program—

**Mr. David Sweet:** Yes, it was in 2004. We'd already had two contracts—the pilot and a contract—where there was experience, and we still proceeded in 2004 with absolutely no adjustment.

**Mr. Dan Danagher:** You're quite correct that we didn't make the adjustment. The logic was that there hadn't been enough change or enough time that had elapsed since the 2002 contract, because by the time we were into the RFP process, it was, I believe, only about a year or so into the 2002 contract.

**Mr. David Sweet:** But that conflicts with Mr. Goodfellow's testimony. When I asked him the direct question about why the numbers weren't updated, he said it was because his department was under pressure to get the RFP out.

**Mr. Dan Danagher:** Everybody wanted the contract to be out quickly, because at the time—and my colleagues at Public Works will jump in here, I'm sure—the previous contract had been essentially set aside. Obviously, we wanted to put a new contract in place as quickly as possible, because the service is provided by the contractor, and the department didn't have the capacity to provide that service themselves.

**Mr. David Sweet:** So in the shadow of what happened with the CITT and all the questions around this, speed of this RFP was more important than integrity.

**Mr. Dan Danagher:** There was another issue, as well—and I wouldn't characterize it that way—and again, I would also ask my colleagues at Public Works to address this. It was felt that in the interest of fairness and to keep rebidding costs reasonable, we shouldn't change too many of the provisions of the RFP, particularly where they hadn't been questioned in the past, and this was one element that hadn't really been questioned previously.

**Mr. David Sweet:** Well, it's certainly being questioned now.

**Mr. Dan Danagher:** It is being questioned.

**Mr. David Sweet:** Let me just go back to a statement that Mr. Badun made. When talking about the real estate incentive package, he said that they were instructed on how to bid.

Are you saying that you were directed to take into account that personal money was not part of the crown's obligation?

**Mr. Graham Badun:** What I'm saying is that all bidders were instructed in terms of how to bid in terms of following the basis for payment, the total expenditure to the crown, understanding the policy underneath it, and applying the terms of the policy, as well, when they were submitting their final bids.

**Mr. David Sweet:** Mr. Atyeo, did you understand it that way, that this personal envelope of money was outside the RFP?

**Mr. Bruce Atyeo:** No. It was, as I explained earlier, that we were asked to provide a ceiling price that would be the maximum a transferred employee would have to pay for property management services.

**Mr. David Sweet:** Madam Fraser, at the risk of putting you on the spot, clearly, property management is a significant part of this tendering process. Yet this personal envelope of funds means that... I would think, if I was tendering and I did not have experience, that there was an undisclosed aspect of the contract that I wasn't aware of. Am I reaching here?

• (1735)

**Ms. Sheila Fraser:** Obviously there seems to be a place for different interpretations of this. Our interpretation is the same as the department's, which is the same as Mr. Atyeo's. Clearly, in the bid documents or in the documents around the contract, it says property management commission, and it has a percentage and it has a note and it talks about a ceiling price, and they talk about the property management commission being a maximum percentage of yearly rental.

Well, I think the way we all interpreted it is that, clearly, the person who's renting is going to be paying that. So why would...? I guess the basic question, the most honest question, is why the government would put that in if they expected to get zero.

So I think there would appear to be different interpretations, but we certainly thought, and government has agreed with this, that this is to be the ceiling rate to be charged for that service irrespective of all the services and irrespective of who actually pays for it, be it government or be it the individual being transferred. Otherwise, this schedule makes no sense.

**Mr. David Sweet:** That's a good question, Mr. Marshall. Why would we place that in there if we anticipated that, in effect, if I'm not correct, the amount in 2002 was zero? That certainly would have indicated that there should be some reason to reflect on actually asking the supplier for that number.

**Mr. David Marshall:** I believe, Mr. Sweet, that, first of all, the policy on the personal envelope and so forth was available to all bidders. It was attached to the RFP, so there was no hidden thing that got sprung at the last moment.

In terms of why it was included, really I believe the logic—and Mr. Atyeo has referred to it—was that the team was trying to make sure the individual would not be overcharged or gouged. We were looking for what kind of a charge a supplier might have.

