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## Standing Committee on Public Accounts

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**Wednesday, January 31, 2007**

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**Chair**

**The Honourable Shawn Murphy**

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Wednesday, January 31, 2007

• (1535)

[English]

**The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)):** I would like to call the meeting to order and extend a very warm welcome to everyone here, especially the witnesses.

This hearing will go from 3:30 to 5:30, as allocated. It's pursuant to Standing Order 108, on chapter 7, "Acquisition of Leased Office Space" of the May 2006 Report of the Auditor General of Canada. It's not specifically on that report, but the issue of the leased space of Place Victoria in the city of Montreal was raised in the report. The committee had a number of inquiries about the transaction, and we felt, based on the information we received, it would be in the best interests of everyone if we had a hearing on this matter. That resulted in today's hearing.

We have with us today, from the Department of Public Works and Government Services, their deputy minister and accounting officer, Mr. David Marshall. With Mr. Marshall is Tim McGrath, the acting assistant deputy minister, real property branch; and Mr. Mario Arès, regional manager, assets and facilities management.

From the Canada Economic Development agency we have Michelle D' Auray, president.

From Infrastructure Canada we have Mrs. Carol Beal, the assistant deputy minister, program operations branch.

And of course from the Office of the Auditor General we have Mr. Bruce Sloan, who has been with us many times before.

Again I want to welcome each and every one of you.

Monsieur Laforest.

[Translation]

**Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ):** A point of order, Mr. Chairman. This is not the first time we have this problem of documents being produced in French and English but with more documents in English than French.

I am referring to a document sent to us, through the clerk, by the Department of Public Works and Government Services, dated January 30. There are two documents in English, with tables, but only one in French.

We have called the clerk's office to know if the missing document was available in French. As a matter of fact, we don't receive French documents from PWGSC as quickly as English documents or we don't always receive the same documents than those provided in English.

I find that unacceptable, as I have already underlined to the committee. If necessary, we will submit a motion. If we have to submit a motion to receive the documents that we need to be able to do our work like the other members, we will do so. I expect to receive the same documents as of those provided in English.

[English]

**The Chair:** Monsieur Laforest, you're totally correct that it's the law; it's not just the intention of this committee, it's the law that all documents be tabled in both official languages.

Perhaps I'll get the clerk to address the issue.

[Translation]

**The Clerk of the Committee (Mr. Georges Etoka):** Yes, Mr. Chairman.

Yesterday, we received three electronic documents from the department, in both languages. However, there were three documents in English and only one in French. Today, we have received binders in both languages. The documents received yesterday are available today in both languages.

**Mr. Jean-Yves Laforest:** I have not had enough time to check the binder since we only got it when we came into this room.

I accept your answer but, from now on, I would like to receive the French documents at the same time as the English documents, that is to say two days ahead of time. French-speaking members should receive their documents at the same time as English-speaking members.

[English]

**The Chair:** I agree 100%.

Mr. Williams.

**Mr. John Williams (Edmonton—St. Albert, CPC):** I want to reinforce what my colleague said, that the clerk should never distribute any documents unless they're in both official languages.

To have everything two days before the meeting may be a bit of a stretch, but I think it's always important that this country, as a bilingual country, does everything in two languages, not one followed by the other.

**The Chair:** That's the way we have to operate. I agree with you, by the way.

[Translation]

**Mr. Jean-Yves Laforest:** I would like to answer Mr. Williams. It is not any more difficult to provide the documents in both languages. It is a legal requirement. When we're told that it's more difficult to provide documents in both languages, it really means that they would be provided in one language and that it will be difficult to provide them in the other language. However, I believe the rule is that all documents should be given to us in both languages.

[English]

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

Mr. Marshall, do you have opening remarks?

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

Members of the committee, we appreciate being here to discuss with you the subject of the leased office space at Place Victoria in Montreal, as it was reported in the Auditor General's report of May 2006.

As you mentioned, I have with me today Mr. Tim McGrath, our acting assistant deputy minister for real property, and Mr. Mario Arès of our department, who is the regional manager in the Montreal office of Public Works and Government Services.

To begin with, I'd like to mention that we have carried out a very extensive search of all our paper and electronic records in order to serve the committee as best we can. We are confident that all the documents requested that we have in our possession have now been submitted to the committee.

In addition, we took the time to prepare a flow chart that tied together the various documents and other recollections of our staff over a chronology of events relating to this transaction. I believe this is before the committee in both languages, with a key indicating wherever there is a document that relates to that particular point in the chronology. We would of course be prepared to walk through it with you to the extent it would be helpful to you.

Let me summarize what we have determined. In December 2000, Public Works and Government Services and our client, the Economic Development Agency of Canada for the Regions of Quebec, began the process of finding the agency suitable premises, as their existing lease in Place Victoria was coming up for renewal and the premise was due for an extensive fit-up, as well as lacking space for expansion.

That was the requirement. Between December 2000 and May 2001, our two teams worked closely to finalize the requirements and develop a plan.

The recommended option, which was approved internally at Public Works and Government Services, was to go out to tender in the Montreal market for the requirement. Public Works officials proceeded on that basis and set in motion a series of steps that culminated in qualifying six bids, amongst which were included Place Bonaventure as well as Place Victoria.

Following an evaluation, on March 12, 2002 the bid from Place Bonaventure was judged to be the best value to the Crown.

Our Public Works and Government Services director general in Montreal personally called the deputy minister of the agency and received assurances that everything was still as originally planned and nothing had changed. On that basis, Place Bonaventure was informed that they were the winning bidder, thus committing the government to leasing that space. Shortly after this, on April 4, our assistant deputy minister for real property, who at the time was Carol Beal, who is here with us today, was advised that the client had changed its mind. The additional space was no longer needed, and they wished to stay in premises more suitable to their program. She was told a letter from the minister would follow.

On April 15 a letter was indeed received, signed by Minister Drouin, the minister for the development agency.

Our staff at this stage considered the request to be very late in the process, but clients have from time to time changed their minds, and we have tried as best we can to be helpful if at all possible and to minimize the cost to the taxpayer in doing so.

In this case, at the time there was an anticipation that office space in Montreal would be rising in price; also, that there were other clients who needed new space in the downtown area. We made the decision that if we could get an acceptable rate for the Place Victoria space, the economics of leaving the agency in its current space and filling the Place Bonaventure with other tenants could be a viable option. If we could not negotiate a good lease renewal rate from Place Victoria, then we would have to insist that the agency move as originally planned.

As it turned out, we were able to negotiate a good rate with Place Victoria—30% lower than they had bid in the competitive tender process. In addition to not expanding, the agency agreed to forgo the fit-up they were due to receive.

● (1540)

Our analysis showed that with these factors and moving costs taken into account, the cost of letting the agency remain in Place Victoria was economically viable, and we'd be happy to walk you through that calculation. And in that sense it did comply with our rules to only allow clients to remain in situ if it was economically viable and advantageous to the crown.

Public Works was optimistic it could move other government tenants into the newly leased Place Bonaventure space. Despite best efforts, the process to backfill with other departments seeking additional space in Montreal's downtown core took longer than we'd hoped, resulting in a cost of unproductive rent of about \$2.1 million to the taxpayer. I should point out that Public Works' vacancy rate at any time in its portfolio averages just 1.2% of available space, compared with an industry average of about 5%. So Public Works does, overall, have a very good record in maintaining full occupancy of the space it pays for.

This, Mr. Chairman, is as close to what happened as we can reconstruct at this time. As you may be aware, our practices have evolved since the above transaction took place. We have strengthened our oversight and risk management of such accommodation arrangements. Today we're more stringent in enforcing our real estate standards. We also ensure that clients and our minister are informed as early as possible of any incremental costs arising from a change of plans, and that these costs are properly assigned to those incurring them.

On a somewhat separate matter, we also intend to fully implement your committee's recommendations to disclose to Parliament each year the details of the additional costs incurred by any of our clients from the lack of adherence to policies and standards.

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

• (1545)

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

Madame d'Auray or Mrs. Beal, do you have any preliminary remarks you want to address to the committee?

[Translation]

**Ms. Michelle d'Auray (President, Canada Economic Development):** No, Mr. Chairman. Thank you.

[English]

**Mrs. Carol Beal (Assistant Deputy Minister, Real Property Program Branch, Department of Public Works and Government Services):** No, not at this time.

**The Chair:** Before we start the first round, I have a concern I want to raise with you, Mr. Marshall. I don't want to spend a lot of time on it, but it is a very serious concern. This started off as really not an extensive matter that the Office of the Auditor General investigated, but it was part of a larger investigation, as you know, and as part of our deliberations we asked for additional information from your department.

I wrote your department on September 22. We got a reply on October 24. The carriage of this matter was basically with the steering committee, and the steering committee felt the response was largely deficient, that we really didn't get the information we were looking for. We were looking for all correspondence and a financial analysis. We wrote again to the department December 4 and we got more documents on December 19. We got more documents....

I'm aware that it would have been a lot better if we'd had a much better disclosure from our original request of September 22. I know you probably didn't write it yourself, but the person who prepared the response to my letter of September 22 didn't do you or your department or Parliament any favours at all. I want to point that out.

Now we're going to go to the first round, colleagues.

Mr. Williams.

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

I have one question. The Auditor General pointed out in her report a letter from the Secretary of State. Is that letter from the Secretary of State in this massive binder I have here?

Tab 23, okay.

Mr. Chairman, I'm happy now.

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

We're going to go to the first round, eight minutes. Again, I ask members to keep your questions short and relevant; witnesses keep your answers short and to the point.

Mr. Rodriguez, eight minutes.

[Translation]

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

I'm trying to understand something. Why did CED not tell you earlier that they intended to stay put? What happened in this process? What made you start looking for other space and then, suddenly, decide to stay where you were?

