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—
Chair

The Honourable Shawn Murphy

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•(1100)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): Order, please. I'd like to call the meeting to order.

I want to welcome everyone. *Bienvenue à tous.*

This meeting, colleagues, witnesses, is a matter the committee has been charged with for some time now. It's chapter 7, "Acquisition of Leased Office Space", of the May 2006 Report of the Auditor General of Canada. It was originally referred to the committee on May 16, 2006.

We have before us today Janice Cochrane, former Deputy Minister of Public Works and Government Services, and Mr. Gary Polachek, who was involved with the company that at one time owned Place Victoria in the city of Montreal.

Mr. Williams.

Mr. John Williams (Edmonton—St. Albert, CPC): Mr. Chairman, I have a point of order before we get into the committee.

The Chair: Yes, Mr. Williams.

Mr. John Williams: It deals with remarks that the member from Charlottetown made in the House last Thursday. I believe it was you who made some rather disparaging remarks in the House of Commons. I know you made an apology in the House yesterday, but you are our illustrious leader here in the committee, and I found those remarks somewhat offensive. I think that an apology from you to this committee would be appropriate and would ensure that you will enjoy the confidence of the committee as we go forward.

The Chair: I have no difficulty with this at all.

I agree with Mr. Williams one hundred percent. In addition to apologizing to the House and other interested parties yesterday, I want to offer my apologies to the members of the committee and its staff. In doing so, I want to reiterate that I retracted my remarks. They were unfortunate, improper, and unparliamentary. I regret them.

Mr. John Williams: Thank you, Mr. Chairman. I think we can consider the matter closed.

The Chair: That matter's over.

Mr. Fitzpatrick.

Mr. Brian Fitzpatrick (Prince Albert, CPC): On that point of order, Chair, I want to compliment you. The apology was straightforward and unconditional, and that's very seldom seen

around this place. We all make mistakes, and once in a while we have to apologize. I give you a lot a credit.

As I went through the transcripts on this matter, I found it to be another case in which we have a lot of conflicting testimony in key areas. I appreciate that the witnesses probably understand the importance of telling the truth before a parliamentary committee, but I think it would be good if the chair reminded them of the consequences of being less than frank before this committee. I don't want anybody to be misled about the mess they can get themselves in if they want to play games before this committee.

•(1105)

The Chair: Okay, Mr. Fitzpatrick.

Mr. John Williams: Mr. Chairman, I hope that Mr. Fitzpatrick is not making a reference to our witnesses here today.

Mr. Brian Fitzpatrick: No, I'm not.

Mr. John Williams: Fine, I just wanted that clarified.

The Chair: No, I don't think he is.

I believe it is appropriate to remind witnesses—all witnesses—that they're appearing before a parliamentary committee and Parliament expects the truth, the whole truth, and nothing but the truth. I expect nothing less.

I'm going to start the meeting. I'm going to ask Mr. Polachek if he has an opening statement.

Mr. Gary Polachek (As an Individual): First of all, it's Gary Polachek—

The Chair: Oh, Polachek. Excuse me, I'm sorry.

Mr. Gary Polachek: —and I do not have an opening statement.

The Chair: Ms. Cochrane, do you have an opening statement?

Ms. Janice Cochrane (As an Individual): Yes, Mr. Chair. I have some brief opening remarks, if you will permit me.

First of all, I'd like to thank you for inviting me to appear before you in connection with this lease transaction for Place Victoria in Montreal, as reported by the Auditor General in her May 2006 report.

For the record, I was Deputy Minister of Public Works and Government Services from April 2001 until May 2003. I retired from the public service in February 2005, so I am appearing before you today as an individual, not as a public servant.

My recollection of this particular lease transaction is limited, given the passage of six to seven years since the beginning of the tender call. Until April 2002, it was indeed a routine tender call, one of more than 500 leases dealt with by the department on an annual basis.

I have, however, had the opportunity to review all relevant departmental records, and I have seen the transcripts of previous testimony by officials before this committee. I do not disagree with, nor do I dispute, any of the facts and information provided to date. I refer in particular to the summary of events described by David Marshall, former Deputy Minister of Public Works and Government Services, when he made his opening remarks to the committee during his appearance on January 31, 2007.

You have also had the benefit of testimony from former deputy ministers of the Economic Development Agency of Canada for the region of Quebec.

I do not have any further comments at this point, but I will try to answer your questions to the best of my recollection.

Thank you. Merci.

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

It's the first round, and we have time for eight minutes.

Mr. Wrzesnewskyj.

I'm going to remind again that we're dealing with an issue that we've dealt with. Years have gone by; there have been witnesses beforehand, and there are still unanswered questions, but please, members, keep your questions short and to the point. I'd ask witnesses to keep their answers relevant to the question we are talking about, and to be as brief as possible under the circumstances. Thank you very much.

Sorry to interrupt, Mr. Wrzesnewskyj.

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

I'd like to thank the witnesses for appearing before us today.

All of this stems out of an Auditor General report of May 2006, in chapter 7, and it actually stems from one table, exhibit 7.2, which is used as an example of mishandling by the department. It says:

A client's request and a decision by Public Works and Government Services Canada not to enforce standards results in additional cost of \$4.6 million.

I guess some of the discomfort that's been expressed at this committee has been around this number of \$4.6 million stated by the Auditor General. She then goes on to give a breakdown. In that table she says:

Renewing the lease at Place Victoria cost \$2.5 million more than the winning bid in the tendering process, and PWGSC paid \$2.1 million in unproductive rent to that bidder while trying to locate tenants for the additional space.

The \$4.6 million is broken down into two parts: \$2.5 million and \$2.1 million of unproductive rent, with \$2.5 million being the additional cost of Place Victoria compared to Place Bonaventure.

You said you've gone through all the evidence. A year ago I tabled the summary of proposals, the tenders, and in it we find out—because it's not footnoted by the Auditor General—it appears that

\$2.5 million was based on a gross rental rate offered at \$430.80. We know that the final rate arrived at was in fact \$308. Additionally—and there are three points to this—for us to arrive at an accurate number, there are three aspects. If I'm incorrect with my calculations, outside of rounding errors, please stop me.

Place Bonaventure was at \$236.81, but its basic unit operating rate was \$99.57—almost \$100—for a total of \$336.38. On top of the \$308 at Place Victoria, you have to add in \$48.33 for the operating rent, so we end up at an actual cost of \$356.33, compared to \$336 at Place Bonaventure, so still about \$20 per square metre higher, or \$2 per square foot, approximately.

Then we find out that when the rate was renegotiated, the square footage was slightly smaller: it was 5,340 square metres, as opposed to 5,790 square metres at Place Bonaventure. When you extrapolate out, what you find is the rent at Place Victoria, after we go through those three steps, was in fact \$291,062.20 less over a five-year period, and that means a savings of \$1,455,311, as opposed to the loss of \$2.5 million that was referred to based on a rental rate that wasn't the real rental rate, because the real rental rate was \$308. That was what I assume the department's decision was based upon. You're actually looking at a savings of almost \$1.5 million, but you still have the problem of the unproductive rent of \$2.1 million. If you take out the savings, you're still facing a loss of \$644,000.

• (1110)

You said you went through the testimony before this committee. A year ago Mr. André Gladu appeared before the committee, and when I asked him what the moving costs were, he said he remembered a figure of between \$500,000 and \$1 million. You said that you'd gone through the testimony. That's within the \$644,000 cost that I've just gone through all the mechanics of arriving at. Do you have a more specific number?

Ms. Janice Cochrane: Yes, indeed. I have had an opportunity to review the testimony—

The Chair: You can see how little the chair is listened to on the short questions. You've got two minutes to answer the question.

Ms. Janice Cochrane: I do not have a precise figure on the moving costs. The moving costs would be variable, depending upon the furniture, computers, and other equipment that the client would have been required to acquire in order to carry out that move.

Mr. Borys Wrzesnewskyj: I've seen your memo of May 31, 2002, to Minister Goodale at that time. He signed off on that memo, the recommendation there. Did you have discussions with him about this prior to that memo being sent to him?

Ms. Janice Cochrane: I don't recall any discussions with him.

Mr. Borys Wrzesnewskyj: Okay. Thank you.

I'd now like to go to Mr. Polachek.

That was quite a drop in the rental rate. It went from \$430.80 to \$308. What happened? We're looking at a significant drop of 25% after tendering.

•(1115)

Mr. Gary Polachek: I think two principal things happened. One was the tenant improvement allowance and base building works that were initially required as part of the tender were effectively eliminated or significantly reduced as part of the new transaction.

You will recall that in the tender we were treated like all other competing buildings, which meant that we had to demolish everything that existed and rebuild the premises according to the new government standards. In the proposed negotiated transaction, which ultimately was concluded, that effectively was eliminated, so we were able to lease on an almost nil cost basis. That saving was passed on in reduced rent.

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

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chair.

Welcome, Mr. Polachek, Ms. Cochrane.

Ms. Cochrane, you stated earlier that the signing of the lease for Place Victoria was, in your opinion, part of a routine call for tenders. While you occupied the premises as Deputy Minister, was it routine practice for a client, such as a department or agency, to seek to move and to set criteria for that move, stating that it needed additional space, and for a letter to be sent by the minister responsible for that agency stating that their current premises suited their needs perfectly? Was this routinely done?

[*English*]

Ms. Janice Cochrane: Mr. Chair, there were no situations that were exactly the same as the situation that we experienced in Quebec, but there were other instances. It was not unusual for client requirements to change during the process of either extending leases or acquiring new space, but we did not have a situation like this one, in which we were able to complete the tender process, sign the lease, and then resolve the situation so that the client could remain in the old space in a manner that was still in the public interest.

The other situations that I can recall resulted in the tender process being completed and the clients moving, notwithstanding the desires of senior officials or ministers to change their minds later on, at the very end of the process.

[*Translation*]

Mr. Jean-Yves Laforest: Therefore, you agree with me that this was not necessarily a common occurrence. As you have just said, this was a completely new situation. It did not occur frequently, it was really unusual.

In the notes, it is stated that on April 2, 2002, senior officials at Public Works in Montreal approved the lease for Place Bonaventure. On April 4, the Assistant Deputy Minister, Ms. Beal, who reports to you, instructed the director general of the department for Quebec to take the steps required to renew the lease for Place Victoria.

What happened between April 2 and April 4 to cause these people to change their mind?

Senior officials with Public Works and Government Services Canada in Montreal approved the lease for the Place Bonaventure offices, but two days later, an assistant deputy minister instructed the regional director general to renew the lease for Place Victoria. That is completely contradictory. Did something happen on April 3?

[*English*]

Ms. Janice Cochrane: First, let me clarify this, Mr. Chair.

When I referred to the transaction being a routine transaction, I was talking about the period starting in December 2000, up to the period of April 2002. Up until that point it was a routine tender call for a lease.

What happened in April 2002 was that the assistant deputy minister for real property services had received a heads-up.