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

Thank you, Mr. Marshall.

Mr. Williams, for eight minutes.

**Mr. John Williams:** Mr. Sweet would like to finish off a question. He didn't have an answer there.

**Mr. David Sweet:** With that answer, Mr. Marshall, you would expect that with zero in that tender, there isn't a forces member who should be charged. Is that correct?

**Mr. David Marshall:** Correct.

**Mr. David Sweet:** Thank you.

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

I just have one question for Mr. Danagher, on this logic model that escaped my logic, Mr. Chair.

You said, Mr. Danagher, that 60% of the people relocating, when they arrived at the new place, were renting. How did you know 60% of the people were renting?

**Mr. Dan Danagher:** That's actually information that we received from the Canadian Forces. They actually did have that data.

**Mr. John Williams:** So if you knew they were renting when they arrived, did you know whether they were renting or not renting when they left?

**Mr. Dan Danagher:** We didn't have data on what their status was at origin.

**Mr. John Williams:** Did you ask DND if they had the statuses?

**Mr. Dan Danagher:** We did.

**Mr. John Williams:** And they didn't have a clue.

**Mr. Dan Danagher:** They had no mechanism for capturing that.

**Mr. John Williams:** Yet you had two years of experience, you had Royal LePage sending in these quarterly reports, and you totally disregarded all that and said that if 60% of the people arrived and were going to rent at the new location, then they obviously owned a house and obviously were going to rent it out when they left. Is that right?

**Mr. Dan Danagher:** The logic was that this was the maximum number or percentage of people who could avail themselves of that service—basically, since the purpose of the policy was to try to stimulate people to do so, for the very first time, because previously these expenses weren't allowable.

**Mr. John Williams:** And if I happen to have a few dollars and I own the house I'm leaving and decide to keep it, and I then decide to buy one where I'm going, I couldn't get the—

**Mr. Dan Danagher:** You could. In fact, the logic model that was developed by the committee didn't account for that eventuality, or it saw that there would be a very small percentage.

**Mr. John Williams:** It's a wonderful logic model, Mr. Danagher, and now we're in this serious problem here. I would just hope that you.... You're an executive director of the Treasury Board. I find this kind of head-in-the-sand approach inexcusable.

We saw it in the sponsorship scandal, Mr. Chair, and we're seeing it here. People just go on blindly pushing paper, with no thought. When one client says they need \$50 million to provide this service and somebody else says they can do it for free, the bell doesn't go off and cause these people to ask if there's a problem here? What kind of civil service do we have here?

Mr. Marshall, I do hope you will ensure that people use their brains rather than pushing paper from here on in. This is unacceptable. We just can't have this kind of stuff happening on a regular basis.

That's my point, Mr. Chairman. I'll turn it back to Mr. Lake, and I appreciate his giving me a couple of minutes of his time.

• (1740)

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

You have about five and half minutes, Mr. Lake.

**Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC):** Chair, to start, I actually just want to get a point of clarification from Mr. Marshall.

In terms of the timeline, the end of this contract is 2009, but what specific date are we talking about?

**Mr. David Marshall:** November 2009.

**Mr. Mike Lake:** Thank you.

I share some of the concerns with this that many people on this side of the table have expressed—and the other side as well—having to do with these numbers, especially with the fact that we're getting this brand-new information today. On the last day that we're supposed to be discussing this, all of a sudden we have new information that does somewhat contradict information that we've had in the past regarding the calculations here.

Mr. Danagher, I just want to clarify a few things. Of the 15,000 relocations per year that are talked about in the Auditor General's report, I just want clarification. Does that figure include people who rent as well, or is it anybody who's relocating, whether they rent or own their home?