[English]

**Mr. David Marshall:** Michelle, do you want to answer that?

[Translation]

**Ms. Michelle d'Auray:** To answer this question, Mr. Chairman, we have tried to look at all the documents that would shed some light on the situation. Until we received the correspondence from the Secretary of State, the department always referred to a move, and that is also what is mentioned in all the correspondence relating to this issue.

According to the letter from the Secretary of State - and that is the only document I can rely on - the agency did not have the same needs any more, or the space they had at Place Victoria was sufficient for their needs. Therefore, the decision to move could be reversed. Then, the Secretary of State asked if it would be possible to negotiate a lease with Place Victoria .

• (1550)

**Mr. Pablo Rodriguez:** Reading the letter from the Secretary of State, I can see that they changed their minds. That's what he says in his letter but, originally, why did CED want to move?

**Ms. Michelle d'Auray:** The lease was due to expire on March 31, 2003, if I remember correctly. In fact, that's what the documents say. That being so, a normal process would have been launched to look at our needs in order to see if we were meeting the standards of the time and if we had to move. The analysis and the studies led us in that direction since the agency, at the time, wanted both to keep its office on Montreal Island, at Place Victoria, and to expand. During the first discussions, we came to the conclusion that the space used by Canada Economic Development at Place Victoria was not sufficient.

During the analysis, the decision was made to move and to relocate the Montreal Island office outside of headquarters. The needs relating to that space having disappeared, even if we were to expand, the final conclusion was that the existing space would be sufficient.

**Mr. Pablo Rodriguez:** Who made the final decision? Was it the Secretary of State who said that he wanted to stay put? Is that how it works?

**Ms. Michelle d'Auray:** I will ask my colleague to tell you about the final decision.

The request sent up by the Secretary of state to the minister of Public Works was intended to know if it would be possible to stay at Place Victoria. That started a process of determining if it would be appropriate for the government to satisfy the request from the Secretary of state. To that end, we did a cost-benefit analysis.

**Mr. Pablo Rodriguez:** I am trying to see who has the final word because the Auditor General seems to say that the Minister of Public Works has the power to impose his choice, which he did not do in this case. He let CED decide. Is it common practice for Public Works to call for tenders, to find appropriate space at a better price and, in the end, to decide that it doesn't matter and that CED can do what they want?

**Ms. Michelle d'Auray:** It is always appropriate - as my colleague will explain - for Public Works and Government Services to do a cost-benefit analysis. In the present case, we did such an analysis, which is in the documents that you have received, to be able to determine if it would be acceptable for the Crown to let CED stay where they were. If our conclusion had been that it was not advantageous to the Crown, we would have told Canada Economic Development to move.

**Mr. Pablo Rodriguez:** All right.

[English]

**Mr. David Marshall:** Mr. Chairman, my colleague has correctly described the situation. The Department of Public Works and Government Services has evolved. There was a time when we really tried to lean over backwards. We still are obliged to help departments carry out their operational requirements, and when a client comes to us and says "Here's my operational need—I need to be in this place", we take that into account.

In this case, because we knew there were other tenants who needed space and we could backfill the space we had just leased, we looked at it and said that it was acceptable for the agency to stay where it was.

[Translation]

**Mr. Pablo Rodriguez:** The Auditor General also said that the decision to renew the lease at Place Victoria cost an additional 4.6 million dollars. Is that true?

• (1555)

[English]

**Mr. David Marshall:** Mr. Chairman, we don't agree with that number. We looked at the difference in rate between Place Bonaventure and Place Victoria over a five-year lease, and we looked at the cost of fit-up that was being avoided, and the cost of moving that was being avoided, and we concluded that it would be cheaper to leave the agency in Place Victoria if they didn't need more space. That was the issue.

The real cost to the crown is the time it took us to backfill the Place Bonaventure space, and in that case we consider that to be about \$2.1 million. That's our sense of what it cost the taxpayer.

[Translation]

**Mr. Pablo Rodriguez:** According to you, the cost is less than half what has been calculated by the Auditor General. It is 2.1 million dollars, less the savings obtained from staying at Place Victoria.

[English]

**Mr. David Marshall:** I'm sorry—is the point you're making that it still did cost \$2.1 million? Is that the point you're making?

**Mr. Pablo Rodriguez:** According to you, the overall cost, the supplementary cost, is about \$2.1 million.

**Mr. David Marshall:** The cost of the unproductive rent is \$2.1 million, yes.

**Mr. Pablo Rodriguez:** That's the only cost that you can associate?

**Mr. David Marshall:** That is right. That is the cost.

**Mr. Pablo Rodriguez:** That is on the whole process?

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

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

[Translation]

Mr. Laforest, for eight minutes, please.

**Mr. Jean-Yves Laforest:** Good afternoon.

My first question is for Mr. Marshall about PWGSC. Your mandate was to cut costs, on an annual or five-year basis. Public Works Canada invested billions of dollars in leases for office space and to manage space occupied by other departments.

In the present case, did you try to go with CED people to the regions of Quebec in order to find cheaper space?

You've just told my colleague that there is no difference between Place Victoria and Place Bonaventure. Did you go with the departmental officers to look at the space?

[English]

**Mr. David Marshall:** Yes, Mr. Chairman, we definitely do. We do seek to get the best value. I think it's important to think about it as two separate requirements. When the agency said they needed extra space and a fit-up, you have a conclusion that it's better to go to Place Bonaventure because of the costs that would be involved. If you say you don't need more space and you don't need a fit-up, then it's less expensive to leave them where they are. Those were the kinds of considerations we had when we looked at this.

[Translation]

**Mr. Jean-Yves Laforest:** My other question is for Mrs. d'Auray. Did you consider moving outside of Montreal? Since we're talking of the Economic Development agency for the regions of Québec, would it not be appropriate that it be set up somewhere else while providing exactly the same services that are provided from Montreal where the cost of space, I'm quite sure since I have checked, is much higher? Would it not be some kind of appropriate decentralization since your role is to provide services to the regions?

**Ms. Michelle d'Auray:** Mr. Chairman, when the lease came up for renewal, that possibility was not considered. However, the agency has 14 regional offices spread out in the province. So, about half its staff is already decentralized.

Another aspect of the decision relating to the business office of Montreal Island was to get this office out of Place Victoria in order to move it to another part of the city - because its role is to provide services to Montreal Island - and to locate it in a less prosperous neighborhood in order to contribute to its revitalization. Those factors are taken into account. I can tell you, since we already have 14 business offices spread out in the province, that about half the staff is located outside of the Montreal region.

•(1600)

**Mr. Jean-Yves Laforest:** You told the Auditor General that the Economic Development agency had determined at the beginning that it would need more space. Was that based on the fact that CED would expand? How come that, overnight, those projections - and I suppose you made some - became invalid?

When a lease is about to expire and that one plans to have more staff, which translates into needing more space, I fail to understand how it is possible to come to another decision overnight, which leads to an increase in costs. Can you explain that for me?

**Ms. Michelle d'Auray:** The process is as follows. When the lease expires, Public Works and Government Services Canada ask their client - Canada Economic Development in this case - what will be their future needs. Then, an assessment is made based on the needs analysis, which was done.

However, within this analysis, CED also told Public Works that the location of their office on Montreal Island was still under discussion. No decision had been made at the time but the plans and estimates were assessed on the basis that the Montreal Island office would be located within headquarters, if I may use that word. Furthermore, the agency planned to expand because of specific programs that were to be transferred or offered to it.

During the process, a decision was made about the Montreal Island office. So, one factor changed in mid-course but we knew that the expansion needs of the agency would remain. A proportion of the needs and of the staff was not the same as at the very beginning of the process but we had already advised Public Works of that possibility.

The needs assessment also took account of the fit-up work for the space at Place Victoria which was not really up to our standards, and that would have entailed additional costs. As my colleague told you, when we do a cost-benefit analysis, we take account of the fit-up work that has to be done. At the time, all costs considered, it was more advantageous to move. Without those costs, it was more advantageous to stay put.

**Mr. Jean-Yves Laforest:** You say that along the way you advised Public Works that your needs had changed.

**Ms. Michelle d'Auray:** At the start of the process, we had indicated that this issue would have to be resolved along the way but that, as far as our needs were concerned, we should still be able to maintain the original request.

That being said, we had also made some projections based on retrofitting the space. Since I was not there at the time, I am relying on the existing documents and on the letter from the Secretary of State indicating that the agency will not need any retrofitting, which would mean another cost reduction.

•(1605)

[English]

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

Mr. Fitzpatrick, you have eight minutes.

**Mr. Brian Fitzpatrick (Prince Albert, CPC):** I would like to ask Mr. Arès a fair number of questions, and he's in an inconvenient position. I'm less than enthusiastic about asking questions to the people at the front of the desk, because their answers are totally inconsistent with the answers they gave on June 8, and I presume they were under oath at that time.

I'd like to direct my questioning to Mr. Arès. Maybe he could take Mr. Marshall's place; I don't intend on asking Mr. Marshall any questions.

I ask that my time doesn't click until the gentleman can resume his seat.

I know why you'd want to count it.

**The Chair:** We have the new Mr. Marshall.

**Mr. Brian Fitzpatrick:** Mr. Arès, welcome to our committee.

By the look of e-mails and correspondence, I see you were directly involved in the re-tendering process for the Quebec region's offices, back in 2002 and 2003—and very much involved with it.

I want to go over some facts to see if there's any disagreement. After an evaluation process, the existing landlord came in fourth on the tendering process. That was the Auditor General's point of view. Do you agree with that position?

These are basically yes or no questions.

[Translation]

**Mr. Mario Arès (Regional Manager, Assets and Facilities Management, Department of Public Works and Government Services):** Yes, that's true.