I'm going from the record here, because I don't have a personal recollection of this.

The record demonstrates that she received a heads-up and that the minister responsible for economic development in Quebec was concerned about the move and wanted the department to explore other alternatives. There was no direction given to renew the lease at Place Victoria, but rather to explore whether other options might be possible to allow the department to stay in Place Victoria. The assistant deputy minister's direction to the region at that time was simply to begin to explore what options might be available.

•(1120)

[*Translation*]

Mr. Jean-Yves Laforest: In fact, the minister responsible for the Economic Development Agency of Canada for the regions of Quebec at the time, Mr. Claude Drouin, appeared before the committee. He told us that at the end of the day, it was not the agency that decided, but rather Public Works and Government Services Canada. Is that how things work?

[*English*]

Ms. Janice Cochrane: That is correct.

[*Translation*]

Mr. Jean-Yves Laforest: Officials from PWGSC provided you with an analysis that recommended a fifth option to the department. This study proposed five different options, the first being to stay in Place Victoria, but this option was considered the most costly. A fifth option recommended moving the offices to Place Bonaventure.

Why did you not opt for this solution, if the decision was up to PWGSC?

[*English*]

Ms. Janice Cochrane: There were a number of reasons, one of which was that the space requirements given to us by the client at the beginning of the process of tender had changed. They had decided not to co-locate their Montreal office with the headquarters in Place Victoria; therefore, the total amount of space they required was less.

The minister's letter to the Minister of Public Works, I believe, also demonstrated his desire to be in a building that he considered to be more commensurate with the role of economic development in Quebec, a building that was more prestigious. At that time, the department had a role or responsibility to consider the operational requirements of the client, even though they had changed. That was what resulted in the process of examining the other options.

[Translation]

Mr. Jean-Yves Laforest: If you are saying that, that means that it was not PWGSC that decided, after all. It was the minister who, through his intervention, decided that the requirements had changed and that he would be satisfied with Place Victoria. So then, it was not PWGSC that decided. You made this decision because a minister expressed a wish that was the contrary to what had been said earlier. That's what I understand.

[English]

Ms. Janice Cochrane: Well, that's partly true.

It is always up to the client to determine the operational requirements. Public Works does not determine the operational requirements to meet the client's needs. Public Works then assesses what space would be appropriate to meet those needs. In this case, although it was very late in the day—and I agree this was highly unusual—the client had indicated that their operational requirements were different from what they had been at the outset of the tender process.

When the options were reviewed, had we not been able to fill that space in Place Bonaventure with other tenants—we believed at the time that we would be able to backfill that space with other tenants—we would have required them to move, because the loss to the crown, as foreseen based upon the assumptions available to us at that time, would have been so significant that it would not have been in the public interest to leave them at Place Victoria. That's what the minister would have told his colleague, the minister responsible for economic development in Quebec. But as things turned out, our analysis led us to believe that we could meet the client's operational requirements, allow them to stay in Place Victoria if they were willing to make certain concessions on the fit-up, and at the same time fill the space that we had leased in Place Bonaventure with other needs that were being expressed by other clients in the Quebec region at the time.

[Translation]

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

[English]

Mr. John Williams: Mr. Chair, may I interject and ask for a clarification here?

The Chair: A point of clarification. Go ahead, Mr. Williams.

Mr. John Williams: Did you say, Madam Cochrane, that you asked the landlord of Place Victoria to lease the space in Place Bonaventure to mitigate the cost? Is that what you said?

Ms. Janice Cochrane: No, not at all.

The Chair: Mr. Poilievre, you have eight minutes.

Mr. Pierre Poilievre (Nepean—Carleton, CPC): I know there have been a lot of varying numbers thrown around and various

justifications used to explain away this very unusual course of events.

There are two things we must keep in mind. One, Place Bonaventure finished first and Place Victoria finished fourth in a competitive bid. Two, the Auditor General says that the way this transaction was carried out led to the waste of \$4.6 million. Those are the two hard facts that have led us to where we are today.

So I open with some questions for you, Mr. Polachek. Can you please provide the committee with a list of all corporations, partnerships, or individuals who held an ownership position in 800 Place Victoria between January 2001 and August 2004?

• (1125)

Mr. Gary Polachek: With pleasure.

Mr. Pierre Poilievre: Great, so that list will be forthcoming?

Mr. Gary Polachek: Will I be getting a note of this, or should I take note?

The Chair: We can send a reminder.

Mr. Gary Polachek: I'm going to make a note of this and I will do that.

Mr. John Williams: The clerk will write him a letter.

The Chair: Within two weeks—is that fine for you?

Mr. Gary Polachek: I don't think that will be a problem.

The Chair: Thank you very much.

Mr. Gary Polachek: So it's just the dates in question that you would like.

Mr. Pierre Poilievre: It's between January 2001 and August 2004. The letter we send you will have the verbatim of my question.

Can you also provide a list of all entities that had a financial interest in 800 Place Victoria between the same dates, including but not limited to an option to purchase, conditional financing arrangements, conditional purchase agreements, and other similar financial agreements? Can you do that?

Mr. Gary Polachek: I believe the short answer to the second part is there were none. The ownership at Place Victoria was constant between June of either 2000 or 2001, up until August 2004. I guess for a few months leading up to August 2004 there was an option to purchase that ultimately got concluded in 2004. I'll provide that information.

Mr. Pierre Poilievre: And that option to purchase was with whom?

Mr. Gary Polachek: The Jolina group.

Mr. Pierre Poilievre: When was that option first signed?

Mr. Gary Polachek: That was negotiated in the late spring of 2004. Ultimately the ownership was transferred in August 2004.

Mr. Pierre Poilievre: When did Jolina Capital's owners or any of its agents first indicate an interest in acquiring an ownership interest in 800 Place Victoria?

Mr. Gary Polachek: It was middle to late spring 2004.

Mr. Pierre Poilievre: Was this interest expressed verbally or in writing?

Mr. Gary Polachek: I guess both.

Mr. Pierre Poilievre: Can you please produce the documents in which that written interest was conveyed?

Mr. Gary Polachek: Sure.

Mr. Pierre Poilievre: Thank you.

Mr. Gary Polachek: To clarify, and I will provide it, there was an associate of theirs who provided an expression of interest, a letter of intent, which I believe made reference to Jolina. I will make a note of it and provide it to you.

Mr. Pierre Poilievre: What was the exact date when Jolina Capital acquired an ownership interest in 800 Place Victoria?

Mr. Gary Polachek: Between August 4 and August 10, 2004.

Mr. Pierre Poilievre: Can you produce records of that transaction for us, just so we have written confirmation of that date?

Mr. Gary Polachek: Sure.

Mr. Pierre Poilievre: Thank you.

Who was the first member of the Saputo family to express an interest in 800 Place Victoria?

Mr. Gary Polachek: I guess I can only comment from my perspective. That would be Mr. Lino Saputo.

Mr. Pierre Poilievre: And on what date did he first make an expression of interest in that property?

Mr. Gary Polachek: That would be the first time I met him, and I don't have that date. I would have to check my agenda back in 2004, if that information is available. Within the spring of 2004.... The timing of the sale would be between spring and August 2004.

Mr. Pierre Poilievre: So you say the transaction was completed roughly when?

Mr. Gary Polachek: August 2004.

Mr. Pierre Poilievre: So they only first approached you in the spring to express an interest in the property.

Mr. Gary Polachek: Right.

Mr. Pierre Poilievre: And not at any time prior to that did any member of Jolina Capital or the Saputo family discuss this property with you.

• (1130)

Mr. Gary Polachek: That's correct.

Mr. Pierre Poilievre: My next question concerns the fact that in the tendering process for office space for the Economic Development Agency of Canada for the Regions of Quebec, Magil Laurentian bid almost 50% higher per metre than the next-highest bidder and 82% more than the winner.

Were you given any communication that would indicate Magil Laurentian did not need to provide a competitive bid?

Mr. Gary Polachek: No.

Mr. Pierre Poilievre: Ms. Cochrane, did you attend meetings with Jean-Marc Bard, as described in Suzanne Cloutier's e-mail of June 8, 2001, asking that the public tendering process for office space for the Canadian Economic Development Agency be put on hold?

Ms. Janice Cochrane: I did not.

Mr. Pierre Poilievre: You did not attend that meeting?

Ms. Janice Cochrane: No.

Mr. Pierre Poilievre: Okay, well, we'll have to....

Were you aware of this meeting?

Ms. Janice Cochrane: I was not aware of that particular meeting, but the practice at the time in the department was that senior officials would meet periodically with the minister's staff to provide information on ongoing transactions. I did not attend those meetings. I attended meetings with the minister, not with the minister's staff.

Mr. Pierre Poilievre: Are you aware of the reasons for Jean-Marc Bard's request that the tendering process be put on hold?

Ms. Janice Cochrane: No, I'm not.

Mr. Pierre Poilievre: In your note to Minister Gagliano dated July 31, 2001, you stated:

We have nothing to justify submitting to you a request for approval to negotiate directly with the owner of 800 Place Victoria.

This begs the question. Did the minister or anyone in his office ask that you enter into direct negotiations with the owner of 800 Place Victoria?

Ms. Janice Cochrane: No.

Mr. Pierre Poilievre: According to testimony given by Tim McGrath on July 31, 2007, all the transactions in the Montreal area involving space of more than 500 metres were to be reported to Minister Gagliano. What was the threshold for the rest of Canada?

Ms. Janice Cochrane: I believe it was 2,000 square metres, Mr. Chair, but I can't be absolutely certain.

Mr. Pierre Poilievre: Why would it have been less in Montreal?

Ms. Janice Cochrane: Most likely because that was the area for which the minister was responsible and therefore the area in which you would expect he might get questions from people, but I cannot tell you what was behind it.

Mr. Pierre Poilievre: Keeping in mind his responsibilities were national.

ADM Carol Beal previously testified, when asked about the involvement of the minister's office, "I believe we did have a fair amount of interaction with respect to a number of leases." Do you agree with her statement?

Ms. Janice Cochrane: Yes, I do. Carol Beal would have been present at meetings with Jean-Marc Bard, as well as the associate deputy minister of the day, to provide information about ongoing transactions.

Mr. Pierre Poilievre: How many other files of this kind, roughly, did Minister Gagliano's office interfere in?

Ms. Janice Cochrane: I don't recall any files in which he or his office interfered. We did roughly 500 leases a year at that time, not to mention hundreds of other procurement types of transactions that weren't necessarily based on real estate, and the minister's office wanted information about them, but that doesn't amount to interference, in my view.

The Chair: Thank you, Mr. Poilievre.

Mr. Christopherson, eight minutes.

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

Thank you both for attending today.

I just want to get refocused here. Our big problem is that we have not yet determined who made the pivotal decision and why, after all the work. An enormous amount of work was done, then two weeks after the deal was signed, the government changed its mind. We don't yet have a rationale for that, nor can we yet find out who takes responsibility for saying "I made the pivotal decision. I said this stops, this starts."