**Mr. Dan Danagher:** Those would be transferees, yes.

**Mr. Mike Lake:** According to this, I think I'm reading that 40% of the people actually own their homes.

**Mr. Dan Danagher:** At the destination.

**Mr. Mike Lake:** That would be at the destination?

**Mr. Dan Danagher:** Yes, at the destination.

**Mr. Mike Lake:** What about the people who are selling?

**Mr. Dan Danagher:** We didn't have that data.

**Mr. Mike Lake:** For this purpose, let's guess that it's roughly about the same.

**Mr. Dan Danagher:** Okay.

**Mr. Mike Lake:** So 40% of 15,000 is 6,000 owners. By definition, I would think those are the only people who could actually use property management services for the home they're leaving.

**Mr. Dan Danagher:** I see where you're going, but that wasn't the logic the interdepartmental working group adopted. Their logic was just the reverse: if 40% bought homes at the destination end, those are the people who probably didn't own homes at the originating end. You can question that logic, but that was the logic used by that group. They felt 60% was the maximum number that would avail themselves of property management services because they couldn't conceive that somebody would realistically opt to own two homes simultaneously—although some people can afford that.

**Mr. Mike Lake:** It seems this whole system is actually designed to encourage people to own multiple homes.

One question I have is whether there is a limit. Can an employee move five times? People get relocated all the time. Can they move five times, own five different homes, and have the property management services covered for them?

**Mr. Dan Danagher:** No. I assume they would be eligible for one.

**Mr. Mike Lake:** You assume?

**Mr. Dan Danagher:** Actually, it's a good question. I'll get that answered and get back to you. I don't actually have the answer to that question. I don't know of any situation where that has happened. It's quite possible, but we'll get that clarified and get that information to the committee as quickly as we can.

**Mr. Graham Badun:** I could add to that. If somebody elects to have the real estate incentive, it prevents them from ever taking advantage of any other home ownership benefits. So it cannot happen repeatedly.

**Mr. Mike Lake:** Those numbers look absolutely unreasonable to me. You say this is a logic model, but there doesn't seem to have been a lot of logic in thinking through this when you were originally setting it up. That you would have 40% of members who own their houses and that somehow 60% would take advantage of property management services just doesn't make any sense to me at all.

I believe you said 1998 was when you started thinking of encouraging people to use property management services. If this was a serious goal, I don't understand how nothing was actually tracked on this.

**Mr. Dan Danagher:** I understand in 1998 there was a national joint council policy, where the bargaining agents and government got together. In fact, part of the reason the goal was put in place was because we had about a three-year backlog of relocation-related grievances. People were unhappy with essentially being transferred to another place and then claiming expenses that were disallowed for whatever reason. We had a long backlog. In the years since the policy changed and we've gone this route, that backlog has disappeared. We get very few grievances today. In fact, we saw that the policy was having its intended affect.

• (1745)

**Mr. Mike Lake:** You also talked about the pilot numbers. Obviously you were tracking something. You were saying the pilot numbers were too low, but in 5.24 of the Auditor General's report, according to the Canadian Forces statistics, it says that out of 81,000 moves between 1995 and 2000—which seems like a pretty big number—183, or 0.22%, of them actually used relocation services. If you extrapolate the numbers between 1999 and 2002, when the first contract was being done, maybe there would be 40,000 to 50,000 moves based on those numbers. That's a pretty big number. That's not a small number. Someone was tracking the information, because the information is here.

**Mr. Dan Danagher:** Just as a point of clarification, what I said earlier is that the pilot covered all the CF, all forces, all military staff, all RCMP, GIC appointees, and senior government personnel at the EX level. It did not include the people who are non-executive members of the Public Service of Canada—the heavy half of the public service. That is around 200,000 people.

**Mr. Mike Lake:** But we are still talking about 40,000 to 50,000 people, probably, in that timeframe—

**Mr. Dan Danagher:** It's still a big population.

**Mr. Mike Lake:** Right. And 0.22% were using the relocation services—0.22%—and you estimated the number at 60%.

**Mr. Dan Danagher:** That means 0.22% availed themselves of property management services via Royal LePage relocation services. We were unaware of the number of people who would have availed themselves of property management services and not reported that to Royal LePage, because they weren't obliged to.

**Mr. Mike Lake:** So you think that it would be in the area of, what, three.... I don't even know how many times that is, but—

**Mr. Dan Danagher:** No, it isn't. And the data we currently have demonstrates that those numbers didn't hold up. But it was a predictive model, and it's turned out to be incorrect.