[English]

**Mr. Brian Fitzpatrick:** And that evaluation process was done pretty much according to the guidelines and the rules that we have for procurement?

[Translation]

**Mr. Mario Arès:** Yes and, to make sure, we checked with Consulting and Audit Canada.

[English]

**Mr. Brian Fitzpatrick:** That would be a yes? Okay.

I only have eight minutes, so I really want to move through this as fast as I can.

Now, it's my understanding that at some stage of this whole process there were some pretty clearcut directions that came down the tube from the political masters, which said that for this property they were going to renegotiate a deal with the existing landlord and that's the way things were going to be. You wrote an e-mail on May 3, 2004—and I thank you for the e-mail, because I think you showed yourself to be a very professional, dedicated public servant by writing that e-mail—and you expressed some real concerns in that e-mail.

Do you take the position that ultimately this lease arrangement, the whole process, was basically scrapped, and it was given to the existing landlord because the political ministers of the day decided that it had to stay with the existing landlord?

[*Translation*]

**Mr. Mario Arès:** That is not quite true. I have to explain the situation. Within the process, up to the call for...

[*English*]

**Mr. Brian Fitzpatrick:** Could I just go over your e-mail a bit and remind you of some of the things that were said in the e-mail?

**The Chair:** If I may, Mr. Fitzpatrick, you asked the witness a question, and he's going to give you an answer, so I think we have to oblige the—

**Mr. Brian Fitzpatrick:** Well, he has to speed it up.

**The Chair:** Go ahead, Mr. Arès. Please, continue your answer, sir.

[*Translation*]

**Mr. Mario Arès:** The process went well until we gave the contract to Place Bonaventure. Everything was done according to our procedures and policies. Furthermore, we had called on Consulting and Audit Canada to ensure the integrity of the process. Everything had been done according to the rules. However - and that is a situation I did not control - in the days following the signing of the lease for Place Bonaventure, we were informed that Canada Economic Development would remain at Place Victoria.

•(1610)

[*English*]

**Mr. Brian Fitzpatrick:** I'll just quote directly from your letter so I'm not misplacing the words:

...the decisions on this file have been taken at the corporate level and are in opposition to our regional recommendations. The following points support my position...

There are about five of them, and one of them makes allegations to memos and documents actually containing false information. I'll quote the last statement in your letter:

"This partly explains why it is preferable that I not write a memorandum to the minister on this matter because it would not say what certain interest groups would want it to say.

I find that a very intriguing commentary, and the five points you've raised in here seem to me to be all significant and substantial.

I want to be clear here. Now, this was back in the sponsorship era and so on. The Minister of Public Works at that time, was that Alfonso Gagliano, or who was it? Do you know who the Minister of Public Works at that time was?

[*Translation*]

**Mr. Mario Arès:** It was Mr. Gagliano.

[*English*]

**Mr. Brian Fitzpatrick:** Are you sure it was Gagliano?

[*Translation*]

**M. Mario Arès:** No, if I remember correctly, it was Mr. Boudria.

[*English*]

**Mr. Brian Fitzpatrick:** Are you sure it was Mr. Boudria?

[*Translation*]

**M. Mario Arès:** Yes.

[*English*]

**Mr. Brian Fitzpatrick:** At the time of this memo, on May 3—

[*Translation*]

**M. Mario Arès:** He had not been in the portfolio for long.

[*English*]

**Mr. Brian Fitzpatrick:** Okay. We were told before that it was Minister Goodale. It's not Minister Goodale?

[*Translation*]

**Mr. Mario Arès:** The memo was written on May 3rd. At the beginning of April, we were informed that Canada Economic Development would remain at Place Victoria. At that time, there had not yet been any negotiations with Place Victoria.

At the beginning of May, people in our communications branch asked me to draft a memo on behalf of the Department justifying the decision to remain at Place Victoria. I refuse to do so, for the following reason: from what I knew at the time, the rent at Place Victoria would be 430 \$ per square meter. According to the analysis done at the regional level, it would not be economically viable to stay put since we already had signed a lease with Place Bonaventure.

[*English*]

**Mr. Brian Fitzpatrick:** In the procurement process, if you have public tenders for something, and people in good faith submit tenders and so on, and then behind the scenes negotiations start with the fourth-place tender to renegotiate.... There's even correspondence about changing the blaming windows in the building so you could change it to a prestige or class A thing, and that would get around the problems with the other tenders and so on.

This is a bunch of nonsense, sir, quite honestly. This is not what the Canadian public expects in the procurement process, and the people in good faith who bid on these tenders have to be scratching their heads about the integrity of the system. I don't care how anybody tries to spin that now.

On June 7 we were told that there was no economic advantage in giving it to the fourth party. We asked for that analysis; we never really got the analysis. And today, four or five months after the scene, we get this big thick book and it looks like somebody has finally done an analysis on this matter.



I am less than enthusiastic about what's going on with this particular file. I think it stinks to high heaven, and there is something seriously wrong here. I think any reasonable person who looked at this file would be scratching his or her head big time. This thing isn't over by a long shot.

Were the six conditions that were put down to renegotiate with these people, including the disability access requirements and so on, ever complied with? I don't think so. Yes, or no? Do you know?

[Translation]

**Mr. Mario Arès:** If the rent had been kept at 430 \$ per square meter, as to the terms of the lease, that would obviously not have met the six conditions. I don't know who made the decision in the Minister's office or the Deputy Minister's office. From that moment on, I was kept informed but I do not know why the decision was made. I was told that CED would remain at Place Victoria. If the cost had been kept at 430 \$ per square meter, that would not have been a viable decision.

I know that negotiations were going on at the time in order to get a new rate from Place Victoria but I was not involved in that. At that time, I did not know the new rent. Mid-May, it appeared that the rate would be 308 \$ per square meter. You should have a look at the new analysis based on that rate. It showed that, without any moving and retrofitting costs, keeping CED where they were during five years with a rent of 308 \$ per square meter, without making any improvement to the building, would be an economically viable solution or at least a solution equal to the decision to move.

•(1615)

[English]

**The Chair:** Thanks very much, Mr. Fitzpatrick. Merci, Mr. Arès.

We'll go to Mr. Christopherson.

**Mr. David Christopherson (Hamilton Centre, NDP):** Thank you very much.

Apropos nothing directly related to any dates, this jumped out at me, so maybe you can clarify it for me, Mr. Arès.

In the memo—and it looks like it's from you to Normand Couture—the second paragraph reads: “More than a month ago, we informed the Minister's office of our accommodation strategy for CED, our client. On June 8, after a meeting with J.M. Bard, we were told to put the CED file on hold.”

Two paragraphs down, it says: “It is also important to remember that CED was burned more than three years ago with the abortive move of its office to Place Ville-Marie. The client is watching us closely on this project. Failure is not an option; our image and reputation are at stake.”

Could you just expand on exactly what that's referring to please, sir? Somebody?

[Translation]

**M. Mario Arès:** Which memo are you referring to?

[English]

**Mr. David Christopherson:** It's from July 5, in the fourth paragraph.

[Translation]

**Mr. Mario Arès:** Indeed, we were then at the planning stage aimed at establishing if the investment would be advantageous or not. The client had already expressed his needs and we were working jointly with him. At the time, we received from the office of Mr. Gagliano or Mr. Jean-Marc Bard a request not to issue a call for tenders for this space. We were asked to wait for directives before going forward.

We still continued our analysis because we had a preliminary step to conclude. According to the timetable, we had to be able to leave the building by April 1, 2003. Going backwards, the call for tenders had to be issued at the latest at the beginning of September 2001, if I am not mistaken.

[English]

**Mr. David Christopherson:** *Excusez-moi.* I'm not sure we're on the same page. I don't understand your answer at all.

I was referring to the fourth paragraph, where you say—and this is all I'm asking about specifically:

It is also important to remember that CED was burned more than three years ago with the abortive move of its office to Place Ville-Marie. The client is watching us closely on this project. Failure is not an option; our image and reputation are at stake.

I was just asking what you were referring to. What are we talking about here, when we talk about “burned three years ago”, and why were you so concerned about how you looked in this, in addition to your other concerns?

•(1620)

[Translation]

**Mr. Mario Arès:** When the previous lease expired, we had faced a similar situation. I was not involved at the time but Canada Economic Development has told me that the same analysis had been carried out relating to a move. At the time, if I remember correctly, CED was to move to Place Ville-Marie. For reasons I do not know — and I will let CED people give you the details, if they are able to do so — this move did not happen.

At the time, the client was miffed. I remember that my contact at CED told me that they wanted to avoid a repeat of this situation. This is one of the reasons why we then used the services of Consulting and Audit Canada, in order to ensure the integrity of the process.

As far as the move to Place Ville-Marie is concerned, in 1999 or 1998, I don't know if the people at CED would be able to answer.

[English]

**Mr. David Christopherson:** I'm assuming you felt your department had made some errors that caused them this grief, and that's why you were worried about how you would look this time.

[Translation]

**Mr. Mario Arès:** I am unable to answer that question. I was not aware of the situation. I do not know what happened at the time.

[English]

**Mr. David Christopherson:** I don't want to get too lost in this. I don't know why I'm having so much trouble getting a straight and complete answer.

You must have known something, because you made the comment that “they were burned three years ago”, and you said: “The client is watching us closely. Failure is not an option; our image and reputation are at stake.” All I want, sir, is a confirmation that you were worried as much about your image in this process, because of a previous problem, as you were about actually doing the job at hand; that's all. Or does it mean something else? It's not standard office talk, that's all.

[Translation]

**Mr. Mario Arès:** That is a fact. At the time, the service provided to the client was very important to me and I wanted to make sure that, this time, the move would happen according to the rules.

