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**Chair**

**The Honourable Shawn Murphy**

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•(1105)

[English]

**The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)):** I'd like to commence the meeting.

I want to extend to everyone a very warm welcome to today's meeting. *Bienvenue à tous.*

This meeting, colleagues, is called pursuant to Standing Order 108, chapter 7, "Acquisition of Leased Office Space", in the May 2006 report of the Auditor General of Canada, referred to the committee on May 16, 2006.

We have before us two witnesses. From now until 12 o'clock we have the Honourable Alfonso Gagliano, former Minister of Public Works and Government Services, and from 12 to 1 we have the Honourable Ralph Goodale, who, at a later time, was also a former Minister of Public Works and Government Services.

I want to extend to you, Mr. Gagliano, a welcome to the committee. Can you hear me okay? Is the technology working?

**Hon. Alfonso Gagliano (As an Individual):** Yes, sir, I can hear you perfectly well.

**The Chair:** One of the members is asking if you can see us.

**Hon. Alfonso Gagliano:** I can see you and the clerk.

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

What I'm going to do is ask Mr. Gagliano if he has an opening statement. Then we are going to have one round of eight minutes each, so I urge members, if you want other caucus members to speak, to share your eight minutes. The Liberals have two eight-minute segments, the Conservatives have two, and the NDP and Bloc each have one.

Mr. Gagliano, have you any opening comments or a statement?

**Hon. Alfonso Gagliano:** No, sir. I have no statement.

**The Chair:** You have no statement. Thank you very much.

The first round belongs to the Liberal Party, and the only Liberal member I see present is Mr. Hubbard.

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

First of all, Mr. Gagliano, thanks for participating in our inquiry. We've been involved with this for some time.

Have you followed some of the evidence, some of the information the committee has already dealt with? Or, since you are quite a

distance from us, have you not been able to get the information we have?

On the last day we heard from the deputy minister, Madam Cochrane. Are you familiar with the information she gave to this committee?

**Hon. Alfonso Gagliano:** Yes. Just this morning, on arriving here, I received a copy of the blues from the meeting, and I read them, so I am familiar with what she said.

**Hon. Charles Hubbard:** When you looked at the information she offered and the questions that were asked, did you think of any information to offer this committee? Do you have any different points of view?

**Hon. Alfonso Gagliano:** No. Really, I found it a little bit strange that I was called to this committee. I left the department in January 2002, while the tendering process was going on, so I'm not familiar whatsoever with what took place after I left the department.

**Hon. Charles Hubbard:** During the tendering process, Madam Cochrane was the deputy, and as the minister, I suppose, being from Montreal, you might have seen an ad in the paper or on a website for office space. Was anything brought to your attention during that time in terms of the tenants that were there or the different groups that might be competing in that open bid to provide space for the group?

**Hon. Alfonso Gagliano:** No. That was the first time, and the only time, on July 31, I believe, that I received a memo from the then-deputy minister, Janice Cochrane, informing me that the department was proceeding to go to tender to acquire space for Canada Economic Development. That was an information memo. I had no comments. They proceeded, and that was the last time and the first time I heard of it.

**Hon. Charles Hubbard:** With the apparent competing bids that were offered to the department, it appeared that a new location was chosen originally and of course was tendered for by Public Works and Government Services.

Were you aware of any conflict between landlords in the Montreal area over the bidding process?

**Hon. Alfonso Gagliano:** No, sir.

**Hon. Charles Hubbard:** With the group that did get the bid, Place Bonaventure, are you familiar with the owners of that complex?

**Hon. Alfonso Gagliano:** Not at all. The only thing I knew about Place Bonaventure was that Canada Lands, a crown corporation, used to have an interest in that building and sold it before this tendering process. I think they sold their interest a couple of years before. As you recall, I was then the minister responsible for Canada Lands. That's my only link to Place Bonaventure. I didn't know who bought it and who the other owners were.

**Hon. Charles Hubbard:** It appeared that when the tender was complete at Place Bonaventure, the group was to move, and observations were raised that maybe that group, the CED, would not be moving or did not want to move.

Were you involved with any information that led you, as minister, to believe the CED group did not want to move from Place Victoria to another location?

**Hon. Alfonso Gagliano:** No, sir, I had no information to that effect.

• (1110)

**Hon. Charles Hubbard:** The deputy indicated yesterday, or Tuesday, that probably between 500 and 700 leases were consummated each year. Would this lease have drawn any more attention to you, as minister, than some of the other 500?

**Hon. Alfonso Gagliano:** To my recollection, no. The only involvement I had was in receiving and reading a memo from the deputy minister on July 31 that they were proceeding according to the guidelines, and that's it.

**Hon. Charles Hubbard:** The information we have is that after the awarding of the lease, a letter was drawn up from the minister at the time, Claude Drouin, indicating some concerns he had from the CED group that maybe they didn't want to move.

At that time, where were you in terms of the cabinet? I have trouble remembering all these dates, but there was a change in ministers.

**Hon. Alfonso Gagliano:** Yes. I was in Denmark—Copenhagen, exactly. I had resigned as the Minister of Public Works and Government Services and a member of the House of Commons on January 15, 2002. In the middle of February I went to take my post as the Canadian ambassador to Denmark. I was there for two years.

**Hon. Charles Hubbard:** With this—

**Hon. Alfonso Gagliano:** Far away from Ottawa, sir.

**Hon. Charles Hubbard:** When the change was made, certainly from your distance in Copenhagen, you were not involved with any change in occupation or occupancy in terms of the two real estate companies.

**Hon. Alfonso Gagliano:** The first time I found out about this is about a month, or a month and a half ago, when I read on the Internet in *La Presse* that the committee was contemplating calling me back. I asked, what for? I was no longer the minister. Anyway, here I am.

**Hon. Charles Hubbard:** Thank you, Mr. Chair.

I don't think this witness has any information that would be of benefit to us. It would be nice this morning to be in Florida, or wherever, when we had a foot of snow yesterday and a lot of cold weather this morning.

Thank you for giving your time to come to the committee.

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

**Mr. John Williams (Edmonton—St. Albert, CPC):** Was this a suggestion by Mr. Hubbard to move the committee to Florida?

**The Chair:** We could. If you want to make that motion, we could go to—

**Some hon. members:** Oh, oh!

**The Chair:** Thank you, Mr. Hubbard, and thank you, Mr. Gagliano.

Mr. Laforest.

[*Translation*]

**Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ):** Good morning, Mr. Gagliano.

**Hon. Alfonso Gagliano:** Good morning.

**Mr. Jean-Yves Laforest:** You were wondering why the committee wanted to meet with you. It is because you were Minister of Public Works and Government Services for five years and we are having trouble understanding how decisions are made within that department, particularly regarding the leasing of office space at Place Victoria and at Place Bonaventure. We have had a few meetings on this issue. You may have a good idea of the ties that bind Public Works and Government Services Canada with another department, the Economic Development Agency of Canada. You were there long enough.

Two days ago, we heard from Ms. Janice Cochrane, who was your deputy minister and also served as deputy minister to those who followed you. She was telling us that the lease that was signed with Place Victoria was, in her opinion, a routine lease. Do you agree with that statement? Judging from your own experience, was it really a routine lease?

**Hon. Alfonso Gagliano:** First of all, I was not there, I do not have all the facts. I left the department on January 15, 2002, and I believe that this happened in April 2002, therefore three months after my departure. It is obviously an unusual case. In fact, if my memory serves me well and if the documents that I read over the last few days are correct, a call for tenders was launched in February 2001 and the bids were open, I believe, a week after I left, at the end of January 2002. The winning bid was announced and the bidder was informed. As I was saying when I was there, it is a little late in the process to start changing your mind.

However, Ms. Cochrane said that they did an analysis, after having received the request from the new Minister of Economic Development Canada, and they decided that it was possible. I do not have the data from that analysis, I was no longer there. I was not the one who made the decision, therefore I cannot comment. You'll understand that it is a hypothetical question for me.

• (1115)

**Mr. Jean-Yves Laforest:** After Ms. Cochrane told us that it was a routine lease, I told her that the fact that two different premises had been rented for the same department did not appear to be routine to me. Was there ever such a situation when you were the minister?

**Hon. Alfonso Gagliano:** If memory serves me well, no.

**Mr. Jean-Yves Laforest:** After having told us that it was a routine lease, Ms. Cochrane, in answer to my questions, told us that we were right and that it was not a routine situation. The department—of which you were minister for five years—had developed the operating rules under which, when a lease was up, rather than negotiating directly with the landlord where the department was located, the department had to launch a call for tenders.