So we're seeking your assistance in doing that. I want to again remind all of us what the Auditor General said directly. Two weeks after the tendering process had closed and the winning bidder had been selected, the secretary of state for the agency sent a letter to the Minister of Public Works asking him to renew the lease at Place Victoria. The Minister of Public Works approved the renewed lease at Place Victoria, despite the fact that Public Works guidelines require an economic advantage to the crown to exist in order to justify a direct non-competitive negotiation of a lease. Despite the absence of any economic advantage to the crown, Public Works entered into direct negotiations to renew the lease with the landlord at Place Victoria. The agency's request not to move combined with the lack of adherence to established guidelines has cost the taxpayers an additional \$4.6 million.

So my question is this, Ms. Cochrane. How much do you know about why this decision was taken, and can you give us some rationale as to why they would proceed without the adherence to the established guidelines, as the Auditor General has referenced?

• (1135)

Ms. Janice Cochrane: My understanding is that the department disputes the Auditor General's figure of the amount of money that was lost as a result of this transaction and the department stands behind the \$2.1 million figure of unproductive rent as a result of not backfilling the space quickly enough.

Having said that, what happened after the lease was signed was the letter arrived in the department from the minister responsible for the Economic Development Agency, not directing the department to do anything, but asking that options be reviewed. As a result of any request by a minister of that nature, we would review options and indeed did review options at this time.

The result of the analysis that was completed was that in fact there was an economic advantage to the crown in leaving the Economic Development Agency in that space, provided that the newly negotiated lease rate could be secured and the department was willing to forgo other fit-up costs that they had initially requested. So it was based upon that analysis that the department was of the view that the minister could be advised that the wishes of the client could be accommodated.

Mr. David Christopherson: All right.

I want to back up one step. The correspondence we have under tab 23 from the Secretary of State just says:

The offices of the Economic Development Agency of Canada are currently located at 800 Place Victoria in Montreal and occupy.... The lease will expire on March 31, 2003. I think you would agree it's essential to find a building offering

adequate space in a prestigious address.... In my opinion, Place Victoria fully meets these criteria. You can rest assured.... Consequently, I would ask you to sign a new lease with Place Victoria, if possible.

That's dated April 15, 2002. Is that the first indication that you knew there was a change, or are there steps previous to this that I'm not seeing?

Ms. Janice Cochrane: It would appear as though there was a heads-up. It may have been a verbal heads-up from the minister's staff to senior officials in the department, notably Carol Beal, who have indicated, I believe, that earlier than the date on which this letter was sent and received, information was received by officials that some further analysis might be necessary.

The letter that was received from Monsieur Drouin from April 15 did not ask the minister to sign a new lease. He said if it is possible, please sign the new lease. That was what triggered—

Mr. David Christopherson: No, I'm sorry. Please. "Consequently, I would ask you to sign a new lease with Place Victoria, if possible". That's pretty clear.

Ms. Janice Cochrane: The letter I have says

[*Translation*]

"Consequently, I would ask you to sign a new lease [...], if possible."

[*English*]

Is that the same letter?

Mr. David Christopherson: Well, I don't speak French, so I don't.... All I know is what I just read from the letter of April 15 in our binder. I can only go by what's placed in front of me.

The Chair: Are you dealing with an English translation of what's she's got? Perhaps the clerk can speak to that.

Mr. David Christopherson: I'm not sure, Chair. I'm at a bit of a disadvantage.

Ms. Janice Cochrane: If I may, there's no difference.

Mr. Pierre Poilievre: They're identical.

Ms. Janice Cochrane: They're the same: *si cela est possible* and "if possible".

Mr. David Christopherson: Okay, but the direction is do it if you can, not look at everything and then we'll see if this happens to be one. There's a pretty clear direction there. The "if possible" sounds more polite than anything, but fair enough, if there's a block, just say no, but other than that, they're saying directly, go with the lease and this would follow....

This is what drives us crazy. On March 28, 2002, a letter was sent to the people at Place Bonaventure telling them we've got a deal. On April 15 we have a letter from a minister saying we don't have a deal. What we're trying to do is find out why. What happened in this discussion, this heads-up thing? You can appreciate how frustrated we are. Who made this decision and why? We're still not hearing that.

Why was the deal that was signed when Place Victoria came in fourth...? The whole process was done, and weeks later there's just this edict that comes down. The heads-up phone calls are all nice and fine, but the official paperwork says an edict came down weeks later, after the darn thing.... The ink was hardly dry and a minister shoots off a letter on April 15 saying go back to Place Victoria. Why?

Ms. Janice Cochrane: Well, I don't know exactly what prompted the minister to write the letter, but I have looked at Mr. Gladu's testimony, and it appears as though he was new in his portfolio. He was briefed by the deputy minister to the effect that many of the staff were not happy, notwithstanding the fact that he, the deputy minister, had already indicated his willingness to move to Place Bonaventure; and that prompted the minister to decide to determine, with his colleague, Minister Boudria, whether other alternatives might exist.

• (1140)

Mr. David Christopherson: Well, former deputy, I appreciate your loyalty and your professionalism, and I don't question anything at all that you're saying, but it's hard to swallow. You're stating what you know to be the facts and interpreting what you can. I'm still having a great deal of difficulty with this.

I can't imagine that one would go through this whole process and you would never know that the staff there aren't happy and that wouldn't be taken into account; that we went through all of this and the reality is that somebody new came in and found out that the employees weren't happy and they scuttled the whole thing. It doesn't make sense.

Ms. Janice Cochrane: I agree.

Mr. David Christopherson: It doesn't pass the smell test. That's why we're not letting go of this.

I'll just say, whether we're talking \$4.6 million or \$2.1 million, we still don't have an answer as to why it was wasted, and that's what we're seeking here.

Mr. Polachek—

Mr. Pierre Poilievre: On a point of order, I know our transcripts don't take gestures into account, but I think it's very important for the purposes of clarity and historical record-keeping that when David Christopherson said "This does not pass the smell test", describing the whole process, Ms. Cochrane nodded her head in agreement.

Are you stating that you agree with that?

Ms. Janice Cochrane: I was nodding that I was listening to the honourable member, not that I agreed with the comment.

The Chair: That's not a point of order, Mr. Poilievre.

Mr. David Christopherson: Thank you, Chair.

How did it come to your attention that the decision had been changed?

Mr. Gary Polachek: I went back into the file. I asked our head of leasing to prepare this file for me in advance of this meeting.

We ourselves were notified on or about April 1 that we had not been retained, based on the initial bidding process. We received I guess what I would call a surprise, a pleasantly surprising phone call, a few weeks later from the national manager of lease acquisition processes of PWGSC, who invited our head of leasing to come down

to Hull for a meeting to see if we were able to negotiate a transaction. In fact, a meeting was held in Hull.

Mr. David Christopherson: I'm out of time. Can I ask one quick question?

Did you or anyone that you know of in your organization have any discussions at all with anyone from the government about this issue, about going back?

Mr. Gary Polachek: No.

Mr. David Christopherson: So you contend that it all happened within government, that there was no external influence whatsoever from any representative of Place Victoria?

Mr. Gary Polachek: Correct.

Mr. David Christopherson: Thank you.

Thank you, Chair.

Mr. John Williams: On a point of order, Mr. Chairman, can we get the name of this national manager of leasing from Public Works?

Mr. Gary Polachek: I'll share it with you right now: Pierre Haddad.

Mr. John Williams: Pierre Haddad. Thank you.

The Chair: Mr. Hubbard, you have eight minutes.

Hon. Charles Hubbard (Miramichi, Lib.): Thank you, Mr. Chair.

As you know, I'm new to the committee and have missed a lot of the evidence and the information to date, but when I hear of buildings and hear of leases and rents, of course it's a very complicated process. A group has had a lease for quite a long period of time, the lease is coming up, there are concerns, maybe, about the quality of the building, and then, of course, they go to Public Works, and Public Works puts out a request, and you get all this back in and decisions have to be made.

I guess the original assumption we have is that the CED always wanted to be in Montreal. It's a regional agency, but for some reason, someone in the crown, probably 20 years ago, decided that the headquarters would be in Montreal. So you're into very expensive office space. Then we find that the Auditor General did an audit on this, and she came up with figures that would indicate that mistakes were made.

But it's not unusual for companies to make mistakes when they're buying things. In fact, most of us as individuals make mistakes. I think I probably get at least a bad deal once a month. I pay too much for something that I could have got at a better price somewhere else. It never happens to John, of course. These Scots are always up on their business.

But, Ms. Cochrane, it can't be the only building that the Government of Canada leases or rents that if you look back and reflect upon it.... I think here in Ottawa, even today, there are quite a number of buildings we don't use that we're paying rent on.

In your experiences as deputy minister, you must have seen other situations where you had to gain a bit and lose a bit. In terms of your time in office, is this the only one that somebody made a mistake about?

• (1145)

Ms. Janice Cochrane: In fact the department's record with respect to managing vacancy overall is quite low compared to the industry standard. I think it's 1.2% out of the total portfolio, versus 5% that is the industry standard.

So, no, it wouldn't be the only time. In fact, in this case there were, I think, valid assumptions made that the space would be able to be filled much more quickly than it was. There was demand in Montreal, and that was one of the factors that led to the advice to the minister that he could accede to the wishes of his colleague in leaving the agency in Place Victoria. Other departments and agencies had determined that they would be willing to move into Place Bonaventure quite quickly, and it didn't happen, for various reasons.

Hon. Charles Hubbard: This business of moving—when you move, you change everything, from your stationery to your office equipment. You have to do all this, and that's a big part of the cost that somebody has to bear. When we look at the Auditor General's report, we see \$2 million or \$4 million, but when we look at the overall good and the overall problem, have they all been costed in when we're listening to this today?

For example, with advertising, you have to tell all your clients that you've moved from here to there. There's a cost there. A lot of offices have to be rearranged, and there's a cost of hiring moving companies to move everything from one place to another. There's downtime for the employees.

When you think of the long-term costs of this lease, did we lose that much in the short run, in the long term? Are you comfortable with the fact that we lost somewhere between \$2 million and \$4 million—or really, maybe we gained? Maybe Gary can tell us. Maybe we gained money, because it's a lease for eight or ten years. Did the Government of Canada really lose the money that the Auditor General or somebody in her department says it did? Do you think that's a fair assessment of the overall benefits or losses to the Government of Canada?

Ms. Janice Cochrane: The only figure that I know with some certainty the department stands behind is the \$2.1 million in unproductive rent. That's just the rent that was paid out to Place Bonaventure for empty space, essentially, but I'm not aware as to whether other costs were factored in.

You're absolutely right: including no fit-up costs in Place Victoria was a gain for the crown in a sense as well. I'm not certain whether anybody has been able to quantify the lost productivity in terms of staff when you do move. There are usually periods of time, although I think public works has become much better over time at staging moves so that the amount of lost productive time is mitigated.