[English]

**Mr. David Christopherson:** So it would be standard language in all of your e-mails dealing with all of the files to tell everybody that your reputation was at stake.

You're making this a bigger thing than it is, sir.

[Translation]

**Mr. Mario Arès:** I wanted to emphasize the fact that this file was a priority in order to avoid any misstep in the tendering process and because I saw that there were undue delays. The process had been determined by the Minister's office. I did not want to risk missing the deadline set for concluding the matter.

[English]

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

Mrs. Sgro.

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

My question is to Mr. Marshall. The Auditor General says there's \$4.6 million in additional costs, and you say it's \$2.1 million in lost rent. When an audit is going on, I assume you must have fairly lengthy discussions with the auditor when issues like this come up. Were you unable to convince her of the way you figured these things out versus the way she or her department figured them out?

**Mr. David Marshall:** We did have extensive discussions around this number. We explained how we saw the number, and the auditor on the job made a decision to see it the way they did. We explained where we got our number, and I guess the auditor would have to explain how they got their number.

•(1625)

**Hon. Judy Sgro:** It seems awkward.

**Mr. David Marshall:** It is awkward.

**Hon. Judy Sgro:** You're all government, and you can't figure out the numbers and do a very convincing job of what your numbers were. So I have to go with the assumption that the auditor did her work and her numbers were correct.

Mr. Arès, at a very early stage in the process the department was asked to put a hold on this project but didn't. Why didn't they? Can you explain that to me?

[Translation]

**Mr. Mario Arès:** Could you repeat your question?

[English]

**Hon. Judy Sgro:** At an early stage in the process the department was asked by the minister's office to put a hold on the project, and you did not put a hold on it. Why not?

[Translation]

**Mr. Mario Arès:** We could continue the analysis of the project up to the call for tenders and not issue any call for tenders. As to why the Minister's office asked us not to go forward, I do not know. I cannot answer that question.

[English]

**Hon. Judy Sgro:** I guess the question is, why didn't you put a hold on the process, since the minister asked you very early on to do that?

[Translation]

**Mr. Mario Arès:** No, the minister did not ask for the process to be stopped. He was asked the question and his answer was that we could continue the analysis, the feasibility study and the performance study, but that we should stop before issuing a call for tender. That is what we did.

[English]

**Hon. Judy Sgro:** At what point did EDC decide they had sufficient space? Initially they indicated that they were going to require a move, and then they changed their mind and wanted to stay. How much time did you have between them saying initially that they were going to move, and the call back to say they were going to stay where they were?

I would expect that when a major department like that is going to make a change there's a fair amount of notice to you that they are going to require additional space, are not going to renew the lease, or whatever. How much time had evolved when you received that notice?

[Translation]

**Mr. Mario Arès:** As to the project I managed, it was completed according to our regional strategy which was to issue a call for tenders and to find space for CED. That project was completed. The contract with Place Bonaventure was signed on April 2nd. That was the deadline set for giving that contract, which we did. It's later that CED decided to remain at Place Victoria. However, I am unable to answer that question because the decision was made at another level. So, until April 2nd, CED accepted to move to Place Bonaventure. We even have a letter to that effect in the file, dated March 26th or 29th, from Mr. Gladu — who was the boss at the CED at the time — indicating that he had accepted the results of the call for tenders, which is to say that they would move to Place Bonaventure.

[English]

**Hon. Judy Sgro:** How often do departments change their accommodation requests once arrangements have already been made?

**Mr. Tim McGrath (Acting Assistant Deputy Minister, Real Property Branch, Department of Public Works and Government Services):** Do you mind if I take that, Mr. Chair, in that it's a program issue?

It is not often, to be quite honest, but it does happen. It happens on occasion. It has happened on a few occasions in Ottawa—for example, with HRSDC, Elections Canada, and CRA—but we try to mitigate as much risk as we can in those situations. At the same time, we put the departments on notice now that if they're changing their minds, this is the cost involved with changing their minds.

At the same time, because of a recommendation in one of the new requirements that came out from SCOPA, we will now report in our plans and priorities statement, in our departmental performance report, those groups that don't accept the lowest-cost solution, so that's very transparent now in the process.

• (1630)

**Hon. Judy Sgro:** If a department does change its mind, as EDC did, who has to deal with the costs to the crown?

**Mr. Tim McGrath:** In this case, we took a decision that...we had other clients who were looking for space in downtown Montreal. When we did the comparison of the Place Victoria renewal, with DEC agreeing to avoid costs for a number of fit-ups they'd originally said they needed but which, because they were remaining in situ, they decided they would forgo, we took on the responsibility of backfilling the space at Place Bonaventure. We had three clients who had expressed interest in the space. Those three clients moved in, but not as quickly as we had thought they would. As a result, the program took that cost.

Now, we do have a \$2 billion program. We're talking about \$2 million, so it was one-tenth of one percent of our total budget cost associated with that.

**Hon. Judy Sgro:** Did the department achieve the value for the crown when it negotiated the renewed lease at Place Victoria, though?

**Mr. Tim McGrath:** Yes, we did.

**Hon. Judy Sgro:** Were you comfortable with that?

**Mr. Tim McGrath:** Yes, and further to another question, all the accessibility issues were indeed in the renewal with Place Victoria, so the landlord did comply with those principles, in terms of meeting the accessibility standard of the government.

**Hon. Judy Sgro:** Okay; thank you.

**The Chair:** Thank you, Ms. Sgro.

Before we go to Mr. Williams, I just want to invite Mr. Sloan to perhaps square the circle. Do you have anything to add on the discrepancy between the \$2.1 million given by PWGSC and the \$4.6 million referred to in the Auditor General's report?

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

Yes, I would like to comment on that. When we conducted the audit, we looked at the financial analysis that was on the file at the time. It indicated that \$2.5 million related to staying in place at Place Victoria was in excess of what it would cost to move to Place Bonaventure, and it indicated there would also be \$2.1 million in unproductive rent as a result of that.

We made inquiries in both the regional office and headquarters for financial analysis, and that is the analysis we had. The \$4.6 million we stand by.

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

Next is Mr. Williams, for eight minutes.

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

I understand, Mr. Marshall, that you weren't there at the time, and I think that you, Mr. McGrath, weren't there at the time, so you're both just talking from the record, I presume, and the briefings you had.

Mr. Alfonso Gagliano's name has come up. You may know that he has come up with this committee before. It seems to me we've had some indication here that the minister's office was informed. Was there a policy or anything written that required the minister's office to be informed of any space that was being leased or rented in Montreal, Mr. Marshall?

**Mr. David Marshall:** Yes, there was.

Tim, can you describe the administrative requirement that we had at the time?

**Mr. Tim McGrath:** Yes.

At the time we would furnish to the minister's office a report for all transactions greater than 500 square metres, with a strategy on all of the leasing transactions that were involved in the department at the time.

**Mr. John Williams:** Did the minister's office respond and give you any direction as to what they would like you to do with any of the space?

**Mr. Tim McGrath:** No.

**Mr. John Williams:** There was never any feedback?

**Mr. Tim McGrath:** There was feedback in terms of discussing the strategy and talking about various markets, but never any direction as to what to do with a particular lease.

**Mr. John Williams:** Okay.

Madam d'Auray, as the president of EDC, you were aware that the lease was coming up, expiring, and you, as the president, obviously indicated to Public Works that you wanted more space. You asked them to get you a lease with more space. Am I correct in saying that?

**Ms. Michelle d'Auray:** You are correct in saying that my predecessor did so, because I was not the deputy minister or the president at the time, but, yes, that would be the process. When a lease comes up, there is a discussion with Public Works. In this instance the request was initiated by Public Works to my department—because the lease was coming up—to have a discussion, as is normally the case, on what the requirements were, what our plans were. Based on that, a technical assessment is made.

• (1635)

**Mr. John Williams:** The decision was that you needed more space, and the lease was coming up for renewal, so Public Works started the process. They put it out for tender after sending down to the minister that they were going to send it out for tender. Then it didn't happen. You decided that you didn't need more space; you didn't need an upgrade. Was that your decision?

**Ms. Michelle d'Auray:** As the record has shown, the documentation that we have on record demonstrates clearly that part of the space request was an issue right at the outset.

**Mr. John Williams:** My question was this. When the decision was made, you wanted about 8,500 square metres, I believe. You had about 5,600 square metres where you were. All of a sudden, after they decided to accept the Bonaventure lease, you said "We don't need all that extra space. We're quite happy with what we have." Was it your decision to live with what you had, or did somebody else tell you that you were going to live with what you had?

**Ms. Michelle d'Auray:** Mr. Chair, I can only answer with regard to the documentation that we currently have, which is that our minister at the time made the request for the department to stay where it was, predicated on no fit-ups and no expansion. That is the documentation that we have on record and, on the basis of that, then the discussions went on with Public Works.

**Mr. John Williams:** If I read that correctly, Madam d'Auray, there was no request from your agency to say "We like where we are. We like the space we have. Leave us where we are." It was a directive from the minister's office saying that you were going to keep what you had and nothing else. Is that right?

**Ms. Michelle d'Auray:** Mr. Chair, I cannot make that assumption because I do not have any documentation that would lead me to conclude that one way or another.

**Mr. John Williams:** I saw the letter from Claude Drouin, member of Parliament, to the minister saying "We'd like to stay where we are". He was a politician. He was a member of the House of Commons. He was a politician. Now you are saying you have no correspondence from the bureaucracy of EDC or your predecessor or from you telling him that you would like to stay where you were. There is no correspondence suggesting that you requested this. So this was a political directive.

**Ms. Michelle d'Auray:** I will answer it regarding the specific request, which was whether there was documentation from the department to the minister to that effect. The answer is no.