Were these new rules enacted or adopted under your watch?

**Hon. Alfonso Gagliano:** Rules are constantly being refined. I wouldn't want to mislead you. I think that some rules were in place before I came to the department. Improvements are made every year. I must say that department officials met with me on a number of occasions, under other circumstances, asking me to choose direct negotiations rather than a publicly advertised tendering process. In the case at hand, the deputy minister's memo of July 31 that I have before me—and I would like to thank the committee and Public Works and Government Services Canada for having provided me with these documents so that I could prepare my appearance before you today—clearly states that an analysis was conducted and it showed that it would be more cost-effective for the government to go to tender. The decision was made, and the call for tenders was conducted according to the rules and procedures. An ethics advisor even reviewed the whole process, and the lease was awarded to the lowest bidder.

**Mr. Jean-Yves Laforest:** You said that this didn't happen when you were minister, but would you have accepted, during your tenure, that Public Works and Government Services Canada sign two leases, with two different companies, for the same department?

**Hon. Alfonso Gagliano:** I repeat that I was not there when the deputy minister presented the case analysis that established whether that was possible or not. Without knowing all the facts, I would say no, but I cannot give you a categorical answer because I do not know the gist of the analysis. According to Ms. Cochrane's testimony, she said that the analysis showed that it was possible because there were other tenants who needed space and—

**Mr. Jean-Yves Laforest:** However, that is not what the Auditor General said.

**Hon. Alfonso Gagliano:** I know. I am trying to explain Ms. Cochrane's recommendation to Minister Goodale. I was not the minister. If she had made the same recommendation to me, would I have accepted? I do not know because, as I told you, this is all hypothetical, and you know better than me that, in politics, giving hypothetical answers is going down a quite slippery slope.

**Mr. Jean-Yves Laforest:** Mr. Crête will use my remaining time to ask the next question.

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Good morning, Mr. Gagliano.

You were minister until January 2002, but we were told that, on December 13, 2001, your office had requested information on all the leases in the greater Montreal area, among others. At the time, were you made aware of that request and the reason why it had been made?

• (1120)

**Hon. Alfonso Gagliano:** I was not informed of that request, as I told you, but from the time when I became political minister or

minister responsible for Quebec, we received many information requests. We decided to look at that more closely, that is to obtain information from our officials. My office had regular meetings with officials to obtain the information in order to respond to queries sent to us, whether from members, entrepreneurs or people concerned. That explains those requests.

**Mr. Paul Crête:** Thank you.

At any given time when you were minister, did you hear questions being raised about the move, on whether it was relevant or not? While you were minister, did you receive such information, whether orally or in writing, or did you discuss the issue?

**Hon. Alfonso Gagliano:** No.

**Mr. Paul Crête:** Very well, I thank you.

[English]

**The Chair:** *Merci beaucoup, Monsieur Crête.*

Mr. Poilievre, you have eight minutes.

**Mr. Pierre Poilievre (Nepean—Carleton, CPC):** Thank you very much, Mr. Gagliano. I can understand your frustration in this. If I understand your sentiments correctly, it's sort of like you've been blamed for everything that has gone wrong in the old Liberal government, and now we've had witnesses here who by implication have just suggested that this was all your fault as well. I'm not convinced that it is entirely your fault, but I think it's good to have you here as—

**Hon. Charles Hubbard:** On a point of order, Mr. Chair, I'm not sure Mr. Poilievre has any information that other witnesses have placed blame on somebody.

Have they placed blame? Are you saying that this morning, Mr. Poilievre?

**The Chair:** I don't recall anybody—

**Hon. Charles Hubbard:** I've looked at the information, Mr. Chair. Maybe the clerk could provide it.

**The Chair:** We have no information that anyone suggested blame on Mr. Gagliano.

Go ahead, Mr. Poilievre.

**Mr. Pierre Poilievre:** Mr. Gagliano, why did Jean-Marc Bard put a hold on the Place Victoria tendering process?

**Hon. Alfonso Gagliano:** First of all, the first time I learned about that was by reading the documents and electronic e-mails that were exchanged. As I answered Mr. Crête before, my staff was regularly meeting with the officials from Public Works and Government Services, not just on this file but on different files, to get information, so that as regional ministers who were receiving a lot of demands for information we could answer those requests in a timely fashion. I have to assume from reading the documents, because I was not made aware that there was a hold or not, that they were asking questions and were not getting answers, and they were waiting for the answers.

**Mr. Pierre Poilievre:** Okay. But your staffer, Mr. Bard, put a hold on that. Why did he do that?

**Hon. Alfonso Gagliano:** He was my executive assistant.

**Mr. Pierre Poilievre:** Okay. I don't think you've answered that question.

The second question is, have you been in contact with Mr. Bard recently?

**Hon. Alfonso Gagliano:** Yes. When I received the convocation of the committee, I called Mr. Bard and asked him if he had any knowledge, any recollection, of this file, and he said he had no recollection.

**Mr. Pierre Poilievre:** What is his phone number? We're trying to get hold of him.

**Hon. Alfonso Gagliano:** If you wish, I can give the phone number to the clerk. I don't think it's appropriate that everybody have it. After the meeting this afternoon or tomorrow, I'll be glad to give the phone number I have to the clerk.

**Mr. Pierre Poilievre:** Why did your office ask that it be informed of any leases coming up for competition in the Montreal area for 500 square metres or greater when across Canada it wanted to be made aware only of those involving 2,000 square metres or more?

**Hon. Alfonso Gagliano:** I believe it was not only for Montreal but for the whole province of Quebec.

•(1125)

**Mr. Pierre Poilievre:** It was back then that you were the minister for all of Canada. You were the public works minister for all of Canada.

**Hon. Alfonso Gagliano:** Yes, I was public works minister for all of Canada. I was also the regional minister for the province of Quebec. Therefore, as a regional minister I needed more information to facilitate the flow of answering queries and questions that were coming to me. My staff and I decided to have regular meetings and get involved in more transactions. That's why we reduced the bar for the amount of square feet for the province of Quebec.

**Mr. Pierre Poilievre:** Have you ever met Lino Saputo?

**Hon. Alfonso Gagliano:** I know Mr. Saputo. He's a prominent member of the Italian community.

**Mr. Pierre Poilievre:** How long have you been a friend of his?

**Hon. Alfonso Gagliano:** For many years.

**Mr. Pierre Poilievre:** Did he get in contact with you or did you speak to him prior to this lease having come up for Place Victoria?

**Hon. Alfonso Gagliano:** Not at all. My encounters with Mr. Saputo were social. We never discussed any of his business or any of my business; therefore, there was never any discussion on government business.

**Mr. Pierre Poilievre:** Did you or anyone in your office ever communicate to the department a preference to terminate the open competition?

**Hon. Alfonso Gagliano:** Not that I know of.

**Mr. Pierre Poilievre:** But you're aware, as you just indicated seconds ago, that Mr. Bard did just that—and he was on your staff.

**Hon. Alfonso Gagliano:** If you go through the minutes, Mr. Arès, I think, said very clearly before you that it didn't stop. He asked the officials to continue doing their analysis until he could get some answers to the question I was asking. So I—

**Mr. Pierre Poilievre:** No, that's actually not true. He did not ask for information to get the process going. He actually did the exact opposite, according to the documentation we have. He stopped the

tendering process and stopped the public servants from going forward with the process.

**Hon. Alfonso Gagliano:** I think the word in the documents is “halt”. But again, this is an interpretation of the mail the officials were exchanging.

But let me remind you that the tendering process had not started. These were discussions that the client department had with Public Works, and they were preparing the documents for the tendering process.

Also, if you look at the e-mails—

**Mr. Pierre Poilievre:** Excuse me, you're running down the clock here, and it's just not true.

I have an e-mail from Suzanne Cloutier, who says, in an e-mail to other public servants:

For your information, here are the results of the meeting with JM Bard about the following files: Canada Economic Development: File on hold...

Keep the Minister's office informed of any new developments.

So Ms. Cloutier, after coming out of a meeting with your chief of staff, concluded, “file on hold”. She didn't indicate here that he was seeking more information about the process.

So I think we should zero in on the truth here, because what you're telling us is not the truth.