The short answer is that I don't know if there's been a quantification, but I think it's fair to say that the net benefit, had other tenants moved into that space as quickly as we had thought they would in 2002, would have probably been in favour of the crown.

Hon. Charles Hubbard: In terms of the long-term costs of the lease, if you compare what happened at the two places, are we better off or worse off as a result? Now, you have to figure out a long lease in each place. You're going to have an opposite side of the account....

Everyone makes mistakes. There are a few perfect people in this world, but whether you're a deputy minister or a member of Parliament or some poor citizen buying a new TV, you make mistakes. It costs somebody money. But it's difficult to see, Mr. Chair, why we're making such a big issue over somebody's mistake.

Brian is surprised, because he's never made a mistake.

Mr. Brian Fitzpatrick: “What's a couple of million?”—is that what you're saying, Charlie?

Hon. Charles Hubbard: I suppose we really don't know the long-term implications. We're looking at it in terms of one report by the Auditor General, but whether we benefited or lost is for us to assume before we write our report, Mr. Chair.

Thank you.

Mr. Borys Wrzesnewskyj: Is there time left?

The Chair: There are two minutes left.

Mr. Borys Wrzesnewskyj: Just following on Mr. Hubbard's questioning, I think we're getting at two issues. One is whether there was a cost to the taxpayers. The Auditor General said there was, and that it was \$4.6 million, but we know that it was based on incorrect square footage, or square meterage, and on an incorrect assumption about the cost per square meter. You stated earlier that the Auditor General's numbers are wrong on that aspect.

What we need to do is, first, get at whether there was a cost to taxpayers as a result of this process. Second, the process wasn't the usual process, so was there some sort of nefarious intent, or were there extenuating circumstances? Those are the two questions.

I'll come back to the first one, the question of whether there was a cost. When you go through the calculations, I think it's very important that we get an actual number—I know you can't nail it down to the penny—on the cost of moving. Ms. Cochrane, could you provide this committee with a number? The previous number we heard was between \$500,000 and \$1 million. Could you provide us with a number for that?

There was also a reference made by department officials that the move would entail a one-week loss of productivity. I understand there were 300 employees. Could you quantify the cost of losing one week of productivity from those 300 employees, and could you give us a number more accurate than between \$500,000 and \$1 million? That would be tremendously helpful.

• (1150)

Ms. Janice Cochrane: Okay.

Mr. John Williams: On a point of order, Mr. Chairman, I don't think it's appropriate to ask an individual to make that kind of calculation, especially when they have no access to actual numbers. The question would be more appropriately directed to the department.

The Chair: As Mr. Hubbard said, no one is perfect. I was talking to the analyst on another matter and I should have been listening more closely.

What is the gist of the question?

Mr. Borys Wrzesnewskyj: There are two numbers we need to have a better comprehension of this whole issue of whether or not taxpayers benefited or lost as a result of this. One, what was the cost of moving? The previous sum for this was stated as half a million dollars to a million. Two, it's been noted that one week of productivity would be lost by the 300 employees. What would be the cost of that one week in lost productivity?

The Chair: You have to bear in mind that Ms. Cochrane is appearing here as an individual. She is a retired deputy minister.

Mr. Borys Wrzesnewskyj: If the department could provide that, I think it would be tremendously helpful.

Mr. Williams is quite right, and we'll direct that to the department, as opposed to Ms. Cochrane.

The Chair: If you want to follow up, Mr. Wrzesnewskyj, we can follow up from the committee and write to the department, but I don't think it's proper to ask her. This lady is an individual appearing here as a retired public servant.

Mr. Borys Wrzesnewskyj: I've accepted Mr. Williams' advice on this matter.

Mr. Pierre Poilievre: On a point of order, Mr. Chair, are you proceeding with a letter of some kind?

The Chair: No, Mr. Wrzesnewskyj just wants to follow up on that.

Mr. Pierre Poilievre: That will come in a motion, I presume.

The Chair: Or a suggestion to the committee.

One more question, Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Getting back to this, we were going to quantify that first issue of whether money was lost or gained for taxpayers.

The second question is about the process and whether there was nefarious intent. You stated there was a need for a prestigious location. Also, the tremendous concern of employees at having to move has been cited; they'd been there 15, 20, or 30 years in some cases.

Could you tell us a little more about what those two concerns may have been?

Ms. Janice Cochrane: My only information, Mr. Chair, was contained in the testimony of Mr. Gladu before this committee, when he described conversations he had had with his minister about concerns the employees might have had.

As far as the prestigious space goes, it is outlined or described in the letter that Monsieur Drouin sent to the Honourable Don Boudria on April 15, 2002. That was the first time, to my knowledge, that the requirement for a prestigious space had been identified by the client.

The Chair: Thank you very much, Mr. Wrzesnewskyj and Mr. Hubbard.

Mr. Sweet, for up to eight minutes.

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

I have to say I'm a little uncomfortable with the amount of rationalization after the fact, particularly because we didn't see this in any of the communications and the many e-mails we got about the reasons why. In fact, this committee is meeting today because there is a big question mark about the reasons why this happened.

If Mr. Christopherson might do something in a bipartisan way with me, could he just raise up that process sheet once more?

The other thing we haven't considered is that I can only imagine the hundreds of thousands of dollars it costs taxpayers for Public Works and Government Services to go through to make sure that the tendering process is legitimate. No one can say what is the dollar value of the reduced public trust when you do something like this, when there are multiple tenders and you don't give those other tenders the same consideration you did to Place Victoria, where they changed the game to allow them to resubmit some numbers.

I would like to ask you, Madam Cochrane, how long did you serve in the public service?

• (1155)

Ms. Janice Cochrane: I was a public servant for just over 30 years.

Mr. David Sweet: My colleague asked you a question last time about Minister Gagliano intervening in some files. You worked there for a while, and you must have had an idea about how often this may have happened. Were the number of interventions above average or average?

Ms. Janice Cochrane: In my experience, there were no inappropriate interventions. He required information, as did almost every other minister I served during that time. I had no experience with any interventions that would have been considered inappropriate during my time with Mr. Gagliano.

Mr. David Sweet: Were you aware of any other times the minister's office directed you to go into direct negotiations, other than the public tendering process for office space, or anything else?

Ms. Janice Cochrane: No.

Mr. David Sweet: Mr. Polachek, I want to ask you a question as well, based on the chairman's introduction. Is your corporation still part owner at Place Victoria?

Mr. Gary Polachek: Yes.

Mr. David Sweet: One corporation has 20% ownership and the other one is the corporation responsible for management. Is that correct?

Mr. Gary Polachek: We're involved with the management and we have a 20% ownership interest.

Mr. David Sweet: Okay.

Madam Cochrane, we had Mario Arès here before the committee. Were you aware of any activity by a minister's office that would suggest—I'm paraphrasing Mr. Arès's e-mail—that interests other than sound management of public funds were served?

Ms. Janice Cochrane: No, I'm not.

Mr. David Sweet: Did you have any other concerns about private interests being served in this case?

Ms. Janice Cochrane: Not at all.

Mr. Pierre Poilievre: Ms. Cochrane, I don't want you to take the blame for what's going to be in our report, and that's why I'm going to ask about some of your remarks.

Hon. Charles Hubbard: Point of order.

The Chair: Mr. Hubbard.

Hon. Charles Hubbard: Mr. Poilievre says "blame" for what is going to be in this report?

Mr. Pierre Poilievre: Yes.

Hon. Charles Hubbard: Have we established blame, Mr. Chair?

The Chair: No; we haven't written our report yet.

Hon. Charles Hubbard: We should be careful, then, in what we say.

The Chair: Go ahead, Mr. Poilievre.

Mr. Pierre Poilievre: You wrote in a memo to Minister Gagliano on July 1, 2001, that "We have nothing to justify submitting to you a request for approval to negotiate directly with the owner of 800 Place Victoria."

In a memo to Minister Goodale, seeking approval for a lease with Place Victoria, in reference to Place Bonaventure, you wrote the following: "That strategy was the most cost-effective for the government."

Given this, how could you possibly have recommended signing a lease with Place Victoria when, in two separate memos, on two separate occasions, you said that Place Bonaventure was a more cost-effective option for the government?

Ms. Janice Cochrane: Place Bonaventure was the most cost-effective solution for the government based upon the client requirements that had been identified as part of the process.

At the time the tender process was carried out, it was monitored by a fairness monitor and determined to be a fair process. In accordance with the client's needs, we recommended that the lease be signed.

The Chair: Please let her complete her answers.

Mr. Pierre Poilievre: When the needs were changed, you didn't give Place Bonaventure a chance to change all of its calculations, did you?

Ms. Janice Cochrane: By that time the lease had been signed.

Mr. Pierre Poilievre: Yes, but you changed the framework of the entire bidding process, and you let only one of the participants compete under the new conditions.

Ms. Janice Cochrane: In fact, they became separate transactions, because the lease with Place Bonaventure had been signed.

Mr. Pierre Poilievre: Separate transactions for the same product?

Ms. Janice Cochrane: Not necessarily. We had determined when we went into negotiations with Place Victoria that we would be able to put other clients in the space in Place Bonaventure. It became Public Works' rented space, essentially.

• (1200)

Mr. Pierre Poilievre: And the other two bidders that came in ahead of Polachek?

Ms. Janice Cochrane: It was a separate transaction. So that transaction had closed.

Mr. Pierre Poilievre: So you're telling me there was no competitive bid for this latest transaction.

Ms. Janice Cochrane: The latest transaction was—

Mr. Pierre Poilievre: Was there a competition?

Ms. Janice Cochrane: No.

Mr. Pierre Poilievre: There wasn't a competition. Okay.

Ms. Janice Cochrane: No, it was a renegotiation with the existing landlord.

Mr. Pierre Poilievre: So there was no competition whatsoever. You circumvented even having a competition. That's what we've learned just now.

Finally, who asked you to provide a submission to Minister Goodale to proceed with the Place Victoria lease?

Ms. Janice Cochrane: It was the culmination of a process of analysis, based on the client's new requirements.

Mr. Pierre Poilievre: So did anybody ask you to put that forward?

Ms. Janice Cochrane: No.

Mr. Pierre Poilievre: No one?

Ms. Janice Cochrane: No.

Mr. Pierre Poilievre: So you independently went back to the minister and told him that you wanted to proceed with a deal with a real estate provider in which there had been no competition. That was your advice?

Ms. Janice Cochrane: The advice to the minister was that the analysis had been carried out in accordance with Monsieur Drouin's request, and it was consistent with the leasing principles.

Mr. Pierre Poilievre: Okay, I think we have our answer.

Ms. Janice Cochrane: There was an economic advantage to the crown. We were recommending that we would be able to meet the client's operational requirements in a manner that was in the public interest.

Mr. Pierre Poilievre: So it was Drouin who directed you to pursue a deal with Place Victoria without competition?

Ms. Janice Cochrane: Not at all. Monsieur Drouin expressed his wishes and essentially asked us to pursue options to determine whether or not it was possible.