**Mr. John Williams:** Then we have to assume it was initiated in the minister's office, because there is no correspondence prior to that.

The decision was made that you were going to stay. Was there any correspondence from the minister's office beyond the letter signed by Mr. Goodale and Mr. Drouin about accepting the lease? Was there any other correspondence?

**Ms. Michelle d'Auray:** Other than what was provided—

**Mr. John Williams:** Other than these two letters we have been provided with.

**Ms. Michelle d'Auray:** There is internal correspondence about advising the employees once the decision was made to remain where we were. All the documentation we have was provided to the committee.

**Mr. John Williams:** Going back to this notion of the minister's being involved, Mr. McGrath, about the minister's being informed of all leases that come up for renewal, this is not normal protocol. Ministers decide policy, and civil servants enact the policy. Why was the minister being informed?

**Mr. Tim McGrath:** It's certainly not unusual for a minister of a department to know the various transactions that are going on.

**Mr. John Williams:** So there's a policy to keep him informed.

**Mr. Tim McGrath:** It's just a policy to keep him informed. That's correct.

**Mr. John Williams:** Is the policy still in place?

**Mr. Tim McGrath:** Not for the same number of transactions. Certainly our minister likes to know if there are leases above 2,000 metres that require direct negotiation. He likes to know about those because he has to answer the various questions. But, no, certainly we don't advise the minister's office of all of the transactions we're doing.

**Mr. John Williams:** With Mr. Gagliano requiring this information, was this strictly for Quebec, or was it for any other region or for all regions of Canada?

**Mr. Tim McGrath:** It was for all regions in Canada, if I recall properly, but for Quebec it was for transactions of 500 metres or greater.

**Mr. John Williams:** And larger amounts for elsewhere?

**Mr. Tim McGrath:** Yes.

**Mr. John Williams:** I'm very disturbed, Mr. Chairman, about direct political desire to be intimately involved...maybe not involved, but certainly knowledgeable about the leasing of space in the minister's backyard, if I can say that. This doesn't smell very good at all.

I'm quite concerned that EDC did not put up any kind of fuss. Having decided that they wanted more space and better space and a retrofit of the space they were in, or anything to make the place better, they just sat back and accepted what they had. The department tried to justify it by jumping through hoops and said they saved on the moving costs and didn't do the retrofit of the building, so they were actually not that bad off after all. I think this is not very good. I find that it smells of a cover-up, Mr. Chairman.

Let me go back and ask Mr. Marshall and Mr. McGrath—and I know they weren't there at the time—

● (1640)

**The Chair:** You have twenty seconds, Mr. Williams.

**Mr. John Williams:** Was there any indication that the minister was providing any direction on these leases at all, Mr. Marshall?

**Mr. David Marshall:** Mr. Williams, if I may, I can ask Carol Beal, who was in Mr. McGrath's position at the time, what her sense was about direction. I think she would be the most relevant person.

**Ms. Carol Beal:** Mr. Chair, with respect to this lease, I did not personally receive any direction. I was asked a number of questions regarding the lease, and we interacted with our deputy or associate deputy at the time with respect to those questions. I do not feel we received direct instruction from the Minister of Public Works of the day with respect to that.

**Mr. John Williams:** My question, Mr. Chairman, was whether there was any direction, not on this specific lease, but any direction on any lease.

**Ms. Carol Beal:** I could not speak for all of the leases. I could speak for the ones in which I interacted, and I believe we did have a fair amount of interaction with respect to a number of leases. However, interaction is not always deemed to be interference or direction, Mr. Chairman.

**Mr. John Williams:** It gets close though.

**The Chair:** Somebody else may want to pursue that area. I know you were just getting to the start there, Mr. Williams.

**Mr. John Williams:** I was.

**The Chair:** We're going to start with the second round, colleagues, beginning with Ms. Neville, for five minutes.

**Hon. Anita Neville (Winnipeg South Centre, Lib.):** Thank you very much for coming here today.

I am a visitor to this committee, so I don't have the history, but a number of things come to mind with it.

First of all, I'm really troubled by the discrepancy between your figures, Mr. Marshall, and your figures, Mr. Sloan, in terms of what the actual costs were to the crown. Mr. Marshall, you made a case for saying that with all of your calculations, you believed that moneys were not expended. Mr. Sloan, you came in and said it was a \$2.5 million cost to the crown. How do we reconcile this? What are the processes of government that square this circle that just doesn't seem to fit?

**Mr. David Marshall:** Tim, can you just walk the committee through some of the considerations that we took into account, and some that the auditor might have?

**Mr. Tim McGrath:** In terms of when the Auditor General's people come in and look at the files, as Mr. Sloan had explained, they look at the documents we have on file, including the investment analysis report.

The investment analysis report at this time included a projected number of what we thought the rental rate would be. As a result, the investment analysis report showed that it would be \$2.5 million more to go to Place Victoria. When we actually went in and did the negotiation, the rental rate itself was much lower than what we had predicted it was going to be, but we didn't go back and adjust our investment analysis report.

It was noted as a weakness by the Auditor General, through the course of the audit, that we should be updating our investment analysis reports with the actual amounts of the calculations, as opposed to just leaving the document in a forecast type of form. What they did report was the information that they found on the document, but they didn't go back and do the adjustment based on the actual rates achieved, because we had not gone back and adjusted our documents to show the actual rates achieved.

**Hon. Anita Neville:** Do you do that now?

**Mr. Tim McGrath:** Yes, we do that now.

**Hon. Anita Neville:** So in terms of expenditures, what are the real figures, then?

**Mr. Tim McGrath:** In this case, instead of using a \$430 rate, which is the rate they had submitted to us through the bid process, the actual rate was \$308 a metre.

The other information that wasn't contained in the file was that the client forgo the fit-up, and as a result, the fit-up costs that were included in the investment analysis didn't come to fruition and so there was a cost avoidance. Other costs associated with the client themselves on move costs weren't included in the investment analysis, and that was a further million dollars in IT costs that would

have had to have been replicated should they have moved to a new location.

So these are all types of costs that, when we're doing an investment analysis, we take into consideration, as we projected, but then when we went back and actually did the negotiation and the client agreed to forgo so much of the cost, it made sense on an economic basis for them to stay in situ, but we should have gone back and updated our information on our file to capture the cost avoidance and the full impact of the transaction.

• (1645)

**Hon. Anita Neville:** I'm assuming you provided that information to the Auditor General—actually, to Mr. Sloan.

**Mr. Tim McGrath:** Yes, there were discussions around that.

**Hon. Anita Neville:** Okay.

Do you have any comments on that, Mr. Sloan?

**Mr. Bruce Sloan:** We asked for additional documentation.

We have quite a formal process for clearing the facts with departments and setting out that this is the basis on which we've drawn conclusions. We ask the departments if they have additional information.

We did not receive any further financial analysis. Mr. McGrath may have additional information now, which we would be happy to look at, but by the time the audit was finished and signed off, we based it on the documentation that we could see.

**Hon. Anita Neville:** Something fell between the cracks, obviously.

Can you, and will you, provide that information to the Auditor General? Obviously, it's here on the record.

**Mr. Tim McGrath:** Yes. If the Auditor General wants us to send that information, we certainly will make it available to them.

**Hon. Anita Neville:** Thank you.

Do I have more time?

**The Chair:** You have 20 seconds.

**Hon. Anita Neville:** You cited a number of instances where a client changes their mind. Can you just briefly, in 20 seconds, tell me what the process is when they change their mind, what the traditional process is, if there is one?

**Mr. Tim McGrath:** There is. Now, should a client change their mind, we immediately do a calculation as to what the cost to the Crown will be and we ask for the appropriate level within that organization to agree to absorbing that cost, should that cost come to bear.

I say that, "should that cost come to bear", because we will try to backfill the space if we've gone too far in terms of making an investment decision. If we haven't and the client is just refusing to move, we will show them what that cost is of their refusal to move. Now, the process is basically to record it in our departmental performance report and a report on plan and priorities so it becomes transparent.

**Hon. Anita Neville:** Thank you.

**The Chair:** Mr. Sweet, you have five minutes.

**Mr. John Williams:** Mr. Chairman, if I could interject, I would just like to congratulate the Department of Public Works for putting that information in the DPRs, because this is a great incentive for other departments to realize that when we know what's going on, they're more likely to do things right. So kudos to them.

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

Mr. Sweet.

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

Mr. McGrath, you've made a statement that it was not common, but it does happen, that departments change their mind. Is it common that, when they do change their mind, there's no reasoning for why they change their mind?

**Mr. Tim McGrath:** There's usually a reasoning for whatever decision they've made.

Elections Canada, for example, was going to move to a certain building. Then, in their terms, an event came up that made it impossible for them to move within the timeframe that we'd stipulated. As a result, they stayed in—

**Mr. David Sweet:** In this case, though, from what you know, there was no radical change of operations, was there?

**Mr. Tim McGrath:** There was a change in requirement expressed by the client that they'd made a decision that they weren't going to amalgamate their regional office with their headquarters, and that they had projected some growth, as it was described to us, thinking they were going to get Treasury Board approval for that growth, and that never came about during that timeframe.

**Mr. David Sweet:** In your opinion, though, would that legitimize the amount of liability that the Crown was exposed to? If I'm not mistaken, the crown would have to sign a ten-year lease with Place Bonaventure, as well as the lease with Place Victoria. Is that correct?

**Mr. Tim McGrath:** We didn't have to sign the lease with Place Victoria. If we hadn't been able to strike what we felt was a reasonable rate with Place Victoria, we would not have entered into the lease agreement, and they would have had to move.