**Hon. Alfonso Gagliano:** Well, if you want to know the full truth, as you say when using the word “truth,” look at the memo of July 19, 2001, from Suzanne Cloutier to Francine Langelier, with a copy to Lise Lefort, which says:

[Translation]

See the update requested for the next meeting with JMB.

CANADA ECONOMIC DEVELOPMENT:

Check with CED officials to see whether they are satisfied with our proposed course of action.

[English]

I think my staff had questions and wanted to make sure that DEC was satisfied with the departmental officials preparing the tendering process.

**Mr. Pierre Poilievre:** The departmental officials were anything but satisfied, as their correspondence has shown as it's been unearthed before this committee.

Are you aware of any discussions involving Claude Drouin regarding the lease at Place Victoria?

**Hon. Alfonso Gagliano:** No. I left the department on January 15, 2002, and I went to Denmark in mid-February, and I never had any contact with Claude Drouin or any of my other colleagues after I left for Denmark, except those colleagues who came to travel to Denmark and for whom, as ambassador, I had to take care of their agenda.

**Mr. Pierre Poilievre:** For how long was Albano Girdardo an employee of yours?

•(1130)

**Hon. Alfonso Gagliano:** Albano Girdardo probably started in 1993 and was there until I left, or about 9 to 10 years.

**Mr. Pierre Poilievre:** And did he ever go into the department? Did he ever move into the department?

**Hon. Alfonso Gagliano:** He was on my staff for most of the time. I believe he moved to the department for about a month, and then he resigned and came back to work for me.

**Mr. Pierre Poilievre:** Chair, could we just get the dates from the witness on when he moved into the department?

**The Chair:** If the witness is able to do so. It would be better done through the department.

**Hon. Alfonso Gagliano:** I really have no date; I cannot even give you the year. I remember that at a certain time he applied to the Public Service Commission.

**The Chair:** We can have the clerk contact the Department of Public Works.

**Hon. Alfonso Gagliano:** The department will have that.

Mr. Chair, the short time he worked there was for legislative services, which should make easier to find his exact time, but I don't think it was for more than a month, and it was in the summer period. That gives you an indication to help find this out.

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

**Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC):** Mr. Chair, I don't want to interrupt anybody, but I think a point of privilege is in order here, in the sense that we summoned Jean-Marc Bard to this committee.

**The Chair:** Well, I'm going to follow up with a question right here. Can you hold that thought until I'm through with one question?

Mr. Gagliano, I have one question to follow up on Mr. Poilievre's questions, and please don't interpret this question as any suggestion that Mr. Bard is avoiding this committee. Can you tell us where he is right now? Where is he living?

**Hon. Alfonso Gagliano:** In Montreal.

**The Chair:** But does he winter in Florida or Arizona?

**Hon. Alfonso Gagliano:** I know he travels to Florida, but the phone number I have is for his house in Montreal. I called him, I left a message, and he called me back.

**The Chair:** You called him in Montreal?

**Hon. Alfonso Gagliano:** Yes, and that's the only number I have.

**The Chair:** You're not aware of him being in Florida or Arizona, or anywhere else?

**Hon. Alfonso Gagliano:** I know that in the past he was spending some time in Florida, but I have no idea if he went down to Florida or not, and where he is in Florida. I have no idea.

**The Chair:** Okay. I'll get back to you after the meeting, if you could deliver the address and phone number you have to the clerk. We also have the address and phone number, but we're having difficulty contacting him. There may be very good reason for that, so please don't interpret this as a suggestion that he's trying to avoid us. We're just trying to get more information.

Mr. Sweet.

**Mr. David Sweet:** Mr. Chairman, I understand the diplomacy of your remarks. As Mr. Gagliano said, he learned this from the

Internet; yet here we have a witness who was actually briefed by someone whom we summoned, and yet we don't have that person before the committee.

**Mr. John Williams:** We can't find him.

**The Chair:** Well, we're going to make our best efforts, Mr. Sweet.

But I want to remind you that the reason Janice Cochrane wasn't before this committee is that the staff of Parliament said they couldn't find her. That's an example of what goes on, and yet there might be 5,000 people in Ottawa who know her and where she is.

Mr. Christopherson, for eight minutes.

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

Thank you, Mr. Gagliano, for taking the time and responding to our request.

I'm sure you appreciate what our difficulty has been throughout this. There was a need for more expanded new space. The train was started. The process was going down the road. Your office put a hold on things and then it got started up again. We got through the whole process, all the way through our whole flow chart here—tens of thousands of dollars probably to go through the whole process for Place Bonaventure. Then, at the very end, for a reason we can't yet find out, nor can we determine who made the decision, there was a decision taken to do a complete 180-degree turnaround and go back to what was then the fourth winning bidder. We're having a problem with it, and that's why we're continuing to push this, sir. There is an unanswered question here.

I appreciate you weren't the minister at the latter stages. So I want to obviously focus on when you were minister. For instance, can you help me understand. It's this business of starting and stopping and starting and stopping that confuses me the most. The process is going along. At tab 7—and you probably have the same book as we do, or something similar—on June 12, there is a memo from the regional director, Quebec region, to the ADM real property services.

On that date, this memo says:

At the June 12, 2001 meeting of the Investment Management Board (IMB), a request to approve a lease project via public tender call was submitted for Canada Economic Development (CED) [...].

The rest of it is the detail.

Then—and this is on June 12, 2001—in the fourth paragraph it says:

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

Former Minister, can you tell us why? What was the rationale for that hold?

• (1135)

**Hon. Alfonso Gagliano:** I don't know. This is the first time I've found that when I read those documents. I have no clue. The only information I had on this file was the memo from the deputy minister on July 31, I believe, informing me that the decision of the department was to go and tender publicly, and the tender was started.

I read all the documents. The only comment I can make on this is that my staff was asking questions. Therefore, they were waiting for answers from the bureaucrats and the file did not proceed as expediently. But I don't think there was a stop. My staff didn't have any authority to stop anything. The deputy minister would have definitely come to see me on that. I think they were asking questions and the answers were slow in coming, so there was a bit of delay.

In fairness to the process, from February 2001, that's when the client department asked to start the process, and the letter of interest would open at the beginning of September 2001...I think it's a reasonable amount of time.

**Mr. David Christopherson:** Ordinarily, sir, that would hold, but in the context of all these questions, I don't think that's quite sufficient.

**Hon. Alfonso Gagliano:** I understand where you're coming from. Because of what happened in April 2002, now we say there is a red light, that something happened there too. I'm trying to reassure you that this was a normal routine, as civil servants from the department were meeting with my staff to inform them of what was coming up, so that when the file got to the minister, the staff could brief the minister so we could proceed. I understand you might see something wrong, but I can assure you that from what I know, I don't think there was anything wrong.

**Mr. David Christopherson:** On July 19—the following month—there was another memo sent from Mr. Arès to Suzanne Cloutier.

Somebody help me out. Suzanne Cloutier. Who is she? Her title? Nobody knows, okay.

Anyway, there's a memo here, Mr. Gagliano. It says:

Yes, CED has been informed of our strategy and is in full agreement with our approach.

CED is adamant that this project be carried out without any hitches and is even surprised that PWGSC "officials" seem to want to prevent things from going smoothly according to our schedule.

This again is just one more wrinkle. What you answered, on its own, I accept. Now you add this and it's just one more wrinkle. CED are now the ones that are saying go full speed ahead.

Why is your office getting involved, mucking things up, yet at the end of the day that's the department that pulled the plug, that made the recommendation that they ought not go forward? What's with the starting stopping, starting stopping? What's the hesitation? What's being talked about that is such a problem?

Give us some idea. You must have some idea. You paid a lot of attention to real estate in Quebec, particularly in Montreal. You must have some idea what the concerns were of your own officials on a major file.

**Hon. Alfonso Gagliano:** I have no idea. I have no recollection. When I was invited to come before you, I called my former chief of staff, Jean-Marc Bard. I asked him the same question. He had no recollection. That's all I can say.

I'm trying to give you a rationale of what could have happened. I understand where you are coming from because of what happened in April 2002—

**Mr. David Christopherson:** Who would you suggest we give...?

•(1140)

**Hon. Alfonso Gagliano:** You see this delay—

**Mr. David Christopherson:** Sir, let's assume—sir—

**Hon. Alfonso Gagliano:** —as something there—

**Mr. David Christopherson:** No, no, stop, please.

Let's assume, and I do, that you want to be helpful. So if you don't know the answer and you agree that there's a question that needs to be answered, who would you suggest that we talk to who would have this nugget of knowledge as to what the problem was with this file? Who? If not you and not your chief of staff, who?