**Mr. Mike Lake:** But you should have known that in 2002.

**Mr. Dan Danagher:** Hindsight is 20/20. We look at it now, and it looks as though those numbers were off. But the sense was that the program hadn't been given the promotion that it should have been given to encourage people, and that—

**Mr. Mike Lake:** Okay, so what promotion would you have given it that would have taken numbers from 0.22% to 60%?

**Mr. Dan Danagher:** I can't speculate about that. It's a good question, but I can't speculate and answer it.

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

Thank you, Mr. Danagher.

That, colleagues, concludes the round that we agreed upon, and when we started we agreed that we would look at the situation at the end of the round. I'm prepared to recognize anyone who has a very short relevant issue that they want to pursue for a couple of minutes, but it has to be relevant, because we all had a chance, and there has been some duplication over the last half-hour.

Mr. Proulx, Mr. Christopherson, and Mr. Fitzpatrick.

Okay, Mr. Proulx, go ahead, please, very briefly.

**Mr. Marcel Proulx:** Thank you, Mr. Chair. I'll be brief and to the point.

I want to come back, Mr. Badun, to make sure that the translation reached you and that you understand our problem.

Very briefly, Mr. Bélair, who is president of one of your subsidiaries or running one of your shows, told us last committee meeting that Mrs. Buckler had been hired in May 2005. Earlier in the meeting, I understand, you agreed that she had been hired approximately at that time. The registry shows that she registered as a lobbyist for you, in this particular case, on June 22, 2005.

So at the request of the Bloc Québécois, I would like it very much if you could tell us not only who she met and who she talked to, but also the dates these meetings occurred on. It's no problem for you, but we want to make sure that the registry.... You understand where I'm going with this. We want to make sure that she had registered and that all she did was done on an up-and-up basis. I'll be very honest with you: we have the impression—and we want to correct that impression if we're wrong—that her role was to talk directly with Conservative MPs who were part of this committee so that the committee would not decide early in the process to invite all of these guests, all of these witnesses, to explain to us what has been happening.



●(1750)

**Mr. Graham Badun:** I understand your request—

**Mr. Marcel Proulx:** Okay.

**Mr. Graham Badun:** —and I've made my position—

**Mr. Marcel Proulx:** Super.

**Mr. Graham Badun:** —clear on this matter, and I'll get the information before the end of the week.

**Mr. Marcel Proulx:** You will send us the documents.

**Mr. Graham Badun:** Yes, I will send them to the clerk, as per the chair's instructions.

**Mr. Marcel Proulx:** They will be sent through the clerk.

**Mr. Graham Badun:** Yes.

**Mr. Marcel Proulx:** I have a second request. Could we please, through the committee, have a copy of the kit you have mentioned that is given to people who benefit from your services?

I'm very intrigued. I want to learn from your writers how you do it, because nobody else in the real estate business gets any business from these people who are moving around the country. I want to see how you can do it by writing a kit, by supplying a kit. I'm very anxious to see what this is all about. And I congratulate your company, because somebody did a fantastic job.

**Mr. Graham Badun:** Thank you.

**Mr. Marcel Proulx:** Thank you.

Thank you, Mr. Chair.

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

Mr. Christopherson, go ahead, please, very briefly.

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

Auditor General, you've made the statement that you still don't believe this is fair and equitable. Would you recommend or would it be your opinion that a re-tendering is the only way to redress that? Or are you satisfied that if we fix it moving forward here, that's sufficient, in terms of the public interest?

**Ms. Sheila Fraser:** I maintain our conclusion that this was not a fair and equitable process, but as I said earlier, I think there are many factors that have to be considered when deciding whether to go for a new bid or not. Mr. Marshall indicated several of those. I think, honestly, it's up to the committee then, perhaps with more information, to make a recommendation.

**Mr. David Christopherson:** I'm going to push, and you knew that was coming.

**Ms. Sheila Fraser:** I know.

**Mr. David Christopherson:** That's not sufficient, I'm afraid, to help us. You understand this better than we do. You raised it with us. I find it difficult to have you say that it's not fair and equitable and then equivocate.