**Mr. David Sweet:** However, we would have been subject to legal action, their having won a tender fair and square.

**Mr. Tim McGrath:** No, because part of the strategy was looking at a number of backfill clients that we had in the Quebec region at that time—Veterans Affairs, the crime prevention centre.

**Mr. David Sweet:** What I'm saying is that to mitigate an extreme case of liability, because we did not give the person who won the tender... We needed to lease that property—that or subject the crown to legal action.

• (1650)

**Mr. Tim McGrath:** That is correct.

**Mr. David Sweet:** And in doing that, we brought about \$17 million of liability. However, I understand you were hopeful about backfilling it—and fortunately we did—but the fact is that was the difference in having to lease that whole space, am I correct?

**Mr. Tim McGrath:** I'm not sure if it would be \$17 million, because a lot of that goes to the various operating costs of the asset,

which they would have incurred. But certainly there would have been a profit element in there that—

**Mr. David Sweet:** Do you know what the percentage of occupancy is in Place Bonaventure right now?

**Mr. Tim McGrath:** I know all the space that we lease in that building is occupied, and I think we have around 15,000 metres of space in total in that building.

**Mr. David Sweet:** Okay, but you're not aware of what the historical occupancy rate was or what it is today?

**Mr. Tim McGrath:** No, I don't. The building was a convention centre before, and they were in the process of converting it into office accommodation, so I'm not sure what the history of the building was prior to that.

**Mr. David Sweet:** Mr. Arès, I just need you to answer, and please just be direct.

Mr. Fitzpatrick was asking you about a memo from May 3. At the end of the memo it says, "This partly explains why it is preferable that I not write a memorandum to the minister on this matter because it would not say what certain interest groups would want it to say."

Could you please identify very specifically who those interest groups, in this case, would be?

[Translation]

**Mr. Mario Arès:** Which paragraph are you referring to?

[English]

**Mr. David Sweet:** This is the last sentence in that memo, May 3.

[Translation]

**Mr. Mario Arès:** As I said earlier, I had answered that request. On May 3rd, 2002, we had not yet obtained the new rent of 308 \$ per square meter that had been renegotiated with Place Victoria. The information I had at the time to renew the lease at Place Victoria was based on the rent of the fourth bidder which was 430 \$ per square meter. Obviously, a rent of 430 \$ per square meter was not advantageous for the Crown. It was clearly higher than —

[English]

**Mr. David Sweet:** Mr. Chairman, I have a point of order.

**The Chair:** Mr. Arès, I thought the question was pretty clear. You were talking about certain interest groups in the last sentence of the last paragraph, which you signed. I think the questioner wants to know which interest groups you were talking about.

Am I correct there, David?

**Mr. David Sweet:** That's correct. Who were they?

[Translation]

**Mr. Mario Arès:** I had nobody in mind when I wrote that. At that time, it was quite clear to me — and I said it — that if the decision to sign a lease at 430 \$ per square meter was maintained, but without knowing who would be the beneficiary...

[English]

**Mr. David Sweet:** That's okay. There are no specifics.

Ms. Beal, you were the ADM at the time, and there have been three ministers identified—Minister Gagliano, Minister Boudria, and Minister Goodale. Who did you receive direction from to cancel this lease, and in what form did it come? Did it come in written form or verbally?

**Ms. Carol Beal:** I believe I have already indicated that I did not receive any direction directly from the minister's office in this regard. My instructions to hold the activity would have presumably come via either the associate or the deputy minister.

You would understand that there is a lot of non-written communication between the office of the deputy and the associate. There is also communication at meetings that I would have attended with the minister's office. But at no time on this file do I recall direction being received from the minister's office on this. It's five years ago, so my recollection is a little vague, but I believe it would have come from the associate deputy minister of the day to hold and to look up analysis and options with respect to this file.

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

Thank you, Mrs. Beal.

Madam Brunelle.

[*Translation*]

**Ms. Paule Brunelle (Trois-Rivières, BQ):** Good afternoon, ladies and gentlemen.

A few things are very troubling in this file, We are told that CED needed more space and that is why Place Bonaventure was considered. Suddenly, another decision was made. Mr. McGrath provided some bits of information but I'm still very concerned. Take the example of what happens in our ridings. When we ask government offices to move to another region, there is a very long lead time. Those are long-term plans and I find it difficult to believe that the strategy could be changed overnight.

I have another concern. I see in the report on the Auditor General that, since her report of 2002, the federal government's Expenditure Review Committee has determined that our real estate activities could lead to savings of about one billion dollars over five years. That is why the department started a strategic initiative based on this financial objective. At least, I wouldn't think that your strategy was to make sure that you would pay more in this case. I find it very difficult to understand how the decision could be reversed when you got a winning bid through a call for tenders. The Auditor General has reminded us that the department has the power to impose a solution to his clients relating to their space needs. Since you had a strategy, why did you not use this power to force Canada Economic Development to move?

• (1655)

[*English*]

**Ms. Carol Beal:** In 2002 the department was very much focused on client service. The changes that have come into place with respect to the downsizing of space, achieving expenditure savings for the crown and so on, have been changes that have come in in the last few years. So part of our mantra, part of our philosophy, was to attempt to satisfy, as best as possible, where it was economically justifiable for the crown to do so, the desires of our client operation. We were severely criticized for not satisfying them enough. The dual

role of service provider and policing agent was one that caused many people in the department to be somewhat schizophrenic. And at the time our deputy and our associate deputy were very strong on having to improve the relationships with our customers, so as long as there was a defensible business case to proceed then we would try to accommodate the needs of our customer department.

Now, the fiscal situation and the philosophy of the department has moved towards reducing the overall cost of accommodation to the crown, and achieving some economic savings, which have already been booked in the books of Canada. So the philosophy has shifted to a much more rigorous view, where economics may become more of a driver than the client.

[*Translation*]

**Ms. Paule Brunelle:** Excuse me but you're telling us that you wanted to satisfy your clients when it was economically justifiable. Is an additional cost of 4.6 million dollars justifiable? Should Canada Economic Development not have used that money for something else, for economic development perhaps, instead of wasting it?

[*English*]

**Ms. Carol Beal:** The money, with the exception of the direct cost to the client here, was Public Works' money. The decision, as has been pointed out, was based on an economic analysis that we did. We showed that the transaction, in and of itself, netted a positive benefit to the crown of approximately a million dollars in not moving this client. The costs to the crown have been incurred by us fulfilling our obligations under the lease tender to bring the Place Bonaventure space on and not being able to backfill that space as quickly as we had anticipated.

So with respect to CEDQ, leaving CEDQ in situ at that point was numerically correct.

[*Translation*]

**Ms. Paule Brunelle:** I would like to ask a question, Mr. Chair, if you will allow me. Would it be possible to get a document indicating the names of the owners of Place Victoria and Place Bonaventure in 2002, please? Thank you.

[*English*]

**The Chair:** Okay.

Ms. Beal, if you could provide us with that information...to the clerk as soon as possible.

Merci, Madame Brunelle.

Mr. Poilievre, five minutes.

• (1700)

**Mr. Pierre Poilievre (Nepean—Carleton, CPC):** Let's summarize. A competition was held, a winner was named, politicians intervened, the winner became the loser and the loser became the winner, and instead of one affordable building, the taxpayers got a more expensive building and an empty building. Is that an accurate assessment? Have I made any mistakes in the chronology?

Madame d'Auray.

**Ms. Michelle d'Auray:** Mr. Chair, I don't think there was a loser per se because Place Bonaventure was leased, if I...

**Mr. Pierre Poilievre:** Everybody is a winner except the taxpayers, who ended up paying \$4.6 million more than they needed to?

**Ms. Michelle d'Auray:** I would defer to my colleagues at Public Works with regard to the analysis they did in terms of the cost-benefit.

**Mr. Pierre Poilievre:** I have the analysis of the Auditor General, who says here that “The Agency's request not to move, combined with the lack of adherence to established guidelines, has cost taxpayers an additional \$4.6 million.”

Was it your decision not to move? Was it your decision to incur this extra \$4.6 million?

**Ms. Michelle d'Auray:** The only response I can make to that, Mr. Chair, is that the request was made by the Secretary of State at the time. If possible....

**Mr. Pierre Poilievre:** Okay.

Was it his decision or your decision?

**Ms. Michelle d'Auray:** The request was made—if I may—to the Minister of Public Works at the time to remain in Place Victoria, if possible. A cost-benefit analysis was done by Public Works that it was possible to do so, and the decision was rendered in a letter to the Secretary of State from the Minister of Public Works agreeing to the request.

**Mr. Pierre Poilievre:** Okay.

The decision you have just confirmed was made by the Minister of Public Works. You have just confirmed that, because you said it was made in a letter from the Minister of Public Works.

**Ms. Michelle d'Auray:** The response that was received, Mr. Chair, to the letter from the Secretary of State at the time came from the Minister of Public Works, agreeing to his request.

**Mr. Pierre Poilievre:** Okay.

The Minister of Public Works at that time was Mr. Goodale, right?

**Ms. Michelle d'Auray:** That is the response from Mr. Goodale.

**Mr. Pierre Poilievre:** Okay.

Mr. Goodale made this decision to cost taxpayers \$4.6 million more than they would otherwise have paid?

**Ms. Michelle d'Auray:** If I may, Mr. Chair, Minister Goodale responded in his letter saying that he agreed to the request, since the....

**Mr. Pierre Poilievre:** From his Secretary of State.

**Ms. Michelle d'Auray:** From the Secretary of State.

**Mr. Pierre Poilievre:** Okay, from the....

**Ms. Michelle d'Auray:** It wasn't his Secretary of State. From the Secretary of State, if it were possible to do so, and the analysis... I will defer to my colleagues, because....