**Hon. Alfonso Gagliano:** No, for—

**Mr. David Christopherson:** Do you have a policy staff person you could name and we could haul them in and ask them why?

**Hon. Alfonso Gagliano:** No, no.

**Mr. David Christopherson:** Somebody has the answer, sir. If not you, who?

**Hon. Alfonso Gagliano:** In this case that we're talking about in June and July 2001, I think the person who can give you the answer is Jean-Marc Bard, because the memos are referring to him.

**Mr. David Christopherson:** But you just said that he couldn't give you the answers when you talked to him. And you're doing better than us. At least you could talk to him.

**Hon. Alfonso Gagliano:** I don't know. I asked him. He has no recollection. We're talking 2001—

**Mr. David Christopherson:** Which is it? I'm sorry, I am confused. There is something I'm missing. On the one hand you're saying he's the guy we should ask and on the other hand you're saying he doesn't have any recollection. That doesn't help.

**Hon. Alfonso Gagliano:** I'm sorry, sir. You asked me which person. The only person that I see through the document with his name in here is him, but I called him and he has no recollection.

**Mr. David Christopherson:** How convenient. How convenient.

Were you aware, Mr. Gagliano, of a major uprising in the department from the staff about having to move?

**Hon. Alfonso Gagliano:** No.

**Mr. David Christopherson:** No?

**Hon. Alfonso Gagliano:** It was not my department. I had an office staff for my department that I had to worry about. Somebody else had to worry about that.

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

Mr. Holland, for eight minutes.

**Mr. Mark Holland (Ajax—Pickering, Lib.):** Thank you, Mr. Chair.

I sat through the last meeting and I kept waiting in the last meeting to find out why the witnesses who were called, were called. I figured there must have been some reason they were—

**The Chair:** Do you want to pursue a question?



**Mr. Mark Holland:** That's what I'm doing, Chair. I'm trying to set context here. The fact is, I waited through all of that meeting to try to figure out why those witnesses were called, and we wasted all of that time because they had nothing to offer. So we wasted one meeting. I came in today and I've listened to the first round of questions. I'm trying to figure out why Mr. Gagliano is here and I'm left with the same problem.

**The Chair:** Proceed with your questions, Mr. Holland.

**Mr. Mark Holland:** I am going to do this, Chair, and say that he has said that he has not been involved with the file. We have had no information from him. All of the questions that have been asked have been meandering and going nowhere. The only thing we've been left with is that Jean-Marc Bard should be appearing before the committee.

Well, it's very nice to have two meetings and that's essentially what we get out of them. I think it's an incredible waste of money. It's been an incredible waste of time.

Mr. Gagliano, I apologize that you have been brought before the committee for no reason.

**The Chair:** Mr. Poilievre, on a point of order.

**Mr. Mark Holland:** I'm done. I'm turning it over to Mr. Hubbard, because if he has questions, I don't. This is a farce.

**Mr. Pierre Poilievre:** I think for Mr. Holland to suggest that Mr. Gagliano is not answering any of the questions or providing any of the information that he knows and then not to ask any questions himself is really out of order.

**The Chair:** That's not the way I heard it.

Mr. Hubbard, you have six minutes and 48 seconds.

**Mr. Mark Holland:** First of all, that wasn't a point of order, and secondly, it was not a point. My point is not that he didn't—

**The Chair:** Mr. Hubbard, you have six minutes and 43 seconds.

**Hon. Charles Hubbard:** Thank you, Chair.

We seem now to have got to this point about h-o-l-d, which in English spells hold. I haven't had much experience with leasing and being a landlord, but in terms of hold, there are different reasons why properties or tenders can be put on hold.

Mr. Gagliano, have you seen other bidding processes that were put on hold for a period of time?

**Hon. Alfonso Gagliano:** Let me be clear here. It is different here from a tendering process. Once the tender process goes public, you cannot touch it any more. It is like the train that has left the station and you have to go to the end. There might be modifications, amendments, and there is a process to deal with that, but before you take the final step to go publicly through advertisements, through letters, to interested parties and say that's what we are looking for, do you have anything to offer, there is a process of discussion, preparation, and so on. There are different meetings and there are documents at different levels.

At first the client department would be the Department of Public Works and then the original, the local. There are different people who have a say, have to look, and in this case even the minister's office has to be informed, and they asked questions. So there might

be some delay only in that period of the discussions. Once the final decision of July 31 is made when the deputy minister informs the minister that the process is going ahead, that's it, hands off, and let the process do its job.

• (1145)

**Hon. Charles Hubbard:** Mr. Poilievre seems to think the hold was put on for political reasons. It also could have been put on because the tenant was not satisfied with the package as it was prepared. Would that be a fact?

**Hon. Alfonso Gagliano:** No, definitely not.

I would like to remind not only you but the committee that all the bureaucrats, all the officials, appeared before you. From the bottom up—from the director of the project to the assistant deputy minister—all said that there was no indifference from my office or on my part.

I can assure you no one, nobody... I don't even know today. Besides that I read in 2004 that Mr. Saputo acquired an interest in Place Victoria, I don't know who the owners are, either of Place Victoria, Place Bonaventure, or any other buildings. It's not my business.

**Hon. Charles Hubbard:** Mr. Chair, in terms of this hold, which seems to be a major factor in our discussion this morning, the witness then is not able to give us any reason, any evidence, or even who or for what reason the hold was put on that file for a period of time. Why was it—

**Hon. Alfonso Gagliano:** Again, I have to say that I have a problem with the word “hold” or “halt”, because it implies that there was a stop. I understood when I went through the document that it was not a stop, and the sense was don't go public yet because we need more information.

But even Mr. Arès said at the committee that he was asked by Jean-Marc Bard to continue doing the analysis and the studies. I think we might be walking a very fine line in terms of the word “hold” or “halt”. But again, I'm sure that if what happened in April 2002 hadn't happened, probably there wouldn't have been any questions about what happened in July 2001.

**Hon. Charles Hubbard:** Mr. Gagliano, on Tuesday, we seemed to define that most of the so-called loss, or money being spent that maybe shouldn't have been spent, was a result of having two leases at the same time, which indicated that we had certain ratios of occupancy or lack of occupancy.

As minister for a five-year period, do you know of other regions or cities, other than Montreal, where we owned more office space than we could occupy, in other words there were certain leases that were not being occupied? Was that a concern to you, as a minister? Were you aware that there was a vacancy rate of maybe 3% or 5%, or 1.5%, as Madam Cochrane indicated to us, which would be a considerable cost to the Government of Canada?

**Hon. Alfonso Gagliano:** First of all, I knew it was lack of space and not that we had more space. During my tenure as a public works minister, I was concerned about the amount of space we were using, because, if you recall, after a program review, I believe in 1996-97, we reduced our staff by about 50,000 people. I was concerned because we had 50,00 fewer people working for the Government of Canada. I was looking at the space, and the number of metres we were using was increasing. For me, it didn't make sense. We had less people and we needed more space, so that was the debate I had with the department.

Frankly, I never heard that.... Because of moving, because you had to plan in advance to retrofit a building, for a certain period there might be a lack of occupancy. But generally I think the department was managing it very well.

**Hon. Charles Hubbard:** In defence of Madam Cochrane, you might say that when she saw a vacancy occurring, it would not be at the top of her mind to try to make sure a vacancy did not occur. The vacancy caused this whole problem with the Auditor General—the cost of having office space that was not being used. So from your experience, she probably made a fairly good decision to allow the Government of Canada to have some vacant office space in the city of Montreal.

• (1150)

**Hon. Alfonso Gagliano:** I knew for a fact that there were some considerations before I left—or in the last year that I was at that department—in which the department was looking at all kinds of refits in the whole Montreal area. We owned some buildings, we were renting others, and the idea was to put everybody as close as possible and sell some of the buildings we owned that were old and that we had to refit. That was going on, but I don't know if that has anything to do with the question that is before you.

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

Mr. Poilievre, eight minutes.

**Mr. Pierre Poilievre:** You said the problems that have occurred here were the result of things that happened after you left as minister.

**Hon. Alfonso Gagliano:** Yes.

**Mr. Pierre Poilievre:** You have described the intervention that occurred to favour Place Victoria over the winning bidder was, quote:

[*Translation*]

“exceptional”.