I realize the decision to recommend is ours, but at some point I'd like to hear what you think, whether or not the seriousness is such that we should. We've heard that, yes, mistakes were made—not that big. We're hearing the contrary.

**Ms. Sheila Fraser:** Fundamentally, if you look at this abstraction of the current bidders and all the rest of it, I think in any bidding process potential suppliers have to be given accurate data. Do we know if there are potential suppliers who didn't even bid because of the incorrect data? That raises as much of a concern in my mind as the fact that maybe for one bidder the points would have changed if the evaluation had been done differently.

I guess at the end of the day, yes, there's a question of costs. And I would assume that Public Works probably has a good idea how much those costs are. But how do you ensure that a process is fair and equitable unless you go through a new process?

**Mr. David Christopherson:** Chair, at the end of my comments, because of one more.... We haven't gone into this yet, so I'd ask you to bear with me, but I am going to ask you to consider my request that we go in camera to hear what that dollar figure is. I can appreciate that at some point that's going to be a big influence, and we need to know what it is. I'd like to hear more than just a descriptor. I'll leave that with you and make the request at the end.

To the ministry and Treasury Board, paragraph 5.19 on page 7 of the Auditor General's original report says—and we got into this earlier with the weighting—that only 25% was on price proposal, 75% on technical merit.

Now, further, on page 23, paragraph 5.103, it says, and I'm quoting now: “Despite the focus on quality of life as the main reason for the program”—that being the integrated relocation program, the one we've been talking about—“we've found that neither Treasury Board Secretariat nor the departments have developed performance measures to demonstrate whether the program's objectives are being met.”

If this is 75% of the final mark, if you will, and quality of life is key to all of this, with the Auditor General saying you don't have a proper measurement, how can you conclude where to put merit points on the technical side when you don't seem to have a mechanism for establishing that?

●(1755)

**Mr. Dan Danagher:** I think the question is probably for both Public Works and for TBS.

On the TBS side, we felt we did have a way to measure the performance of the IRP. One of the things we looked at, as I said before.... Because this is a national joint council policy, we worked with the national joint council with bargaining agents. We did meet. We did discuss this. We monitored the relocation-related grievances, which, as we've said, went down significantly with the inception of this program. So from that perspective, we did have that, and it was with the national joint council that we determined that the quality of service is going to be paramount to the success of that.

That was, I'm sure, an influence in the 75% and 25%.

**Mr. David Christopherson:** Now, would the Auditor General have been apprised of that information?

**Mr. Dan Danagher:** I would guess yes.

**Mr. David Christopherson:** Well, we'll find out.

Madam Auditor General, did you know about that? Obviously, you still printed this.

**Ms. Sheila Fraser:** Yes, but a decrease in grievances is not a sufficient performance measure for a program. We explain it much more, actually, within the fact that we would have expected more performance measures around the quality of the program than simply that.

**Mr. Dan Danagher:** I think it's important for us to point out that we agreed fully with the Auditor General's recommendations that we put in place a more formal performance measurement program, including a survey that had been previously designed, and we hope to be able to launch that within the coming months.

**Mr. David Christopherson:** I'm going to come to my question, but you know, you really do reach the point where it's yes, it's just this one little one, and it wouldn't be anything and wouldn't change the outcome, and here's another little one, and another little one. We've got so many things here.

That's why, Chair, I'm now going to request that we go in camera to hear the dollar figure that staff are advising it would cost the government if we were to cancel this contract and re-tender.

**The Chair:** Okay, thank you very much, Mr. Christopherson.

Mr. Marshall can correct me if I'm wrong, but I believe that when he was asked the question earlier by a previous member he indicated he was reluctant to give that, because he considered it confidential commercial information.

**Mr. David Christopherson:** That's why I said "in camera".

**The Chair:** I realize what you said, Mr. Christopherson.

I'd like to hear the views of the committee and perhaps let the committee decide whether or not we should go in camera to hear this. Perhaps I'm going to hear from Mr. Marshall first, though.