Mr. Pierre Poilievre: That sounds as if he was the one who gave you the direction. He expressed his wishes as a minister.

Ms. Janice Cochrane: Minister Drouin did not give direction to officials in the Department of Public Works.

Mr. Pierre Poilievre: He expressed his wishes, but you said you were acting in accordance with his wishes. It sounds, from your own words, that you were acting on his direction. When you act in accordance with somebody you're following their direction.

Ms. Janice Cochrane: I believe that I said, and if I was unclear on this point let me make myself clear, that we carried out analysis to ascertain whether or not the client's wishes could be respected. That is what the department did.

Mr. Pierre Poilievre: In accordance with Minister Drouin.

Ms. Janice Cochrane: The analysis, carried out in accordance with leasing principles, determined we were able to meet the client's newly defined operational requirements.

Mr. Pierre Poilievre: Why do you believe you did not have to put out to a public tender these so-called new requirements of the client to let all the other participants in that process compete on the same level playing field?

Ms. Janice Cochrane: They weren't the same participants because it was a different property, number one.

The second thing is it was consistent with the government's leasing principles at that time to carry out direct negotiations if there is an economic advantage to the crown. By that time we had determined the lease proposal that was submitted for tender would be a different proposal. We were considering a much lower lease amount and we were also considering a scenario that did not result in any fit-up costs. So the value of leaving the tenants in Place Victoria was a lot less than it would have been.

The Chair: Thank you, Mr. Poilievre.

Just before we go to Mr. Wrzesnewskyj, I have a question, Ms. Cochrane. This has always bothered me in this particular case. I appreciate that you may not be the right person to address the question, but you're the only one here now who was in government.

This situation arose as a sidebar to the auditor's report, and it identified the \$4.6 million. That was in May 2006, long after the events transpired, long after you left the Department of Public Works. But the sidebar referred to this figure. Now we are having testimony from Public Works officials, Mr. Marshall, and many others, including you, that in hindsight the \$4.6 million isn't correct because it doesn't take into account events that occurred after April 2003. My question—and again it may be speculative—is Public Works would have got this report before it was tabled in Parliament, and they would have reviewed it, I hope. Is there any reason why they wouldn't have notified the auditor with a correction disputing the figure she was using? Because they are disputing it before this committee. Do you have any reason to advance on that?

• (1205)

Ms. Janice Cochrane: It is unusual, Mr. Chair. I would only be speculating if I presented any possible reasons that it may have been an oversight.

The Chair: When you were deputy, would you have a practice that if you're audited and you're the chapter we're going in on at Public Works—this was at Public Works—would it not be the practice of the department to closely examine all statements, facts, and assumptions made by the auditor?

Ms. Janice Cochrane: Yes, it would have been a practice. That's not to say it was a perfect process, but it certainly would have been a practice. And one would have expected numbers to have been very carefully examined.

The Chair: We're at the second round, colleagues, and it's five minutes.

Mr. Wrzesnewskyj, for up to five minutes.

Mr. Borys Wrzesnewskyj: Thank you, Chair.

Mr. Polachek, I'm looking at the table for the tendering. Your initial gross rental rate at \$430 is not quite but almost double what the other gross rental rates were. How confident were you going into the tender that you would be able to maintain this lease?

Mr. Gary Polachek: First of all, as you correctly pointed out, the transaction we ultimately concluded was very different from the one we tendered on.

How confident? We had no special confidence other than that was the pricing we felt was appropriate for this building in its market positioning at the time.

Mr. Borys Wrzesnewskyj: Mr. Polachek, you seem to be a pretty savvy businessman. You knew that there were 300 employees there. You know that it's difficult, perhaps even more so, when you get into public servants, because there is a political aspect to it. And moving 300 employees is not an easy process. There are costs involved, and not just financial costs.

When I look at this number of \$430, which you initially quoted, it seems so out of line with the other numbers. Did you initially figure that you would cost some of that discomfort into your particular price because you felt pretty confident that you would win the tendering process?

Mr. Gary Polachek: Actually, it was quite the contrary. The tender requested of us and the other bidders positioned our building as if we had no advantage, because we were asked to rip everything out and start all over. In fact, any confidence we may have had was not related to this tender. You could say that we had, in a way, a competitive disadvantage, because the natural advantage of not investing in the fit-up in a renewal situation was not there.

Mr. Borys Wrzesnewskyj: During the tendering process, did you endeavour to find other potential tenants for that space? It's a large space.

Mr. Gary Polachek: What period of time are you referring to?

Mr. Borys Wrzesnewskyj: I'm talking about the time of the tendering process and the time leading up to the conclusion of the initial leasing contract.

Mr. Gary Polachek: From memory, the space was expiring at the end of March 2003. We're talking about a period of time in early 2002. Given that this was roughly a 60,000-square-foot tenant, certainly that would be within the window or corridor of when we'd be looking at re-leasing the space if we were not successful here.

To answer, when we initially were notified in early April 2002 that we were not selected, we went to the marketplace to market and advertise this space as being available, the three contiguous floors, specifically to the brokerage community.

Mr. Borys Wrzesnewskyj: But prior to being informed that you would not be the landlord going forward, were any efforts made to find potential clients for that space should you not be successful?

Mr. Gary Polachek: I can't recollect whether efforts were made at that time, but certainly a year prior to expiry, which dovetailed with that April notice, would have been the time when we would have commenced our efforts to re-lease the space.

• (1210)

Mr. Borys Wrzesnewskyj: Yet you have no recollection of any part of that process.

Mr. Gary Polachek: I have a lot of recollection. In fact, I not only recollect it, but I reviewed the correspondence in the file. I spoke to our head of leasing, who remains our head of leasing at the company. And I think I have a fairly good understanding of what happened. I can't specifically comment on the initiatives we took to re-lease the space during what was really a very short period of time, from April 1 or April 2, 2002, until the second, third, or certainly fourth week in April, when we'd already had a meeting with Public Works officials regarding a possible renewal.

Mr. Borys Wrzesnewskyj: When the communication arrived that the government was not going to renew this large amount of space, what sorts of emotions went through your head?

Mr. Gary Polachek: You know, it's hard to comment today on emotions relating to the period, but certainly, if that experience happened today, there would be a gulp, and the gulp is that we have an important block of space that we now have to re-lease.

The good news, from our point of view, if you'll permit me, was that this space was among the most prestigious in the building. It is floors 38, 39, and 40.

The Chair: This is your last question, Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: I find it peculiar, because as a businessperson, one would assume that you would take a look at various potentialities and cover off for them, especially when you have 60,000 square feet at risk. The appearance of the numbers seems to indicate a tremendous amount of confidence that you in fact would maintain the lease. You just said that there was a big gulp when the communication came. You hadn't prepared for it. Besides going to the brokerage community, did you have any communication with any elected officials?

Mr. Gary Polachek: No.

Mr. Borys Wrzesnewskyj: Okay. Thank you.

The Chair: Thank you, Mr. Wrzesnewskyj.

Mr. Williams.

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

Madam Cochrane, you made a couple of points. One, you said that at no point in time did you ever consider an intervention by the minister an inappropriate intervention. Does that same statement apply to the leasing of Place Victoria, about which you had a letter from the Secretary of State, Mr. Drouin, saying rework the whole thing? Is that not an inappropriate intervention?

Ms. Janice Cochrane: That was not how we viewed it. We viewed it as a strong statement of a client's wishes. It was not taken to be direction. Had we not been able to achieve the result we achieved with the lower rent for Place Victoria, we would not have been able to respond favourably.

Mr. John Williams: By virtue of the fact that it wasn't a direct order to you, you did not consider it an inappropriate intervention?

Ms. Janice Cochrane: Correct.

Mr. John Williams: Secondly, you said you took this whole revamping of the process as a whole new transaction. You're familiar with the rules of contracting, for getting space, under which, of course, it goes out for competitive bids. For this new transaction, as you describe it, you totally ignored, waived, or abandoned every rule in the book about competitive bidding. Correct?

Ms. Janice Cochrane: In fact that's not true, because competitive bidding is not necessarily the presumption if there is an economic advantage to the crown in negotiating an increased lease period in situ. It means that you don't have the cost of moving. It means that you can deal with the issues around lost productivity of work and so forth. It was quite consistent with the leasing principles that were in effect at the time.

Mr. John Williams: Did that economic analysis take into account that you paid \$2.1 million for empty space over Place Bonaventure?

Ms. Janice Cochrane: At that time we did not know we would incur that expenditure.

Mr. John Williams: I see, but it was a lease that you had signed. Anyway, that's all water under the bridge.

Monsieur Polachek, I was rather taken aback by this letter from Mr. Drouin. I can't imagine that he just woke up one day and said "I think I'm going to interject myself into this leasing process", which he was obviously aware of, and would write a letter saying "Start the whole process again". I would have thought that before that would happen, he would have had some kind of communication with the landlord, who would have said, "Well, you know, I'm kind of disappointed that we're losing a tenant; we have nice space here...", and so on and so forth. He would have then said, "Let me see what I can do".

Was there any communication between you and the other owners of the property, the building managers of the property, people involved in leasing the property or managing the property and Mr. Claude Drouin? How did he know that perhaps the organization should stay in Place Victoria? What kind of communication did you or your colleagues or your employees have with him?

• (1215)

Mr. Gary Polachek: I'll speak for myself, our company, and our colleagues. The answer to that question is no.

Regarding our partners, who at the time were Caisse de dépôt and the Desjardins Group, I have every reason to believe there was no communication, but I cannot categorically say that no one made a phone call. I do not have any reason to believe that such a phone call was made.

Mr. John Williams: I do, Mr. Polachek, because I can't imagine that Mr. Drouin just of his own volition, having no rationale whatsoever, said "I'm going to interject myself into this lease process. These people are going to be moving down the street, and I think they should stay. Yes, I think they should stay. It is important that they should stay because..."—why? We don't know why, other than the fact that it cost the government money. You kept a prestigious tenant in a prestigious space—all these things. You or your company benefited. He involved himself in an administrative process, which was irregular and inappropriate.

I'm trying to find the motivation here, because there must have been communication between you—and I say "you" as the landlord, collectively, your company, your organization, your employees, and so on—and Mr. Drouin, for him to think, "Hmmm, yes, I'm going to write a letter to Public Works, so they think this thing all through again". He also talked to the people at the Economic Development Agency, and they said "Yes, we can reconfigure. We can downsize. We can squeeze in. We don't have to worry about being cozy and tight. We actually like it here, even though it's not a handicapped-friendly building and all that, and we can stay here."

They wanted to move. The economic assessment said move. The tender said move. Then Mr. Drouin says "We're going to change our mind". He doesn't work there. He doesn't participate there. He just oversees the agency. So who did talk to Mr. Drouin?

The Chair: Mr. Polachek.

Mr. Gary Polachek: To repeat, I certainly know I didn't, and that none of our staff had any communications.