[*English*]

Exceptional. And when you were asked if you would have done the same thing had you been minister,

[*Translation*]

you said: “I would say not.”

[*English*]

Are you indicating that you think your successors made mistakes here?

**Hon. Alfonso Gagliano:** You didn't finish quoting me. I said, looking at this, as it is, without having any other knowledge, I would have said no. There is a tender; there is a winner. We signed the

lease. Forget about it. But the officials at the department did the analysis, and they said, look, we have clients who can't occupy the space we leased; therefore, we can make the clients who want to stay there happy, with no extra cost to the crown. If that information—that analysis—was brought to me, I probably would have said yes, but I wasn't there. You're asking me to answer a hypothetical question.

**Mr. Pierre Poilievre:** All right.

I'll turn my time over to Mr. Williams.

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

Good morning, Mr. Gagliano. You may recall we've met before.

**Hon. Alfonso Gagliano:** Yes. Good morning, Mr. Williams.

**Mr. John Williams:** The last time we met it was dealing with the sponsorship file. You made a great effort to ensure that you only dealt with policy. You never dealt with administration. Am I correct in saying that?

**Hon. Alfonso Gagliano:** Yes.

**Mr. John Williams:** Here we find that you have been intimately involved in the administration of in fact every lease in Montreal, in the province of Quebec, that was over 500 metres; 500 metres was enough space to accommodate maybe 10 or 12 staff members—5,000 square feet.

Were you actively involved in the administration of leasehold space in Montreal, in the province of Quebec?

**Hon. Alfonso Gagliano:** We were directly informed. I believe there is a difference between being informed and being involved.

As a regional minister, we were receiving a lot of queries and a lot of information. Therefore, to expedite the process, we decided my staff should meet regularly with the staff and officials at Public Works to discuss the different things that were being done.

**Mr. John Williams:** That statement just doesn't hold water, Mr. Gagliano, because, first of all, we've got the memo from your executive assistant, Jean-Marc Bard, who put the whole project on hold. That is direct intervention in the administration. And then Claude Drouin, who was a parliamentary secretary, was able to reverse the entire process after the lease had actually been signed. So your statement that you had no influence—you could only be informed—doesn't hold water.

**Hon. Alfonso Gagliano:** Let me say, first of all, that there is no memo from Jean-Marc Bard asking the officials to hold the project. The officials concluded that he was asking for a hold; he could have asked for information. I want to make it clear for the record that there is no memo that I saw. If you have one, I would like to have it. There is no memo.

As I said, all the officials from Public Works—from the bottom to the top, from the director of the project to the assistant deputy minister—all testified before you and said very clearly that, yes, my staff were asking questions, but there was no interference whatsoever. And even—

•(1155)

**Mr. John Williams:** Well, the record is contrary to that. We have one gentleman who actually objected to the political interference. In fact, he could not recommend that the tenant remain in Place Victoria by virtue of the fact that he could not justify it to his deputy and to the minister, by virtue of the fact that the economics weren't working and he was the number four bidder.

So there was interference. We know perfectly well that Claude Drouin's letter turned things around on its ear, and I'm trying to find out why you, as a former minister of the department, seem to think you had no capacity to influence anything when your parliamentary secretary could, just by virtue of a letter, turn things around on a dime after they had all been concluded.

**Hon. Alfonso Gagliano:** Wait a minute. I think you have your facts wrong here.

Claude Drouin was not my parliamentary secretary. Claude Drouin became secretary of state responsible for the Economic Development Canada once I left.

I would like to remind you that I left on January 15, 2002, and the letter to the then Minister of Public Works, who I believe was Mr. Don Boudria, was written by Secretary of State Claude Drouin to Don Boudria, not to me. So you're asking me something that I cannot answer because I wasn't there.

In the past, you've accused me of a lot of things, but this time, believe me, you're barking at the wrong dog.

**Mr. John Williams:** Well, we come back to Jean-Marc Bard, your executive assistant, who seems to have been intimately involved in these types of things. I go back to the previous investigation we had where he also appeared as a witness before the public accounts committee. In this situation, I find it rather strange that the minister and the minister's office were only involved and took no particular action, when it appears from our perspective that political intervention was able to turn this thing around on a dime, completely after it was all sealed and delivered.

**Hon. Alfonso Gagliano:** I beg your pardon. You're referring to what?

**Mr. John Williams:** I'm saying after the contract was signed, sealed, and delivered, we were obligated to start paying rent in Place Bonaventure, and Canada Economic Development was able to remain where they were, contrary to the guidelines that insisted that there be handicapped access to the building—which apparently there wasn't—and a few other things. So I'm trying to find out the culture of the office, Mr. Gagliano, where these things were allowable, and from the deputy minister down, they accommodated the requests of the political staff.

**Hon. Alfonso Gagliano:** There was no request from political staff or the minister on this thing. The dilemma you're facing is that this happened after I left. While I was there, everything went according to the rules. The ethics or third-party advisor even states in his document that all the things were done properly in the tendering process. The tendering letters were opened and the winner was declared. Everything went according to the rules.

**Mr. John Williams:** Okay, I'm going to interject here, Mr. Gagliano, and quote from a memo of July 16, 2001. You were the

minister at that time. This is a memo from Mario Arès to Linda LeBrun, and so on, regarding Economic Development Canada. It says:

I am writing to ask for your support, in raising the issue of the CED file with headquarters again.

More than a month ago, we informed the Minister's office of our accommodation strategy for CED, our client. On June 8,

—when you were the minister—  
after a meeting with J. M. Bard,

—your executive assistant—  
we were told to put the CED file on hold.

I'm trying to understand, Mr. Gagliano, your statement where you said you had no capacity to influence anything, you could only be informed, and we have documentation right here that says your executive assistant, who seems to have a lot more authority than you ever had, put things on hold.

What's going on here?

**Hon. Alfonso Gagliano:** As I said, I had no knowledge, and the way I understand it, in reading the document, my executive assistant was asking questions and was waiting for answers, and in the meantime, until those questions were answered, the project was not proceeding. But I remind everybody that the tendering process at that time was not yet started. That's the difference.

•(1200)

**The Chair:** On a point of order, Mr. Williams.

**Mr. John Williams:** I want to record that the memo said instructions were given. This was not information provided, as the witness would have us believe.

**The Chair:** I think the memo is part of the record of the committee.

That concludes our time. I'm going to allow Mr. Laforest 45 seconds.

[*Translation*]

**Mr. Jean-Yves Laforest:** Thank you, Mr. Chairman. This will be very brief.

Mr. Gagliano, you repeatedly told us that you were not there when these decisions were made. That seems clear to me. Another minister, Mr. Boudria, succeeded you. When you left and he arrived, did you get in touch with him either before or after your departure to inform him about various files, and especially this one?

**Hon. Alfonso Gagliano:** No, there was no contact between Mr. Boudria and myself.

**Mr. Jean-Yves Laforest:** There was no contact.

[*English*]

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

Thank you, Mr. Gagliano. I want to thank you very much for appearing before the committee. We're now going to adjourn for two minutes and we're going to resume with Mr. Goodale.

**Mr. Pierre Poilievre:** Mr. Chair, would it be possible to ask one closing question?

**The Chair:** Mr. Poilievre, a brief question, and then we're going to adjourn.

**Mr. Pierre Poilievre:** One of the things you said in the last series of responses was that all the rules were followed until "after I left". Is it your position that all the rule-breaking in the public works minister's office occurred after you departed?

**Hon. Alfonso Gagliano:** I don't know if any rules were...but the problem you're debating is that the decision to stay at Place Victoria was taken after I left. While I was there the tendering process went ahead according to the rules. Everything was done according to the rules and the guidelines. What happened afterwards I cannot be held responsible for; I wasn't there.

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

On behalf of the committee, I want to thank you very much, Mr. Gagliano, for your appearance here today.

We're going to suspend for two minutes.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- \_\_\_\_\_

**The Chair:** I would like to call the meeting back to order. This is the second hour of the meeting scheduled for today. I will not go over the formalities again; we all know why we're here.

The second witness appearing before us today is the Honourable Ralph Goodale, former Minister of Public Works and Government Services. Welcome to the committee, Mr. Goodale, and thank you for taking time from your schedule to be with us here today.

Without any further comments, I'm going to go right to our list.

First of all, I'm going to ask Mr. Goodale if he has any opening remarks, and then I'll go to our list and we'll follow the same procedure we did at the last meeting. We're going to have six individuals, eight minutes each.