**Mr. Pierre Poilievre:** Okay. I don't need you to repeat that again. The point is that one Liberal politician wrote to another Liberal politician asking that all your work be overturned, and the taxpayers pick up the tab for an additional \$4.6 million so that your agency would stay in a building owned in the majority by a prominent

Liberal supporter. Is there anything that is not factual about that statement?

**Ms. Michelle d'Auray:** Mr. Chair, I'm not in a position to respond to.... I'm not sure that's a question, actually.

**Mr. Pierre Poilievre:** It is a question, because again, I have the Auditor General's report, who points out that the decision not to move cost an additional \$4.6 million. Not one of you has given any rationale as to why that happened. You said there was a cost-benefit analysis to determine whether it was possible. Anything is possible, but is it the right decision? None of you have indicated that it is. In fact, you haven't even told me why you didn't need to move. Even if you didn't need all the extra space, it still would have made sense to move, because you had a building that you were locked into paying rent for, and that you were going to have to rent, regardless.

**Ms. Michelle d'Auray:** If I may, the requirements at the time included a fairly extensive fit-up. If you did not include those costs, did not include the costs of physically moving—because there were some costs to be incurred in the move, and there were some costs to be incurred in the purchase of equipment as a result of the move—then yes, there would have been an expenditure incurred, which was not incurred.

**Mr. Pierre Poilievre:** Your colleague who sits right next to you does not agree with you. He says it seems clear enough that the insistence on staying at Place Victoria in this case serves interests other than the sound management of public funds. Your friend, your colleague immediately to your left, disagreed with you in a letter that he wrote on May 2, 2002. Why do you think he disagreed with you on that? Why do you think the Auditor General disagrees with you on this? Are they all wrong?

● (1705)

**Ms. Michelle d'Auray:** I would expect that there is a cost-benefit analysis that was done, and I think my colleagues at Public Works have given you some of that information. I can only confirm that in fact DEC-CEDQ remained in the building, there were no fit-ups made, there were no costs incurred as a result of the move, and my colleagues at Public Works were in fact able to negotiate a lower rate in order for us to remain in the building.

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

Thank you, Madame d'Auray.

Mr. Christopherson, you'll have five minutes.

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

I don't want to use up my time, but I want to point out a couple of things you might want to follow up on. One is under tab 28, on page 22. It's the in-binder copy of the letter Mr. Fitzpatrick handed out. I don't know whether you have a copy of this or not, Chair; we'll make sure you get one, if you don't.

If you look at the very bottom of the page.... I was just glancing at it, and what I noticed was that after “Suzanne” in the intro, the paragraph is missing. I thought it was just a page that got lost in the photocopying, but the “22”—the page number—is at the bottom, and what's missing is in between.



So there's a sentence that is missing that makes it difficult to say it was just a photocopying error, when the page number 22 at the bottom.

I'm at tab 28, on the third page in, the first English page. At the bottom, there is room for those two sentences above the "22".

I leave that with you. I don't want to get my thing....

The other thing I want to point out, Chair, because I want to try to get to the heart of a couple of things, is that there's a document—and I can find out where it came from, but I pulled it out of the pages—from the ADM of real property services to the regional director general of Quebec region. This is stamped as received on July 11—that would be, by the director general. It says, in the fourth paragraph:

A few hours after the Board met, we were informed that the Minister's office had an interest in this project. It asked the region to put the project on hold.

That's July 11. In the deputy's opening comments, he makes the statement—and I accept it, obviously, as true—that when they called, the ADM for real property found out on April 4 that the client had changed their mind. Yet above that, they say they had talked to the client, who had said they were not putting it on hold.

So we have a July 11, 2001 document that says the minister's office said to put it on hold. We have another accounting that says they checked with the minister just before they signed the contract and were told everything is cool. Then they are advised, after their ADM calls the minister's office, that no, it's to be cancelled. I think that needs to be checked out a little further.

But what I want to come back to, in the very few moments I have left, is this whole document we've been referring to—a couple of comments have been made. I want to read parts of it.

This is what's missing from the binder version, which is in Mr. Fitzpatrick's version:

Suzanne,

It is not my intention to write a memorandum to the minister on this matter. Ever since we approved the lease at Place Victoria on April 2, 2002, for 5,790 square metres, the decisions on this file have been taken at the corporate level and are in opposition to our regional recommendations. The following points support my position:

—This is Mr. Arès's document—

I am not familiar with the current state of the discussions/negotiations between the leasing officers and Place Victoria; these officers report to the Minister's Office. I therefore conclude that our minister knows more about the situation than I do.

I see lines being crossed here.

The e-mail from Claude Séguin to Tim McGrath (April 26) contains false information....

I don't know why he's saying that. Then the next paragraph starts:

It seems clear enough that the insistence on staying at Place Victoria in this case serves interests other than the sound management of public funds.

Pierre mentioned that already.

I cannot agree to cover, in an administrative manner, a decision that is difficult to justify financially, because it is costly....

Next:

Place Victoria never complied with our accessibility requirements for disabled persons and never showed any interest in doing so; and this won't change, which goes against our internal compliance policies.

Who will sign to approve the exception this time?

This partly explains why it is preferable that I not write a memorandum....

I have to tell you, sir, as I read this, this is somebody who's very concerned that a day like today might happen. You wanted to make sure you were covered in terms of what you did, because you did nothing wrong, but you were not answering for anybody else, in terms of decisions around you.

That's what this looks like to me, Chair.

• (1710)

**The Chair:** Mr. Marshall.

**Mr. David Marshall:** Mr. Chairman, I really do feel that, in the interests of understanding exactly what happened, it's very important for committee members to go forward in time from the memo Mr. Arès wrote, because he wrote it at a point in time, and that's what he believed and he wrote that.

It may interest you to know that Mr. Arès subsequently did write the memorandum to Minister Goodale recommending the signing of the lease at Place Victoria. He became aware of events and information that caused him to have a different view later on in the process, so it would not be appropriate for the committee to stop.... I think you might ask Mr. Arès and other witnesses if there were any changes in the facts that changed the opinion he expressed in that letter. It's important.

**Mr. David Christopherson:** I appreciate your guidance, and—

**The Chair:** You're out of time, but I'm going to ask if Mr. Arès wants to elaborate in any way.

**Mr. David Christopherson:** I am going to suggest that we have further things to pursue here, sir.

[Translation]

**Mr. Mario Arès:** When I wrote that memo, I had been asked to justify the decision to remain at Place Victoria even though we had signed a lease with Place Bonaventure. I refused to do so because, according to the information I had at the time, the rent would be 430 \$ per square meter. I could not see how I could justify selecting the fourth bidder when the others had offered a better rate than Place Victoria.

Then, there were negotiations and I believe they were concluded around mid-May, that is to say about 10 to 15 days after my writing that memo. That's when I was informed that the client had changed the requirement. I wrote the ministerial memo a bit later — sometime in June I believe — explaining the decision with a rent of 308 \$ per square meter. However, at that time, we were not dealing with the same requirement at Place Victoria as during the call for tenders. In the lease signed with Place Victoria, the moving costs, the fit-up costs, all the IT costs, the swing spaces and so on had been withdrawn. Also, the rent had been cut by about 120 \$ per square meter following a negotiation led by the rental officers. So, the facts were not the same as when I wrote the first memo.

[English]

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

Mr. Rodriguez, five minutes.

[Translation]

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

Mr. Marshall, earlier I asked you a question about the 4.6 million dollars and I want to ask it again because it is a figure that keeps coming up. You believe it is incorrect.

Could you explain to me how you came up with your own figure?

[English]

**Mr. David Marshall:** The question about how you would assess a cost versus another has to be understood as to whether you're looking at Place Victoria or Place Bonaventure. Had they come to us right at the start and said, "We don't need more space, we don't need a fit-up", we would have looked at their situation and said, "Look, if we can renegotiate a good price where you are, it's going to be less expensive to leave you there".

When we already have a lease space that we have negotiated, we look at what is the cost of where you are on a per-metre basis versus Place Bonaventure. What would it cost us to move you? What would it cost us for fit-up? When you compare those two, you find that it's economical to leave them in Place Victoria.

Now, you already have a leased space that you have to backfill. If you could have backfilled it on day one, there would have been no cost to the crown. It just took us a little longer to backfill, and that's the cost we consider was the extra cost to the taxpayer, which is \$2.1 million.

•(1715)

**Mr. Pablo Rodriguez:** What would have been the cost of moving from one place to the other?

**Mr. David Marshall:** The actual moving costs, I believe, would be about \$200,000 or \$300,000, but then there would be a need to fit up the new place with information technology, furniture, and so forth, and that cost would be about something like \$2.5 million, \$2 million to \$2.3 million.

[Translation]

**Mr. Pablo Rodriguez:** Mrs. D'Auray, does CED have any space problems at this time?

**Ms. Michelle d'Auray:** The lease at Place Victoria is about to expire and we have already started the process to call for tenders with our colleagues at Public Works Canada —

**Mr. Pablo Rodriguez:** Do you want to move?

**Ms. Michelle d'Auray:** The lease will expire soon. We have to look at some issues at Place Victoria, namely the fact that our standards for square meters per employee are not met. Those standards were not in effect at the time but they are now. So, at this time, those standards are not met.

**Mr. Pablo Rodriguez:** Is it not because you have too many employees that you will have to move?

**Ms. Michelle d'Auray:** No. The lease will expire and we have carried out a needs analysis based on the new standards.

**Mr. Pablo Rodriguez:** Considering that CED stayed at Place Victoria, did you have to look for other space for some of your staff? Did the department do indirectly what it could not do directly? By

staying put, have you had to move some employees or have you had to locate some new employees somewhere else?