Mr. John Williams: I'm skeptical.

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

Thank you very much, Mr. Polachek.

Monsieur Lussier, please.

[Translation]

Mr. Marcel Lussier (Brossard—La Prairie, BQ): Thank you, Mr. Chair.

Ms. Cochrane, you were Deputy Minister from April 2001 to June 2003. Who was the regional director general of the Quebec region for Public Works in Montreal?

[English]

Ms. Janice Cochrane: The regional director general was Monsieur Normand Couture.

[Translation]

Mr. Marcel Lussier: Thank you.

Mr. Chair, I would like to table a document stating that Mr. Normand Couture was officially appointed regional director general on March 17, 2000.

Mr. Polachek, have you ever met or negotiated with Mr. Normand Couture?

Mr. Gary Polachek: Personally, no.

Mr. Marcel Lussier: When the call for tenders was announced, the representative of your company was appointed. That person was

Richard Poirier, the senior vice-president in charge of leasing operations.

Mr. Gary Polachek: That's right.

Mr. Marcel Lussier: Therefore, he was mandated to negotiate. According to the documents, on October 1, 2001, he was the one negotiating the lease. At that same time, your document on Weloga states that you hired a new employee, Mr. Christian Couture, as vice-president of finance in 2001. Is that correct?

Mr. Gary Polachek: Yes, but at the time, Christian Couture was vice-president of finance for another investment company, not of the management company.

Mr. Marcel Lussier: Which corporation was that?

Mr. Gary Polachek: Weloga Corporation.

Mr. Marcel Lussier: Okay. He became Executive Vice President of McGill University only in 2006.

Mr. Gary Polachek: That's correct.

Mr. Marcel Lussier: Okay. Mr. Christian Couture's resumé states that he performs due diligence. Were you aware of this?

Mr. Gary Polachek: Mr. Couture is a chartered accountant. We offer clients of another management company due diligence services when there is a possibility of a purchase or sale.

● (1220)

Mr. Marcel Lussier: Was Christian Couture employed by the Auditor General in 2001?

Mr. Gary Polachek: I don't know.

Mr. Marcel Lussier: I have here a document that mentions the name of Christian Couture. It is the 2001 Auditor General's Report, Chapter 4. Is this the same Christian Couture? I was not able to—

Mr. Gary Polachek: I strongly doubt that it is the same Christian Couture, because at the time, he was working for another real estate company.

Mr. Marcel Lussier: Therefore, he could not have been released from his duties as an accountant to perform an audit with the Auditor General.

Mr. Gary Polachek: I seriously doubt it.

Mr. Marcel Lussier: Mr. Couture began working for Weloga in 2001. Was he involved in the Place Victoria file?

Mr. Gary Polachek: No.

Mr. Marcel Lussier: To your knowledge, is there any relation between Normand Couture, the Regional Director General in Montreal, and Christian Couture, Vice-President of Weloga?

Mr. Gary Polachek: I have no idea.

Mr. Marcel Lussier: According to the documents I have here—

Mr. Gary Polachek: Would you like an answer? I can check with Mr. Couture to see if there is any such relation.

Mr. Marcel Lussier: I would appreciate obtaining an answer to this question.

One of our documents is a letter dated October 6, 2004, sent by Lise Lefort to Guy Collin.

Mr. Gary Polachek: What was Mr. Normand Couture's title and position?

Mr. Marcel Lussier: He is the regional Director General of Public Works in Montreal.

Mr. Gary Polachek: Okay.

Mr. Marcel Lussier: His name comes up frequently in the file.

In one of the documents in the file, dated October 6, 2004, Lise Lefort writes to Guy Collin concerning the offices in Place Victoria. She states that for the next five years, the premises occupied will remain the same.

Was the lease for five years or ten years?

Mr. Gary Polachek: According to the call for tenders, the lease was for 10 years. In the end, we negotiated a renewal of five years.

Mr. Marcel Lussier: That means the lease comes up for negotiation in 2008.

Mr. Gary Polachek: That is correct.

Mr. Marcel Lussier: Thank you.

[English]

The Chair: Mr. Fitzpatrick, five minutes.

Mr. Brian Fitzpatrick: Mr. Gladu had made it abundantly clear to this committee that it wasn't his wish. He wanted to carry on the lease with Bonaventure. And he's an experienced public servant—retired, I believe.

Mr. Mario Arès, who was carrying the ball for Public Works, made it quite clear in his memo that he hadn't received any guidance or instructions from the client to change the specifications or to go into direct negotiations. Basically, he said that the responsibility for this matter had been taken out of his hands and was in the minister's office.

Madam Cochrane, let's be fair here. You were receiving a fair amount of guidance from Minister Drouin's office to enter direct negotiations with the landlord on this property. Isn't that a fair comment? I don't want an explanation, but is it a fair comment?

Ms. Janice Cochrane: The only expression of wish came from the letter that Monsieur Drouin sent to his colleague, Mr. Boudria.

Mr. Brian Fitzpatrick: But he made his preference quite clear in the letter; he thought it would be good to stay in the same premises.

Ms. Janice Cochrane: Absolutely.

Mr. Brian Fitzpatrick: Okay. And for a good public servant, when the minister gives directions like that, it's probably a good idea to give that guidance a fair amount of respect.

•(1225)

Ms. Janice Cochrane: Yes, but that doesn't necessarily mean acquiescence. It does mean that one—

Mr. Brian Fitzpatrick: But you didn't have a dream and wake up in the middle of the night after the end of March and all of a sudden and say “We must cancel this entire process and enter draft negotiations”. There had to be some reason for it, and Mr. Drouin was part of that reason. Right?

Ms. Janice Cochrane: Absolutely.

Mr. Brian Fitzpatrick: Okay.

Back in 2001 there was an extensive analysis done of the needs of the client—extensive. It went on for months on end. There must have been tons of public servants involved in that process. Then when we got into the procurement process, the client actually visited the various sites, which would have been very time-consuming, as well.

You've got to be honest with me. The value of public servants, the cost of public servants, is a cost. It's very important. They're valuable people. So there would have been a fairly significant cost involved with all this analysis and the process in tendering property. Am I not correct in that?

Ms. Janice Cochrane: Yes, that's absolutely correct.

Mr. Brian Fitzpatrick: I know you can't quantify that, but it would be significant.

Ms. Janice Cochrane: Fair enough, yes.

Mr. Brian Fitzpatrick: And nobody has really discussed that cost today either, in any of the analyses, but it is a significant cost.

The thing I'm getting at is that we have this analysis. Everybody said these are the specifications we have to have. They visited all the sites. This was the process, and we got Bonaventure as the lead outfit. But out of the blue, all of a sudden everything changes. Mr. Gladu doesn't change; he wants Bonaventure. But somebody says “All this analyses isn't worth anything. Now we can just go back to the existing premises with no fit-ups or no changes, and so on. It will just suit the department fine.”

It's really hard to believe that occurred in a matter of days. At the end of March there was no thought of this thing happening. Then Mr. Drouin writes a letter early in April, and all of a sudden this is back on the radar screen.

Did you do an...? This is really hard to believe. That's my point. Is this a normal sort of a thing, in your experience as a deputy minister? Is this how we do business in this country?

Ms. Janice Cochrane: No, it certainly was not normal. I don't think anyone disputes the fact that it was Monsieur Drouin's letter that triggered the analysis of other options.

Mr. Brian Fitzpatrick: The other thing I find really hard to accept or understand is that we do all these analyses and then out of the blue in March we back up on it. We say “No problem with Bonaventure. We can just fill that up. We can find clients.”

It's my understanding that we're talking about 300 public servants moving over to these new premises. Did the government of the day suddenly create a new branch of government whereby we could immediately backfill 300 new public servants into Bonaventure? Who moved into this facility? Were they homeless people or people out in the streets who we suddenly decided to move into Bonaventure? Who was the client we moved into this place? And what analysis did we do on that?

Ms. Janice Cochrane: There was analysis done. In fact, both Mr. Gladu and Mr. Couture knew of other demands that were being made to find space for other clients within Montreal. That space was eventually used for those people.

I can't be more precise than that, because I don't know who eventually went in, but I know that Veterans Affairs was one client, as well as, I think, one of the crime prevention units from Solicitor General or Justice Canada. But I do know that analysis was carried out.

The Chair: Thank you, Mr. Fitzpatrick.

Mr. Christopherson now, for five minutes.

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

I want to go back a little, to where Mr. Fitzpatrick was.

Mr. Couture was the regional director general, correct, and the director of client services was Mario Arès?

Ms. Janice Cochrane: That's correct.

Mr. David Christopherson: And you're familiar with him?

Ms. Janice Cochrane: Yes.

Mr. David Christopherson: That sounds like a pretty important role. Client services are the people who deal directly with your client agencies, and this would be the director of that—a fairly senior position.

I'm going to take a moment and reread this. I want to make sure it's in this Hansard, just to bring it to everybody's attention again, and then I have a couple of questions.

This is an e-mail from Mr. Arès. Are you familiar with his e-mail? Are you familiar with the document I'm about to go to?

• (1230)

Ms. Janice Cochrane: Yes.

Mr. David Christopherson: Good.

I'm quoting now:

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

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.

The e-mail from Claude Séguin to Tim McGrath (April 26) contains false information; our IAR clearly states that direct negotiations with Place Victoria are inconsistent with the six principles for renewing this lease on-site, so I do not know why he is saying the opposite. CED never asked for or insisted on accommodation in a Class A or Prestige building (even though this is everybody's wish).

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. I cannot agree to cover in an administrative manner a decision that is difficult to justify financially, because it is costly (the client, CED, had agreed to move to Place Bonaventure, or as a last resort, we could have signed a lease with the second-lowest bidder [CED agreed], which would have been more beneficial to the Crown).

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 to the minister on this matter because it would not say what certain interest groups would want it to say.

First of all, your general reaction to that.

Ms. Janice Cochrane: I am aware of Monsieur Arès' subsequent testimony, in which he acknowledges that he wrote that memorandum based upon an assumption that we were entering into direct negotiations at the tendered lease rate, with all of the attendant fit-up costs that would have been required for greater space in Place Victoria than had been described in the client's operational requirements. He was not aware of the discussions that had been had with the owners of Place Victoria to reduce the lease rate and to look at a more modest proposal.

Mr. David Christopherson: Why not? Why would he not be familiar with that?

Ms. Janice Cochrane: Probably because these events took place within a fairly rapid timeframe.

Mr. David Christopherson: Well, his concern, when he raises it, is that the minister knows more about this than he does, and he's supposed to be the key person.

Ms. Janice Cochrane: That's possible.

Mr. David Christopherson: I understand we're going to dissect this nice and neat, and you'll give us the best answers you can, but when you add all this up, it still stinks.

Ms. Janice Cochrane: I do want to point out as well that Mr. Arès was the author of the memorandum that was sent to Mr. Goodale in June, asking him to approve the lease with Place Victoria. And I do believe his testimony was recanted—

Mr. David Christopherson: That's probably pro forma. I'm not sure that means much; he's just—

Ms. Janice Cochrane: Well, he's the senior person.