Mr. Goodale, do you have any opening comments you would like to address to the committee?

**Hon. Ralph Goodale (Wascana, Lib.):** Yes, Mr. Chairman, just briefly.

[*Translation*]

Thank you, Mr. Chairman.

I have a few comments regarding the study now before this committee, namely the rental of offices in Montreal for Canada Economic Development.

• (1205)

[*English*]

The specific property under review is, of course, located at Place Victoria, which has housed CEDQ offices for more than 30 years. When I arrived as Minister of Public Works and Government Services on May 26, 2002, this leasing transaction was essentially complete, awaiting only final ministerial authorization.

I no longer, of course, have access to the department's records, but the material presented to this committee would indicate that a

process began in December 2000 to address CEDQ's accommodation requirements.

That process resulted in a recommendation to me, two ministers later, dated May 31, 2002, just five days after my appointment as Minister of Public Works. I accepted the department's recommendation exactly as it was presented to me.

The description of what went into that recommendation is best captured by the two former deputy ministers who appeared before your committee, Mr. Marshall and Mrs. Cochrane. As their comments show, the department was satisfied that the lease for CEDQ at Place Victoria provided good economic value to the crown because of four factors.

First, the amount of space required by CEDQ had been reduced from their original request. Second, apart from improvements with respect to access for disabled persons, physical fit-up costs and IT costs would be avoided. Third, there would be no moving expenses involved. Finally, and most importantly, the actual rent that had been negotiated was nearly 30% cheaper. It was \$308 instead of \$430.

For whatever reason, it is regrettable that this final cost information was not provided to the Auditor General in a timely manner to be taken into account in her examination.

The other factor that went into the department's recommendation to proceed at Place Victoria was their professional assessment that the new space leased at Place Bonaventure before CEDQ changed its specifications was useful space that could be and would be used economically to meet other federal requirements in Montreal.

The former deputy ministers have both indicated that the expectations about Place Bonaventure were not fulfilled as quickly as originally anticipated, but they were reasonable in the view of both those deputies at the time they were made in the summer of 2002.

Overall, the Department of Public Works and Government Services actually does better than the private sector in managing and minimizing excess space. I think the statistics on that have been put before the committee.

Nevertheless, the Auditor General has recommended, first, better coordination among departments when decision-making is a collective exercise; second, better information systems for financial analysis; third, a tougher enforcement approach on the part of Public Works; and finally, updated data for the Auditor General. I think all of that is very good advice.

Thank you.

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

We're going to go to the round, as I said, of six individual examiners, each with eight minutes.

Mr. Hubbard, you have up to eight minutes.

**Hon. Charles Hubbard:** Thank you, Mr. Chair.

Good morning, Mr. Goodale.

When you received the letter from Madam Cochrane—you were only five days in office—did you ask any questions about it?

**Hon. Ralph Goodale:** We would have had a conversation, I'm sure, Mr. Hubbard. Now that is five or six years ago, and I honestly would not be able to recite for you the details of the conversation.

Typically, in my experience in Public Works, I asked, on files like this, two types of questions. First, have the rules been properly respected in terms of how the transaction is being handled? And second, is there good value for money? Those were two questions that were typically always asked by me in dealing with Public Works files.

**Hon. Charles Hubbard:** In the information we received this week, the name Gary Polachek came up. He was a witness on Tuesday. Do you know this gentleman?

**Hon. Ralph Goodale:** No. I saw the testimony. Someone from the committee was good enough to send it over to me. But I don't know that gentleman. No, I don't.

**Hon. Charles Hubbard:** You had no conversations with him as the representative of the landlord at—

**Hon. Ralph Goodale:** No.

● (1210)

**Hon. Charles Hubbard:** Now, in the role of minister, apparently you get 500, 600, or 700 of these types of recommendations to sign off on each year.

We heard the word “hold” come up here in terms of being minister or someone in the minister's office. This was a tender that had been called, and then there was a second building they wanted to maintain occupancy of. In your mind at the time, was there any thought that this seemed to be irregular? Was somebody using undue influence within your staff or department?

**Hon. Ralph Goodale:** No, sir. I think both the staff in my office and I handled this matter appropriately. The department made a recommendation. They indicated that the analysis had been done, the rules had been followed. They made a recommendation and I followed that recommendation.

**Hon. Charles Hubbard:** We also hear the name of Lino Saputo, a very important part of the economy in fact of that region and also involved in Canada big time. Did he make any representation to you as a possible owner of Place Victoria?

**Hon. Ralph Goodale:** No, I wouldn't know Mr. Saputo.

**Hon. Charles Hubbard:** Claude Drouin was the minister, or the secretary of state, responsible for the CED. We had on Tuesday discussions of a letter he had written. Did he make any recommendations to you in terms of your decision to maintain two buildings in Montreal at the same time?

**Hon. Ralph Goodale:** His inquiry was contained in the letter he had written to my predecessor, Mr. Boudria. To the best of my recollection, I first became aware of that when it was sent up to me with the deputy minister's recommendation. The two were attached together, but that was it. I don't recall any other representation by Mr. Drouin. He was secretary of state for the affected department and made the request, as I read the letter, to stay put in the existing premises where the department had been for the previous 30 years, if that were possible; the department did the analysis and concluded it was possible from both an economic and obeying-the-rules point of view.

**Hon. Charles Hubbard:** This morning some members tried to paint Mr. Gagliano as being someone with almost a vested interest in this project. Mr. Gagliano stated this morning that by the time the process had gone towards the minister's office, he in fact was in Denmark. It wouldn't be unusual for a minister leaving a department to leave notes or concerns or major projects they were working on. Did Mr. Gagliano send you or forward you any information or any requests in terms of the contracting in Montreal?

**Hon. Ralph Goodale:** No, sir. Remember that Mr. Gagliano was in fact two ministers before me. He was the minister up until the middle of January 2002, then it was Mr. Boudria from January until May 26, and then I took over on May 26.

**Hon. Charles Hubbard:** Yes, I recall that. So neither Mr. Gagliano nor Mr. Boudria drew any type of information to you on this file.

**Hon. Ralph Goodale:** There were no carry-forward recommendations. It was entirely in the hands of the officials, and the officials are the ones who presented it to me.

**Hon. Charles Hubbard:** With your deputy, were you confident in the recommendations she was bringing to you as minister? Were there any concerns that she was not acting with due diligence, in the best interests of the crown?

**Hon. Ralph Goodale:** No. I thought in this portfolio and in fact in all the portfolios in which I had the honour to serve that I was very well served by competent and professional and honourable people as deputy ministers as well as others in the broad scope of the public service.

**Hon. Charles Hubbard:** So when the Auditor General's report came out, to the public it sounded like a lot of money to have paid \$4 million to lease a property that you weren't utilizing, and for the Government of Canada, of course, it didn't look good. When you reflect on that, you mentioned in your beginning statements that there is justification in that we did get a good deal. Rather than losing money in the short run, maybe in the long run the crown was just as well off by what the deputy minister had recommended.

● (1215)

**Hon. Ralph Goodale:** The two deputies who appeared before the committee, Mr. Marshall and Mrs. Cochrane, went through the factors that influenced their assessment of the economic value of Place Victoria. There were several factors.

If you didn't have to move, that would save money. If you didn't have to fit up the space or bring in new IT systems, that would save money. If your space requirements were lower than originally anticipated, that would save money. But most important—the way I read the testimony given to this committee—information may not have been in the hands of the Auditor General in a timely way that the lease rate changed dramatically. It was originally contemplated to be \$430, and after negotiations it turned out to be \$308. That's about a 28% difference. It obviously led them to the conclusion that the Place Victoria space was good economic value.

The other side of the equation was the anticipation of how quickly the new space in Place Bonaventure could be leased to other government offices. That's where the expectations of the officials were not fulfilled.

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

Thank you, Mr. Goodale.

Mr. Laforest, you have eight minutes.

[Translation]

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

Mr. Goodale, you are saying, in a way, that this decision is justified by the fact that the needs for office space were finally—

[English]

**Hon. Ralph Goodale:** One moment please, Mr. Laforest. The interpretation is not working.

[Translation]

**Mr. Jean-Yves Laforest:** You said that the decision to sign two leases for the same agency, at two different locations, was justified by the fact that the needs for office space had changed, that they were ultimately reduced and that the price had been changed. This is more or less what you said:

At the department, they gave me a recommendation because, in a certain way, the initial needs that had been envisaged for Canada Economic Development, in terms of office space, because we were expecting more employees, these initial needs no longer existed and moreover, the cost of rent, that had been stipulated in the tender, had been decreased.