Do you have any thoughts, Mr. Marshall?

**Mr. David Marshall:** Mr. Chairman, you know, we don't cancel contracts lightly. We would have to cancel based on termination for convenience. That causes a lot of considerations to be brought into play, as I mentioned: lost future profits, reputational damage, and all kinds of things that have to be taken into account. So I can advise the committee that it is a considerable number.

If it does come to this, and we do cancel for convenience, we're going to be in a legal fight with the incumbent and others, and it's just not appropriate to be talking about that number. We look at what is our maximum and minimum and we try to understand the risk, and we've done that and feel the situation doesn't warrant that step.

**Mr. David Christopherson:** As the mover of the motion, can I just move on, Mr. Chair?

The other side of this is that it's a crucial piece of the puzzle as to what we're going to recommend. It seems to me that going in camera affords Mr. Marshall the confidentiality he's looking for, given that we'll be talking about ranges.

Even if somebody leaked it, it wouldn't take too many other lawyers who deal with the stuff on a regular basis to quickly calculate what kind of number we're talking about. But I don't have that expertise and I'd like to know the range we're talking about, whether we're talking.... Well, anyway, it could be anything, given that the whole contract is \$1 billion.

So I really would like to hear that, Chair, and I would consider it a breach of my privileges if I'm denied that number, given that I'm offering to take it in confidence. I'm willing to honour it in confidence and that it not to be repeated and that I won't use it anywhere publicly, but I do believe I need it to make an evaluation on how I'm going to vote on the issue of whether we want to recommend re-tendering or not.

• (1800)

**The Chair:** Are there any other thoughts or comments from members?

Ms. Sgro.

**Hon. Judy Sgro:** I think it would be wise for us at this point to go in camera and have those discussions.

**The Chair:** Okay. Well, I'm prepared to go in camera, but not at this point in time. I just want to conclude. We're going to go back to conclude any other relevant examinations not tied totally to this issue.

We have Mr. Fitzpatrick, and then Monsieur Laforest, I believe, and then we'll go in camera.

**Mr. Brian Fitzpatrick:** I'm just asking for two things here, with the help of the representative from Royal LePage.

Concerning the firm you engaged to do your consulting work, reference has been made to that firm and to Ms. Buckler. I would also ask you to provide a list of all individuals from that firm who would have contacted MPs personally, and who they would have contacted, and all the details surrounding those contacts—the times, the places, and so on—to get a full picture of what might have transpired here.

I'm just going to make a comment to you before I leave this. When you use precedents and you re-use them without thinking about them and analyzing them, you're going to get yourself into trouble. I think that's the lesson we should learn out of this experience: every circumstance changes, and you need to put your thinking cap on and re-evaluate what you're doing.

I just wanted to get some clarification, Mr. Danagher, about this personalized account. The maximum amount a person can get under this thing is \$12,000. Is that correct?

**Mr. Dan Danagher:** That's correct.

**Mr. Brian Fitzpatrick:** And if a person who's getting the \$12,000 keeps his property—let's say he's moving from Ottawa to Edmonton—he's still free to buy a property in Edmonton and get the costs of acquiring a property in Edmonton covered as well? Can he put in a claim for that stuff, like the moving expenses and the legal fees?

**Mr. Dan Danagher:** I'd have to defer to my expert, if I could. It's an important question. Could Ram Singh, who has been previously identified, come to the table and answer those questions?

**The Chair:** Definitely.

**Mr. Brian Fitzpatrick:** Yes, and there's another question too, so that we can get two birds with one stone.

If the person has a spouse who's going to stay behind in Ottawa and live in the premises, with just the one spouse going out, is that spouse still eligible for the \$12,000 payment?

**Mr. D. Ram Singh (Senior Financial and Business Systems Analyst , Project Authority Integrated Relocation Program, Labour Relations & Compensation Operations, Treasury Board Secretariat):** With the way the system is set up to work, Mr. Chair, the individual being relocated options the incentive at origin. For someone moving from Ottawa to P.E.I., for example, they option the incentive not to sell their house in Ottawa when they go to P.E.I. and buy a house. As it is currently for any public servant, we do not pay purchase costs outside of legal, so it's a very minimal amount.