Mr. David Christopherson: —doing his job.

Since you seem to be willing to defend a little more than I had anticipated, I'm going to push a little more. Who reacted to this letter from a disciplinary point of view or from a concerned point of view?

Ms. Janice Cochrane: It would have been taken up with the region. I expect that...and I don't know this, but—

Mr. David Christopherson: You wouldn't know anything about that?

Ms. Janice Cochrane: I didn't know anything about it at the time.

Mr. David Christopherson: So you have this kind of allegation, that a minister's office is involved in a file that they shouldn't, from someone who's at a directorate level, and you don't know anything about it?

Ms. Janice Cochrane: I did not know anything about it.

Mr. David Christopherson: Should you have?

Ms. Janice Cochrane: Not necessarily.

Mr. David Christopherson: Why?

Ms. Janice Cochrane: Because it was simply a matter of his not having the correct facts. I believe his own testimony acknowledges that once he had the facts, he did not stand behind that memorandum.

Mr. David Christopherson: Well, he certainly went beyond just a crisp matter-of-fact letter. There are some editorial comments here that are very strong. It seems to me that somebody should have done something about making those kinds of allegations, or do you just allow staff to make editorial comments about ministers' decisions every day?

Ms. Janice Cochrane: Well, I'm certain his regional director general would have taken it up with him, but—

Mr. David Christopherson: But you didn't know anything about that.

Ms. Janice Cochrane: I did not.

Mr. David Christopherson: Does this concern you? I mean, at a practical level do you not agree...? You're a citizen now; say what you want. Do you not at least see why we don't feel this is resolved?

Ms. Janice Cochrane: I think I can speak both as a citizen and as former deputy minister. I think mistakes were made, and assumptions—

Mr. David Christopherson: What mistakes?

Ms. Janice Cochrane: Mistakes were made in terms of perhaps not being appropriately rigorous with the analysis regarding the ability to backfill Place Bonaventure.

Mr. David Christopherson: That's after our point; our point is still about the decision to back up in the first place.

Ms. Janice Cochrane: I think at the time there was a desire to see whether the changed requirements on the part of the client could be accommodated in a manner that was in the public interest and still consistent with leasing principles, and that is what occurred.

Mr. David Christopherson: Here we go, with great respect, around and around the mulberry bush, and we still can't find anybody who will step forward to acknowledge being the responsible party who made the decision and to acknowledge that's why this is happening. I'm somewhat disappointed, I must say, in your performance.

Thank you, Chair.

The Chair: Go ahead, Mr. Hubbard.

Hon. Charles Hubbard: Thanks, Mr. Chair.

We've followed this around and around, but it seems to me to be rather a simple problem that cost somebody some money.

Madam, you indicated your department negotiates about 700 leases a year. Is that correct?

• (1235)

Ms. Janice Cochrane: It is about 500 to 700 leases a year.

Hon. Charles Hubbard: Out there somewhere in the public domain, then, we probably have 5,000 or 6,000 or 7,000 leases. Is that correct?

Ms. Janice Cochrane: Yes.

Hon. Charles Hubbard: You have a tenant in one of these leases who's been there a considerable length of time, and somehow to your department comes a request that maybe you should go to the public to get a new place, or at least a new competition, for that tenant. As a result of that drafting of your proposals, your department comes to the conclusion that Place Bonaventure is the place that won the best

offer from the public to the Government of Canada as a place to rent, and in good faith you rent that space.

Ms. Janice Cochrane: Correct.

Hon. Charles Hubbard: It's my understanding that shortly afterwards it came mainly from the employees of CED that they were upset about moving. They had been there and they were comfortable, like anybody in their house. They were comfortable where they were.

Somehow Mr. Drouin writes a letter asking if you could possibly reassess the situation and consider a stay at Place Victoria. With that, in due diligence your group looked at that prospect in terms of what might be renewed and the costs that were just placed on your table about comparable accommodations at another place in the same city. Somebody does the costing and says that maybe it's in our best interests, because we can rent this other space to somebody else in the public service or with some other client, and you think that in the long term it's probably in the best interest of the government and in the public interest.

Is that the correct assumption of what happened?

Ms. Janice Cochrane: That is indeed the correct assumption, and that was the basis upon which the recommendation was made to Mr. Goodale to proceed with signing the extension with the owner of Place Victoria.

Hon. Charles Hubbard: With that, along comes the Auditor General. Her department looks at all that is happening, and they say Place Bonaventure wasn't rented to somebody else as quickly as your department had assumed it would be, and there was an empty building for a period of time. I could take you out to one out here on the outskirts of Ottawa that's been empty for over a year. In fact, Mr. Poilievre, you should know that building very well.

With it, somehow a report is written with a figure of \$4 million. We're not sure, Mr. Chair, whether that is the real amount or whether it was the quick amount in terms of a short-term look at that particular project.

Can we eventually determine whether, over the long period...? We have a new five-year lease, Mr. Polachek, that comes due this year. Is your company looking back and thinking it has to meet similar requirements, and the lease is up? When exactly is it up?

Mr. Gary Polachek: Actually, we were notified that they will be relocating; they will not be renewing. In fact, we've signed a lease commitment with another company that will be taking over that space.

Hon. Charles Hubbard: Why did you lose it this time?

Mr. Gary Polachek: Very similar to the initial tender back five or six years now, Public Works requested a complete refit of the premises. Actually, the transaction that we concluded, from our perspective, will be financially more advantageous than having lost that deal, so I guess that would support our pricing.

Hon. Charles Hubbard: Have you seen a new tender for proposals for a new space for the CED group? Is there a new tender out?

Mr. Gary Polachek: This has been done already. This transaction was concluded.

Hon. Charles Hubbard: Was there a tender?

Mr. Gary Polachek: Yes, there was a tender.

Hon. Charles Hubbard: And you didn't compete in that new tender.

Mr. Gary Polachek: We did compete.

Hon. Charles Hubbard: You lost.

Mr. Gary Polachek: Right.

Hon. Charles Hubbard: They are going to move then.

Mr. Gary Polachek: Right.

Hon. Charles Hubbard: Are you comfortable with what has happened this time?

Mr. Gary Polachek: We're comfortable because we released the space. Following notice that we were not going to be keeping them, we went ahead and made other arrangements and we concluded that transaction in December 2007.

Hon. Charles Hubbard: It seems like this time you're happy with the loss of a tenant, but five years ago you were concerned. What variable has changed in the last five years?

Mr. Gary Polachek: I guess replacement with a new tenant. At the time that we received notice we were not happy, and between the period that we received the notice of non-renewal and finding the new tenants, it was the same gulp. The difference is right now, with the passage of time, we've secured that inventory.

• (1240)

Hon. Charles Hubbard: Finally, you've seen what happened with the new lease. What difference competitively was there between the old lease and the new lease? In other words, how much more is it costing the Government of Canada this time, as opposed to what they're paying your company on a per square foot or per square metre basis?

Mr. Gary Polachek: As part of preparing for today, I did not take a look at that. I don't have that information.

Hon. Charles Hubbard: Perhaps, Mr. Chair, somebody could look into it.

Thank you.

The Chair: The last examiner is Mr. Poilievre.

Mr. Pierre Poilievre: I have a question for Madam Cochrane.

Was a gentleman by the name of Albano Gidaro placed in the department any time throughout the duration of the events we are discussing today?

Ms. Janice Cochrane: I'm not familiar with that name.

Mr. Pierre Poilievre: You have not heard it before.

Ms. Janice Cochrane: No.

Mr. Pierre Poilievre: Okay.

Secondly, were you aware of any activity by the minister's office that would suggest, paraphrasing Mario Arès, that interests other than the sound management of public funds were served?

Ms. Janice Cochrane: No, I'm not.

Mr. Pierre Poilievre: I'm going to conclude by addressing what I believe to be the core contradiction that led to the \$4.6 million in

waste identified by the Auditor General, and that is, that you and other public servants clearly identified that the Place Victoria option was not the best option for taxpayers. A retroactive justification seems to have since been contrived, but all of your own writings indicate the contrary. I want to know why you thought it was possible to change the rules of the game after the game was over, and then award the prize to the guy who finished fourth.

Ms. Janice Cochrane: First of all, in the competitive process, the tender process, the winning bid actually was the person with whom we signed the lease, so that transaction was finished. When we began to negotiate with Place Victoria, we did so on the basis of an analysis that determined that there would be an economic advantage to the crown. The amount of space that the client was looking for was reduced. The amount of fit-up that they were looking for was reduced, and also the value of the rent.

Mr. Pierre Poilievre: With respect, you have said that before a number of times, but I would think that if the client were asking for essentially a different product—a different space, different specifications—then you would issue a public tender, a public competition, under the new guidelines the client was seeking, instead of just awarding it automatically to the incumbent. Why would you have done a competition in the first place then?

Ms. Janice Cochrane: We did a competition in the first place because the amount of space that was required by the Economic Development Agency was more space than they were occupying at Place Victoria. It wasn't just a new lease for the same space, so when the requirements changed, we looked at the leasing principles. The leasing principles do not require that you go to tender each and every time you extend a lease. In fact that could be—

Mr. Pierre Poilievre: But you had done that before. Why didn't you just extend the lease in the first place?

Ms. Janice Cochrane: It wasn't the same thing, because they wanted more space. Initially they were looking for more space. This time they were looking for an extension of the lease for the same amount of space they were occupying.

Mr. Pierre Poilievre: We're just going back around in circles, around and around and around.

I think you've done a very good job being loyal to your former ministers and political masters, but I think, at the same time, it has not reflected well on you, because you're not giving us the answer we're seeking.

The Chair: I don't think you can make personal comments here. The witness—

Mr. Pierre Poilievre: Chair, I know that this is very sensitive for you and your party, but I'm not going to be silenced by your gavel.

The Chair: Well, you are. You've made an inappropriate comment, and I'll ask the witnesses to disregard it.

Mr. Pierre Poilievre: I know that this is an embarrassing file for you and your party, but that's just the reality you're going to have to get used to.

I'll give you one last opportunity to explain what interest could possibly have motivated this waste of \$4.6 million by the Auditor General.

Ms. Janice Cochrane: The figure, I understand, that results in a loss to the crown, essentially, was \$2.1 million, not \$4.6 million.

I frankly don't think there's anything sinister in this file. There were errors made and judgment calls made that maybe, in the fullness of time, might have been different. But I think that while it was unusual, due process was respected, and there was no inappropriate interference by ministers.

• (1245)

Mr. Pierre Poilievre: Do I have more time?

The Chair: You have 37 seconds.

Mr. Pierre Poilievre: Okay, sorry, I thought you were indicating that I was out of time.

I have one last question. Have you ever met Mr. Claude Drouin, Mr. Polachek?

Mr. Gary Polachek: I don't think so.