Do you think that it is normal for a department or an agency to make a forecast for expansion based on 25 extra employees, namely the new positions that will be created, at the outset of the tendering process whereas, at the end of the same process, there is no longer any need for extra space?

Did this occur frequently while you held that position?

[English]

**Hon. Ralph Goodale:** It certainly wouldn't be a frequent experience nor totally isolated. From the evidence contained in the minutes of previous meetings, it appears that the biggest single difference in the plans for CEDQ was whether or not the regional office in Montreal would be consolidated with the headquarters office. If that were to happen, a bigger space would be required.

At one point—as I understand from the record—the plan was that consolidation would bring in those extra people. Then the plan changed and the decision was taken to have the regional office in the east end of Montreal, where it was perhaps closer to the clientele it would serve in the public of Quebec.

• (1220)

[Translation]

**Mr. Jean-Yves Laforest:** Is it not somewhat amateurish to be playing around with hypotheses of this kind so that ultimately you sign up for two different places without any prior certainty of renting that space? You might have presumed that you would subsequently rent space at Place Bonaventure, but you were not certain of that.

Therefore, the department took a chance and rented space in a second location. From the outset, we have tried to find out what exactly happened. My hypothesis is that the people working at Canada Economic Development in Place Victoria did not feel like moving. In the Department of Public Works, the regulations oblige the department to put out tenders, so that if you formulate the

hypothesis whereby you need extra space, you can subsequently say that you no longer need that and you negotiate with Place Victoria.

That is exactly what happened. You went from \$430 per square metre or square foot to \$308 per square foot. After concluding the contract, you negotiated by mutual agreement, although Place Victoria had not won the competition. This is not a movie scenario, but I feel that they tried to do things in that way and that it worked for them.

Could anything like that have happened?

[English]

**Hon. Ralph Goodale:** I'm really in no position to comment on the thought processes within CEDQ—what led them in a certain direction at one point, and then to change direction.

In the testimony from Mr. Drouin, he indicated that the new premises in Place Bonaventure were a concern to him because of the concrete nature of the building, the train track underneath, and the concern among employees about the move. He also wasn't anxious to absorb any of the incremental costs associated with the move. He wanted to keep that in the budget of his department to assist enterprise in Quebec.

On what prompted the department to change its mind, that would be a matter for CDEC to respond to. As Mr. Marshall explained, the answer from the Department of Public Works to CDEC would have been that the move must go forward into the new space unless the department could satisfy itself that the economics of the matter brought value to the crown. Having done an analysis in April-May 2002, they concluded that value to the crown could be provided and at the same time meet the concerns that had been raised by Mr. Drouin. It was the function of the officials in Public Works to do that economic assessment to see if they could accomplish both objectives.

[Translation]

**Mr. Jean-Yves Laforest:** Ms. Fraser said that this redundant lease had cost the government \$4.5 million. Mr. Marshall, who was your deputy minister at the time, challenged the Auditor General's figures and said that they had avoided moving, which would have cost about \$1 million and that they were able to rent space in Place Bonaventure. Nonetheless, the figures he showed us included substantial expenses; the signing of two leases cost extra money. Mr. Marshall said that this was not \$4.5 million extra dollars but rather \$1 or \$2 million extra dollars.

You said that you had been convinced that this was cost-effective for the government, but nonetheless, \$2 million extra dollars were spent. Do you think that paying more money is cost-effective?

• (1225)

[English]

**Hon. Ralph Goodale:** The analysis the department arrived at was that given the factors I've mentioned, especially the lower rent, the Place Victoria space gave the crown a demonstrable economic advantage.

With respect to Place Bonaventure, their anticipation was that with other federal demand for office space in the Montreal area, the newer space for which the lease had already been signed could readily be filled. It was that expectation on the part of the officials that was not satisfied as quickly as they had anticipated. That's where, as I understand it, the cost factor comes in. Mr. Marshall would peg that at \$2.1 million and not \$4.6 million.

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

*Merci beaucoup, Monsieur Laforest.*

Mr. Sweet, for up to eight minutes.

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

Mr. Goodale, I want to run through a couple of details with you.

You mentioned in your opening remarks that you felt this process was fair. After explaining the circumstances to Mr. Gagliano, or after him obviously briefing himself on this, we have just learned that this was not a normal process. In fact, he said he could never recall a tender going out and the whole process being trashed and then a lease being signed subsequent to that.

Janice Cochrane, whom we heard testify before the committee, totally changed her position in two e-mails. In one e-mail she said:

The financial analysis indicated that the recommended solution is more economical than renewal through direct negotiations.

In this context we had nothing to justify submitting to you a request for approval to negotiate directly with the owner of 800 Place Victoria.

**Hon. Ralph Goodale:** What's the date on that, Mr. Sweet?

**Mr. David Sweet:** July 31, 2001.

Subsequently, she actually advised that in fact you can negotiate directly. By the way, that was subsequent to Mr. Drouin's letter, which she claimed was simply asking for an inquiry, when it's a direct request to negotiate with 800 Place Victoria.

Then we have one of her employees, Mario Arès, who stated in an e-mail of May 3, 2002, that:

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).

By the way, this is not the first time Mr. Arès had something very direct to say. On July 5, he said in an e-mail that he was very concerned that the department wouldn't release a hold they had on the whole process, as well—

**Hon. Ralph Goodale:** July 5 of what year?

**Mr. David Sweet:** July 5, 2001.

He stated:

More than a month ago, we informed the Minister's office of our accommodation strategy for CED, our client. On June 8, after a meeting with J. M. Bard, we were told to put the CED file on hold. Since then, there have been no developments or questions, and we are still on hold.

Subsequently, we had Mr. Gladu saying, about Mr. Drouin's letter:

After being made aware of Mr. Drouin's letter, I met him at a regular meeting. I told him that, in my opinion, it was a mistake to have sent that letter, because this was an administrative matter and he simply should not have got involved.

So these were the kinds of things that were racking up during this whole process, yet subsequently, you signed for the lease.

So with all of these facts known, do you still think the process was fair? Do you think it was fair to the other two bidders in this process, who were given no consideration at all and were in fact ahead of Place Victoria? And do you not think you should have spoken to Janice Cochrane about this issue before you signed off, because in her testimony she said she had no conversations with you?

**Hon. Ralph Goodale:** The first e-mails you were referring to, except the one from Mr. Arès, were from 2001. I would obviously have no knowledge or recollection of that period of time at all.

Regarding the one e-mail you referred to from Mr. Arès dated May 3, as I believe he explained to the committee—or, at least, that's what his testimony says—his view as of May 3, 2002, was based upon the assumption that the same square footage and the same lease rate were applicable, that is, the \$430 per square metres and the larger space. What changed after that memo—and I think Mr. Arès explained this in his testimony—was that the size of the lease and the cost of the rent went down. That resulted in a situation where the department was, in effect, renewing an existing lease on terms that were more economical or advantageous and which clearly fell within the rules of Public Works and Treasury Board at that time.

• (1230)

**Mr. David Sweet:** You did not really answer my question regarding the other two bidders and whether that was fair, but—

**Hon. Ralph Goodale:** Just briefly, Mr. Sweet, I won't take long on this, but—

**Mr. David Sweet:** —for the process to be fair, Mr. Goodale, it should also appear to be fair. The number of circumstances I explained to you and the fact that Ms. Cochrane didn't have any conversation with you and should have briefed you on all of the complexities of this is really concerning. I think the public view of this would be one of grave concern as well.

**Hon. Ralph Goodale:** Well, I think the one problem in terms of the economics of the transaction is that the anticipated lease-up of the Bonaventure space did not occur as rapidly as the professionals in the Department of Public Works had anticipated.

Generally speaking, their track record on these matters is a good one and in fact better than the private sector. As I think both Mr. Marshall and Mrs. Cochrane explained, the general vacancy rate in the private sector is in the neighbourhood of 5%, whereas the vacancy rate for space held by the Department of Public Works is more like 1.2%. So generally they do pretty well.

I think both Ms. Cochrane and Mr. Marshall indicated to the committee that contrary to their best economic analysis and professional advice in the summer of 2002, it took longer than they had expected to fill that extra space at Place Bonaventure.

At Place Victoria the deal was actually an advantageous one for the crown, because the space requirement was smaller, the rent was cheaper, there was no move, and there was no fit-up cost.