**Ms. Michelle d'Auray:** As I said at the beginning of the meeting, Mr. Chair, a decision had to be made within the first project about the relocation of the regional office of Montreal Island. That decision was made and that office has been moved in the eastern part of the city. So, those employees have left Place Victoria, the headquarters, and have moved to the eastern part of the island.

**Mr. Pablo Rodriguez:** Is it the same Secretary of State who started the process to call for tenders and who finally decided that CED would stay put?

**Ms. Michelle d'Auray:** I believe the Secretary of state at the beginning of the process was Mr. Martin Cauchon. At the end of the process, it was Mr. Drouin.

**Mr. Pablo Rodriguez:** Mr. Marshall, when you sign a lease such as the one at Place Bonaventure, are there standard cancellation clauses?

[English]

**Mr. David Marshall:** I believe there would be, yes.

Tim.

**Mr. Tim McGrath:** There are, but it's with a cost, which is the same as subletting-type agreements. If we don't need the space, we have the right to sublet it to other groups that may be interested.

There are standard termination clauses, but again based on a financial calculation that's normal industry practice.

**The Chair:** Mr. Fitzpatrick, you have the last five minutes.

**Mr. Brian Fitzpatrick:** I understand that the Minister of Public Works and Government Services has to sign off on these leases, agreeing or disagreeing with them. I would like to have that document filed with the committee, so we can see it.

Can that be provided, Mr. Marshall? I don't want a long answer. Yes or no?

**Mr. David Marshall:** Mr. Fitzpatrick, unfortunately it's not clear. That's what I want to say.

**Mr. Brian Fitzpatrick:** Okay, I'll go to the next question, because I don't want to use up my time.

I'm convinced that if this is the process we go through to procure things, we have a lot of work here with the new government to straighten things out, because this is pathetic.

Mr. Sloan, would you agree that what happened does not comply with what you understand to be the rules for procuring leased property by the Government of Canada?

**Mr. Bruce Sloan:** Mr. Chairman, we have certainly looked at the competitive tendering process and felt that it complied with the rules and regulations of the government and was done appropriately.

Our concern was that once the competitive tendering was completed and direct negotiations were entered into, then the requirements were not met.

•(1720)

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

This is for Mr. Marshall. I read your answer from June 8—and it's always my understanding that when we're before the committee it's the same as being under oath—to a direct question from Mr. Williams about the disadvantage of staying in the same premises, and I'm just going to take it right from the transcript:

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

Now today we are being told a different story. It would be cheaper for the agency to stay at the same place. In a court of law, inconsistent statements like that raise serious questions about credibility. That's going to be my comment on that.

Then the follow-up question on this:

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

That was from the ministry? We've been told there'd been nothing from the ministry here, but we've got testimony on June 8 saying there was.

Then we had a screw-around about who the minister was. A follow-up question really tried to pin down who the minister at the time was. Mr. Marshall's answer: the Minister of Public Works was Mr. Goodale at the time, not Mr. Gagliano, not Mr. Boudria. It was Mr. Goodale. So we've been going around in circles here, and there are a lot of fairly significant inconsistencies here.

I have another question about these premises—because there are a lot of documents on them. I want to know whether these premises are now fully accessible to the handicapped. If you don't know the answer, I want to know the answer, and I want it forthwith. I don't want to be waiting five months for that.

I've asked for this undertaking from Mr. Marshall, and I want to get a full explanation on it.

**Mr. David Marshall:** You would like an undertaking to know if they are accessible?

**Mr. Brian Fitzpatrick:** Right.

I'm going to raise another issue here that I think is quite crucial. The June 8 one doesn't seem to show that there's an analysis. We asked for an analysis a long time ago, and we got screwed around by your department left, right, and centre on this thing. Now, today, we get some sort of analysis.

I'm going to ask Mr. Sloan something. Did you ever understand that this analysis—and I'm trying to piece it all together—that we're being given today existed when you reviewed these matters?

**Mr. Bruce Sloan:** Mr. Chairman, I haven't seen the binder that the department provided to the committee today. We looked through the files, both in the region and at headquarters, quite carefully and drew our conclusions based on the documentation that we saw in the files at that time. We would be happy to take a copy and look at it.

**The Chair:** Mr. Fitzpatrick has asked a lot more questions than there have been answers to. You're out of time, Mr. Fitzpatrick. I'm going to ask if there are any answers that you have to all the statements. So we'll hear from Mr. Marshall, and anyone else for that matter, and that's it, Mr. Fitzpatrick.

**Mr. David Marshall:** Yes, Mr. Fitzpatrick, at the time when we were here before you on June 8, I was going on the basis that if the

requirements were the same, it would be cheaper for them to move. That's what our analysis showed at the time, but then there was a new requirement, and when you looked at the new requirement, the analysis showed that it would be cheaper for them to stay where they were if you could backfill the other property. We felt we could backfill the other property, and that is the conclusion on that matter.

As far as whether we discussed these various analyses with the Auditor General, I do believe we did on a working basis.

Mr. McGrath, perhaps you can discuss that.

**Mr. Tim McGrath:** We did. We had discussions about the IARs and the transactions themselves and even the document provided to us by the Auditor General showing that the rate negotiated was \$308 a metre. So even at that, I feel the Auditor General knew that the rate was different from the rate they were using in their analysis. This was in reference to the Claude Séguin e-mail to me. So that information was in there.

Also, when we were asked to provide information, we were told by one of the auditors not to go to any great lengths to reproduce anything. If we could get it to them quickly, that was great. So there are some issues that need to be resolved in terms of the information. Mr. Sloan did point out, rightly so, that we should be going back and updating our investment analysis once the final document or final numbers are struck, and we agreed to that. I think that's where part of the shortcoming is in some of the information.

In terms of providing that particular analysis to this committee, I don't believe we were requested by this committee to provide the financial analysis on Place Victoria. Certainly on the Hamilton building we were asked for specific information concerning that transaction in Hamilton. If we have been asked, we'll go back and check to make sure that we do provide the information, but I don't believe we were asked for a financial analysis. We were asked for a considerable amount of correspondence between us and DEC at the officials level, but we had offered to provide any type of information that we could.

• (1725)

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

That concludes the hearing.

Do you have a point of order, Mr. Christopherson?

**Mr. David Christopherson:** If we're having another meeting, I can take it up at the next meeting, Chair.

**The Chair:** We're going to get some documents back too.

Does anyone have any brief closing remarks? We're going to adjourn and then go back in camera. Are there any closing comments from any of the witnesses?

**Mr. David Christopherson:** I am going to raise this just because it's important enough, if you'll allow me, and I'll leave it for you to decide how to handle it.

Mr. Marshall, in answering for Mr. Arès, said that you should take a look at what he knew after he wrote this, in terms of the original numbers weren't what they ended up being in the final lease and that changed his opinion. But I want to bring to your attention the two sentences that are omitted on the photocopy of the binder, which I still would like an answer to, given that it's not a machine error, given that the page number has survived and the paragraph is above that, and I'm not going to let that go. This states, interestingly, "Ever since we approved the lease...on April 2, 2002...".

So would Mr. Arès not be familiar with all the new implications of the new lease, what wasn't required that was asked for before, the new rate as opposed to what he thought it would be? Would all that not be known to him, since he references it in his first sentence before he goes on to make the comments I referred to earlier, negating Mr. Marshall's answer of look at what he thought later when he knew all the updated details?

**Mr. David Marshall:** Mr. Christopherson, I am really at a loss to understand what is going on with this document. I'm not sure. I think if you looked at the French version, it is indeed complete, as far as I can see.

**Mr. David Christopherson:** One could argue it's a little harder to take out there, but yes, it is. You're right, factually correct.

**Mr. David Marshall:** So in that sense I don't—

**Mr. David Christopherson:** But it doesn't change my point.

**Mr. David Marshall:** No.

Mr. Arès should answer, because—

**Mr. David Christopherson:** You wanted to answer for him before.

**Mr. David Marshall:** It's my understanding that once he learned that there was a better rate at Place Victoria—

**Mr. David Christopherson:** No, no, but the final deal is already there. He's made reference to it, sir.

**Mr. David Marshall:** Yes, sorry, and what was your question again?

**Mr. David Christopherson:** My point is that his answer for... You asked us, and you're the deputy. You asked us to take into account from this moment forward what he learned in the new lease versus what he might have thought about the original deal when he wrote this. But I'm pointing out that the comments in the first

sentence make reference to the final lease. So he knew already what the final rate was going to be, ergo his comments are within the confines of knowing the final deal.

**Mr. David Marshall:** The final deal at Place Victoria. No, I think he might have....

Mr. Arès, do you want to answer this question?

[*Translation*]

**Mr. Mario Arès:** In May, I knew that negotiations were going on with Place Victoria because the rental officers of the department had met with me to get the previous lease. That was around April 15th, I believe. There were discussions with the Place Victoria people. I knew that there were negotiations to try and get a new rent but at the time I had no idea of the rent that had been negotiated.

[*English*]

**The Chair:** Okay, that will take care of that, colleagues.

If there are any brief closing remarks, we'll hear them. Otherwise, we're going to adjourn for let's say five minutes, for a health break, and we're going to resume in camera.

Does anyone have any closing remarks?

**Mr. Tim McGrath:** Mr. Chair, may I correct a statement that I made?

We did provide the financial analysis with the new rate to the committee on October 24. So the investment analysis report including the \$300 a metre was provided to the committee on October 24. I apologize for that.

• (1730)

**The Chair:** The information that you did provide on October 24 in response to our letter of September 22 was very deficient in what we were looking for, as you know from the subsequent letters that we got from you. I really hope that in the future we do get full and fair disclosure from the department when Parliament wants it.

**Mr. Tim McGrath:** That is noted.

**The Chair:** Okay.

This meeting is adjourned and we're going to resume in five minutes.

[*Proceedings continue in camera*]







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