Mr. Pierre Poilievre: Oh, wait a second here. This is something I would think you would remember.

Mr. Gary Polachek: No.

Mr. Pierre Poilievre: Okay, so we went from "I don't think so" to "no". Are you sure?

Mr. Gary Polachek: No, I have not met Mr. Drouin.

Mr. Pierre Poilievre: Are you sure?

Mr. Gary Polachek: I'm sure.

Mr. Pierre Poilievre: Okay. Have you met any members of his staff?

Mr. Gary Polachek: I do not believe so.

Mr. Pierre Poilievre: Have you met Mr. Gagliano?

Mr. Gary Polachek: No, I have not.

Mr. Pierre Poilievre: Okay. I was just very interested to see that there was some hesitation there. You have the chance to clarify once and for all, and I will give that to you. Are you sure that you've never spoken to Mr. Claude Drouin?

Mr. Gary Polachek: That's correct.

The Chair: Mr. Poilievre, would you—

Mr. Borys Wrzesnewskyj: Point of order, Chair.

The Chair: Go ahead, Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: I bring this up after Mr. Poilievre completed, because I did not want to interrupt what could have been an important series of questions. But prior to you pointing out to Mr. Poilievre that he had additional time available to him to ask questions, he made a comment that called into question your non-partisan approach to chairing this committee.

I think the very fact that you pointed out to Mr. Poilievre immediately afterwards that he had additional time he wasn't aware of...

We heard apologies at the start of this meeting. I believe that an apology is due to the chair for calling into question his integrity in the way he proceeds and chairs our meetings. I think it is quite inappropriate.

Obviously, it's up to Mr. Poilievre to decide whether in the heat of the moment he got somewhat carried away.

The Chair: I think we'll just move on.

Thank you very much on behalf of the committee. I want to thank you, Mr. Polachek and Ms. Cochrane, for being here. I want to thank you very much.

These events occurred six years ago. You have to go back and refresh your memories, and it's not been an easy process. So I really want, on behalf of the committee, to thank you very much.

Do you have any closing comments?

Mr. Gary Polachek: I'm sorry, I have no closing comments. But who should the follow-up information be addressed to?

The Chair: It should go to the clerk, and the clerk will deal with you directly, Mr. Polachek.

There's one other item of business to come before the committee, and that is the motion from Mr. Wrzesnewskyj, and we will deal with that right now.

The motion is probably before the committee. For the record, I will read it:

As the Auditor General's report of October 2008, chapter 4 noted that 75% of soldiers who had reported mental health problems or disorders did not receive sufficient help; and Brigadier General Hilary Jaeger noted in her testimony that 27% of returning soldiers from Afghanistan have mental health issues ranging from substance abuse to depression and post-traumatic stress disorder; therefore the Public Accounts Committee calls upon the Auditor General to do an audit of the military health care provided to returning soldiers from operations in Afghanistan, with a special emphasis on the 27% screened to have significant mental health issues.

That is the motion. I'll ask Mr. Wrzesnewskyj to comment, but before I do that, at the last meeting one of the members, and I believe it was Mr. Sweet, brought up that one of the other committees is touching on this issue. I thought from something I read that maybe the Senate is also, and I'm going to ask the analyst to speak to that.

Mr. Alex Smith (Committee Researcher): Thank you, Mr. Chair.

I have checked with various analysts of the other committees that might be involved. The House of Commons Standing Committee on National Defence is currently undertaking a study on the delivery of health care services to the Canadian Forces with a particular focus on post-traumatic stress disorder. The House of Commons Standing Committee on Veterans Affairs tabled last June a report on support for veterans and other victims of post-traumatic stress disorder and other operational stress injuries and is currently undertaking a wide-ranging study on the veterans health care review and as part of that study is touching on the Department of National Defence and its services with respect to mental health and other operational stress injuries.

• (1250)

The Chair: Thank you.

Mr. Wrzesnewskyj.

I'm going to put a little closure on this. Two minutes for you, Mr. Wrzesnewskyj, and then we can entertain up to four or five interventions of one minute each.

Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Thank you, Chair.

I think all of us here in this committee were quite astounded by some of the numbers and the percentages of the report. We're sending some of our best from Canada into a very dangerous area to fight a war, and they go knowing that they may pay the ultimate cost, but we're also sometimes unaware of the other costs.

It's well noted when someone dies—it just happened again this past weekend, and those sacrifices are always well noted. But the study seemed to indicate that there were very many who were suffering in silence. In fact, 75% of the soldiers reporting mental health problems said they weren't receiving the health care they needed.

I think it's up to public accounts to ask the Auditor General to do a performance analysis on this particular issue, especially when you consider that 27%, one of every four soldiers returning, are suffering some sort of mental health issues. Of that number, about 10% are suffering post-traumatic stress, so I believe this is something we should pay particular attention to. We should have the Auditor General go in there.

I noted that the defence department is doing its own review, but it's always good to have that oversight that an Auditor General can provide to really get into some of the numbers and see what in fact are the current things. We really do want the best for our men and women in uniform serving in a war zone.

The Chair: Thank you, Mr. Wrzesnewskyj.

Mr. Williams, for up to one minute.

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

First, there's a typo. It's October 2007, not October 2008, presumably, for the report.

I think that we're jumping the gun here. The Auditor General, as we know, always does things retrospectively, not proactively, and we have these reports or these investigations going on, as our analyst has indicated. The government is fully aware and the government is going to make some changes. The government realizes that they inherited a situation that perhaps is far from perfect and therefore has to be fixed.

I think that a couple of years from now we will want to know what has been done and what has changed to make sure that at that point in time, if we're dissatisfied, we can send in the Auditor General to ask how the situation is now. We know there is a problem. There is no point putting in the Auditor General to confirm the problem. We know there are procedures in place to fix the problem. That is outside the Auditor General's mandate. So let's wait until that happens. Therefore, I feel we should defeat the motion, Mr. Chairman.

Of course I always do respect, as Mr. Wrzesnewskyj pointed out, the bravery of our soldiers and the fact that they are standing up for Canada, freedom, and democracy around the world, and we do want to ensure the best for them, but this motion is not the appropriate way to do it.

The Chair: Mr. Sweet, for up to one minute.

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

I concur with my other colleagues in a very profound way of the value that we have for those men and women who are in uniform defending our freedoms—always. We have been involved at the veterans affairs committee with an extensive health care review and have been focused in quite a significant way on post-traumatic stress disorder to the point that we've had before us not only those who have suffered PTSD, but also clinicians as well as witnesses from the new OSISS clinics that are right across the country, and have heard testimony about a buttressing of services overseas with psychiatric personnel in theatre.

In the case of resources, I think it would be much more prudent on our part, since we are a committee of accountability, to wait until we get those reports completed. If Mr. Wrzesnewskyj then still feels that the Auditor General needs to investigate, then so be it.

The Chair: Mr. Christopherson, you have up to one minute.

Mr. David Christopherson: Thank you, Chair.

I don't think there's anybody on this committee who is not supportive of the intent that Mr. Wrzesnewskyj has, and I'm not opposed to the arguments that Mr. Williams makes; I'm just not comfortable voting up or down. Regardless of how you look at it, it's going to boil down to if you think this is important enough to warrant asking the AG to do this. That's a way it could be framed.

I have a suggestion, through you, Chair, of a friendly amendment, or wording...

Borys, this is directly to you. It's okay, I don't expect you to hang off every word I say. But I wondered if you would consider that we send correspondence—maybe with this motion—to the AG asking her opinion on whether or not, in light of work that's being done in other committees, this is timely and whether it's the right focus, and then get her feedback. Then we can make a determination, rather than trying to guess whether the other two committees are catching.... The last thing any of us want is to duplicate things. The last thing any of us want is to leave a gap of work to be done in this area. So maybe we could ask her what would be the best way to go in terms of content of a motion, or direction to her request, and timeliness of it, and that way we can be a little more precise.

Those are just my thoughts. Thanks.

● (1255)

The Chair: I'm going to get a response from Mr. Wrzesnewskyj on that issue, because it is directed to him. But I will point out that procedurally, it's really not an amendment, it's a whole new motion, so it would require consensus of the crowd here.

Mr. Wrzesnewskyj is next, and then I'm going to go to Monsieur Laforest. Then we'll put the question.

Mr. Borys Wrzesnewskyj: My understanding of those two particular reports is that one is much, much broader in scope and it doesn't just focus in on the troops returning from Kandahar and any particular problems, etc. So it's just a broad study. The other study, although narrower and looking at people returning from Afghanistan, is a study being done by National Defence.

I always believe that there is an important role to be done by this committee and the Auditor General, and especially in cases.... We're not talking about money here; we're talking about human lives.

Mr. Williams had stated that he seems to agree with the intent of this—I think all of us do—and he seems to feel that we should wait a couple of years. I'd just like to point out that there have been multiple rotations. This has ended for many of those soldiers, and many of those soldiers are walking wounded. I think that this is a special situation, where we should begin the process expeditiously, especially when you think of the sacrifices that are being made.

Mr. John Williams: I have a point of order, Mr. Chairman.

Mr. Wrzesnewskyj made reference to the fact that I said to wait a couple of years. I said the Auditor General does an analysis retrospectively. We know there's a problem. She's just going to confirm that today. I say there are things in place—Mr. Sweet from the veterans affairs committee pointed that out—to fix these problems, and if we want a detailed analysis by the AG, why don't we wait until such time as these new changes are implemented? That's what I meant about a deferral. I didn't in any way, shape, or form suggest that the issue of mental health of the troops was unimportant.

The Chair: I didn't interpret that.

Monsieur Laforest, and then we'll put the question.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you, Mr. Chair.

Mr. Williams stated that the government is well aware of the situation. I have the impression that the government is more aware of the situation than the people who have testified before this committee and who are responsible for the health of CF members. We received very few answers to our questions. I understood that there is a database that it is not yet completed. We heard that 27% of

the soldiers having served in Afghanistan have mental health problems, but I think that number might be higher. The people to whom we put our questions were not even able to answer them properly.

A detailed audit by the Auditor General is an additional tool we can use to help CF members. They have major health problems and we cannot stand idly by. On the contrary, we need to act as quickly as possible because when the Auditor General steps in, she has a great deal of credibility, and that helps us move forward. Therefore, I will be voting in favour of this motion.

[*English*]

The Chair: For clarification only, go ahead.

Mr. Brian Fitzpatrick: If a motion like this is passed, does the Auditor General really have to take her marching orders from this committee?

The Chair: No. I'll address that, Mr. Fitzpatrick.

No one should be under any illusion that the auditor has to follow these motions. Our experience in the past is that she takes them seriously, but if she's of the opinion that it's not necessary or desirable at this time, she probably will not. That's my understanding.

(Motion agreed to: yeas 6; nays 5)

• (1300)

The Chair: That letter will go out to the Auditor General with a copy of the motion.

We'll be back on Thursday at eleven o'clock at a different location. It's in the Wellington Building.

The meeting is adjourned.

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