If that person, in a subsequent transfer, is leaving, that person could also retain the P.E.I. house. The way the incentive works is that for the rest of that person's public service lifetime, the Government of Canada will never incur any expenses to dispose of the house that the incentive was optioned on.

**Mr. Brian Fitzpatrick:** What about the question about the spouse? If the spouse remains in the premises in Ottawa and isn't moving, but is working for another department of the government or in the private sector, you don't look into that?

**Mr. D. Ram Singh:** The property will never come back up at government expense. We will never incur the expense to sell that.

**Mr. Brian Fitzpatrick:** I'm talking about the first move.

**Mr. D. Ram Singh:** That property is still on inventory for which we have paid an incentive of up to \$12,000. The Government of Canada will never again have to pay for a disposal of that property, period.

**Mr. Brian Fitzpatrick:** Right.

And just so I don't forget something before I'm finished here—and this will be the last thing—I'd like the undertaking of the representative from Royal LePage, on the record, to provide the information that I requested.

**Mr. Graham Badun:** I'll chat with counsel and make sure they're comfortable with that. The original request was in response to—

**Mr. Brian Fitzpatrick:** I want the full story on this. I don't want a one-sided version of it.

**Mr. Graham Badun:** To get the full story, you should ask my colleague at Envoy Relocation for the same.

•(1805)

**Mr. Brian Fitzpatrick:** Personally, I don't find that acceptable. I want to know all the details on that.

**Mr. Graham Badun:** In terms of a full story, there's a side that was started by these folks who brought us to the table in terms of doing a lobbying effort, having to talk to my counsel about it, and understanding it. I think the request should be made of both parties.

**The Chair:** No, the member has the right to question any witness he wants and get the information. He doesn't have to ask for it from another party.

Mr. Fitzpatrick, are you—

**Mr. Brian Fitzpatrick:** You can't have it both ways. We can't be provided information on one person on that lobbying firm without looking into the full story with that lobbying firm, in terms of all the people who were lobbying people. Whether they were lobbying Liberal members or Bloc members or whatever they were doing, let's get all the cards on the table.

**Mr. Graham Badun:** I understand the request.

**Mr. Brian Fitzpatrick:** Do we have your agreement?

**Mr. Graham Badun:** Yes.

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

**The Chair:** Mr. Laforest, briefly.

[Translation]

**Mr. Jean-Yves Laforest:** Mr. Marshall, we are talking about equity and justice. The Auditor General told us that this process proved to be unfair and inequitable. You are denying these facts. Moreover, you say that if this contract is cancelled, this will entail significant costs and no doubt some legal actions as well. I think that all of the members of the committee are aware of that. Of course, we have to manage public funds, and the final decision will be made by the government. However, this is a matter of fairness and justice. Whatever the value of the contract, the committee will eventually have to examine this and determine whether in practice this contract was tendered, as Ms. Fraser said, in an inequitable way. If that is our conclusion and if the contract has to be cancelled, that will be regrettable, and there may be related costs. The members of the committee would not make such a decision lightly, I am sure of that. The members of the committee must weigh all of these matters carefully.

Would you have said the same thing if this had only involved a million-dollar contract? Would you have told us to be careful because significant costs would be incurred? It is a matter of principle and, of course, of money. Much more rigorous attention should have been brought to bear before awarding a contract of close to a billion dollars, all the more so since we know that the same firm was awarded the pilot project, the first contract and the second one, even after the first contract was cancelled. That also raises a series of questions in the minds of the members of the committee. Light will have to be shed on all of these aspects.

[English]

**The Chair:** Mr. Marshall.

**Mr. David Marshall:** Mr. Chair, may I please underline once again that the process was not as good as it should have been. I acknowledge that. I would like members of the committee to understand that the result would not have changed as a result of this number. We saw that one of your members had done his own calculation. We've done the same calculation. There was no fraud or bad faith involved. You consider that as well.

When you consider that the result would not have changed, you would also consider, as Mrs. Fraser has rightly pointed out, that there might have been other bidders who would have participated if they'd seen a different number, for example. I want the committee members to understand how far we went to try to invite as many people as possible. Here's how far we went. The quality of the service was very important to the members of the armed forces. We wanted people qualified to handle a very large volume—12,000 moves—for the armed forces. If we had asked for people with experience of 12,000 or more, there would have been only a single firm in all of Canada that could have qualified, and that is Royal LePage. We said we would consider the bid of anyone who had done at least 500 moves. We also said you didn't have to have an army of people to handle this on day one. You could go into a consortium, or you could tell us what you would do in the future, and we would assess you on that basis.

So, members of the committee, you have to understand that we took a lot of steps to try to make sure that as many people as possible would participate. There was no malintention. There was no bad faith involved. And even after you consider all of that, the result would not have changed. And that's the basis, really, of what I'm submitting to you. It's really not appropriate to start tearing up contracts that have been entered into in good faith, especially when there will be an opportunity in 2009 to have another process. Believe me, we have learned a lot of lessons from this. I mean, we are going to be much more careful, and that's how government works. You learn from your mistakes. You have to understand that if there were fraud or bad faith, then the money would not be a factor. We would need to restore the faith of the process and re-tender, but there was no such thing here.

• (1810)

**Mr. David Christopherson:** It was a billion-dollar contract and nothing more could have been done?

[*Translation*]

**Mr. Jean-Yves Laforest:** Mr. Chairman, I want to conclude by advising the committee that at the next meeting I will be tabling a motion asking that we convene Ms. Sandra Buckler and the registrar of lobbyists, so that the committee may gain a better understanding of the things which Mr. Badun has said to us which were not entirely clear. I intend to table such a motion. Thank you.

[*English*]

**Mr. David Christopherson:** I have one question.

**The Chair:** One brief question, and that's it.

**Mr. David Christopherson:** Given it's a billion-dollar contract and you went out of your way to do all that, what is the figure?

**Mr. Richard Goodfellow:** It's \$129 million.

**Mr. David Christopherson:** It's \$129 million. It makes the \$50 million look even bigger, by the way. Somebody was throwing around \$1 billion here before.

**Mr. Richard Goodfellow:** It was only the administration fees. We didn't include third-party services, such as property management.

**Mr. David Christopherson:** What's the whole contract worth?

**Mr. Bruce Atyeo:** It's half a billion dollars.

**Mr. David Christopherson:** Okay, which is it, folks? What's the total figure of all the contracts we're talking about here?

**Mr. Bruce Atyeo:** Well, I have a letter from Mr. Goodfellow telling me the value of the contract that was awarded, and it's a little over \$500 million.

**Mr. David Christopherson:** Fair enough. Half a billion dollars. It's a big contract. You've gone out of your way to say you don't even need to have things in place and you can show us good plans. I know you can't answer, but why would you speculate that nobody else would bid, besides one other, in addition to the one who had it already?

**Mr. David Marshall:** Richard, do we know how many people came to the bidding conference, and so forth?

**Mr. Richard Goodfellow:** Yes, five potential bidders, plus their affiliated associations, all came to the bidders conference.

I only want to point out that it was not a \$500 million contract. It was \$129 million over five years. It was only the administration fees, and we did not include third-party services. Those were flow-through costs, which were used for evaluation purposes only, and were only weighted as being worth 25%. It was not half a billion dollars.

**Mr. Bruce Atyeo:** It has an impact on the outcome of the evaluation. We're being evaluated on \$500 million.

**The Chair:** I think the witness has answered the question. Please direct your comments to the chair.

Colleagues, I believe that concludes all the rounds.

We are going to go in camera. At this time, I want to adjourn the formal part of the meeting. We are going to take a short break for two minutes. I would ask all the witnesses, other than Mr. Marshall and his staff with Public Works and Government Services Canada, to leave the room.

It's been a long afternoon. It's a somewhat complicated case. I want to take this opportunity to thank the witnesses very much for appearing here this afternoon. It's been very helpful.

Thank you.







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