**Mr. David Sweet:** Again, Mr. Goodale, I appreciate the fact that you wanted to give me some information on Place Bonaventure, but I was asking you about the nature of the fairness of the process; the nature of the other two bidders that were paid no consideration on this; the optics of this with all of this disparity in communication with holds, etc.; and the fact that quite plainly, Mr. Gagliano, with five years experience in that position, said he had never seen anything like this.

So this wasn't common; to go through that process wasn't something that was regularly done, and we have the graphic here of the process. I have no idea of the millions of dollars it costs to have PWGSC actually walk through to make sure that a fair tender happens. But after the whole process happened, it was then shelved. That's the concern, and up until now it has not been addressed.

All that has happened is that opposition members have tried to mitigate the damages by saying the Auditor General was incorrect and in fact it was less. She stands by her words as early as 2007.

**Hon. Ralph Goodale:** Based on the information that was available to her at the time, Mr. Sweet. I think it's important to bear in mind her own qualification.

I want to make two points very quickly, Mr. Chairman—

**Mr. David Sweet:** She stood by those words in 2007, Mr. Goodale.

**Hon. Ralph Goodale:** Based on the information that was available to her at the time she did her audit. That's the information that's included in the transcripts that I looked through in the last number of days.

Mr. Sweet, I also want to make one other point. On the issue of holds, I think you would have to acknowledge there was no hold on any process imposed by me. There's nothing in the record anywhere that suggests that.

Secondly, with respect to the process, at least for a portion of it, I'm told, looking at the record, there was a fairness monitor in place examining how things were unfolding. After the fact, while unhappy bidders are normally very quick to express their unhappiness if they don't think a process was conducted properly, in this case, to the best of my knowledge, no complaint was received.

• (1235)

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

Thank you, Mr. Goodale.

Mr. Christopherson, up to eight minutes, please.

**Mr. David Christopherson:** Thank you, Mr. Chair, and thank you very much, Mr. Goodale, for appearing today.

I'm sure you can appreciate why we're continuing to pursue this. It's that nugget of a question that remains about why would a government knowingly waste so much money, and we have not yet found anyone who has said they made the decision and here's exactly why. So in that absence we're continuing to work at this. In the interest of fairness, I think it should be said that your reputation, particularly among parliamentarians, is one of the highest in the House. To me that's a pretty big standard. It's one thing to be popular with the public, but when you can earn the respect of colleagues... And you were put in this position for that reason, in large part because there were problems and they wanted you to go in there.

Here's my concern. You're an experienced minister, you're an honest man, and you're looking at this and the thing is a go for umpteen million dollars. Your deputy is briefing you—and I'm keeping in mind that you're new—and here you're being told this whole package has come along, and a mere six weeks earlier the secretary of state sent a letter that Mr. Sweet has referred to. Let me also bring in that on March 21, the same meeting Mr. Sweet was referring to in response to a question from Mr. Rodriguez...all that ended with the decision to move. Who made the decision to move? Mr. Gladu? Initially Public Works took responsibility for that decision. Following a letter from Mr. Drouin, which you have read and heard about, Public Works began negotiations with owners of Place Victoria.

So you're an experienced minister, a veteran, and you get there and you find out this whole deal is ready to go, but a few weeks previous a rookie minister sent one letter and suddenly the whole deal is upside down. It would seem to me that a man like you would have a lot of questions of that deputy, both because you're new to the file and because alarm bells would be going off. How are you going to defend someday, sitting right where you are, having made this decision? Help me understand why you didn't just say to a new, young rookie minister, who wants to upset a multi-million dollar deal where tens, if not hundreds of thousands of dollars have been spent, not to mention the time to get the deal in place.... This new minister comes along and says he's not happy with everything and would like it all turned upside down.

It would seem to me, sir, that your reaction behind closed doors would be to turn to your colleague and ask if he were nuts, absolutely crazy. I'm surprised you would even give him the time of day, for the simple reason that if there's not something shifty going on here, there is something definitely wrong that this kind of decision can be taken. You refuse to say there's anything problematic, sir. You want to leave us with the impression, as does your colleague, that everything was just tickety-boo, and if we have any questions they're just a couple of little wrinkles and you can answer them. But when you add it all up, this still stinks.



**Hon. Ralph Goodale:** Mr. Christopherson, I've looked at it. The advice from the department to me at that time was very straightforward and very clear. In response to my two broad precepts, did this meet the test of the rules, yes, and did it meet the test of good value for money.... On the Place Victoria side, I think the answer to that is obviously yes because of the lease rate dropping and the other factors we've referred to. The part that didn't come through as expected was the lease of the space in Bonaventure. That's where both Mr. Marshall and Mrs. Cochrane indicated their expectations were not fulfilled.

**Mr. David Christopherson:** Sir, after the contract was signed, why wouldn't you as the minister say to wait a minute because either something is going on that shouldn't be or somebody screwed up? How do we get to the point where six weeks before...?

Not only that, let me put this before you. Please understand we're trying to get to the bottom of this; it's not persecution.

• (1240)

**Hon. Ralph Goodale:** Sure, I appreciate that.

**Mr. David Christopherson:** This is a memo, an e-mail—

**Hon. Ralph Goodale:** Sometimes I appreciate that; sometimes it's a thin line.

**Mr. David Christopherson:** I appreciate that, and I'm trying to stay clear of that demarcation.

There is an e-mail from Rachael Morneau—we've had that name before, if it's the same person, to be fair—and Carole Beal. This is April 2, 2002. It reads:

URGENT

As per our conversation of last week, André Gladu of "DEC" [...]

—the deputy—

[...] has confirmed to me, on Thursday, March 28, his agreement to move to Place Bonaventure. He has advised me that this has been cleared up with Mr. Drouin, Secretary of State for DEC.

Our Minister's office, as I understand it, has not given us the OK to proceed. The offer from the lowest bidder expires today [...].

And then they go on to put an extension in. So the minister's office, up until that point—your predecessor—was deeply engaged in this whole process, and this is another go.

Then we get the letter from Mr. Drouin out of the clear blue, and the best I ever heard him say was that staff were upset. It would seem to me if that is such a huge criterion, and I wish it was taken into account more often, you would have done it at the front end, not at the rear end. Certainly, people complaining six weeks after a multi-million dollar contract is signed, in the normal world, is not going to turn things upside down.

I am still having trouble understanding why you wouldn't ask more questions and be concerned—red alarms going off. This was not a normal process. A junior minister has upset a public tender process and you okayed it. You gave it the sanction of your signature.

**Hon. Ralph Goodale:** There are three things, Mr. Christopherson.

First of all, in your opening sentence you talked about knowingly wasting money. I don't think there is anything in the record that shows that any waste of money, if there was some here, was

deliberate or conscious or some kind of a premeditated scheme. In fact, in renegotiating the rent from \$430 million down to \$308 million, the real property division of Public Works made a very substantial saving. They also, as I understand it, applied their very best professional judgment to whether or not they could satisfy the request from the Secretary of State and at the same time successfully lease the Place Bonaventure space. They concluded that it was possible to do both.

**Mr. David Christopherson:** I appreciate that. What I'm trying to get at, sir, is why you even allowed it to go that far. Why didn't you just say, "Look, this deal is signed, and some junior minister is not happy with something"? That is not about to upset an entire public tendering process that's already signed. Your predecessor's office had extended the deadline, presumably so they could look at it more closely. I'm having trouble understanding why you didn't have more trouble with this. You should have, sir.

**Hon. Ralph Goodale:** At the time it was Ms. Cochrane, but I'm thinking of the testimony of Mr. Marshall when he described this to the committee. If the deputy had said to me at that time that it was just not possible to meet Mr. Drouin's expectations in an economic way that met the rules of the department, if that had been the advice from the department, then obviously my letter back to Mr. Drouin would have been, "Sorry, can't do it". But the advice from the department was actually the other way around, saying, yes, it can be done—

**Mr. David Christopherson:** That was initiated by a minister, not by the bureaucrats, sir.

**Hon. Ralph Goodale:** One interesting thing in the testimony is that there was some sort of official communication among officials in DEC and among officials in Public Works prior to Mr. Drouin's letter. That was the testimony, I think, from Mrs. Beal.

**The Chair:** Thank you, Mr. Christopherson, and thank you, Mr. Goodale.

Mr. Holland.

**Mr. Mark Holland:** Thank you, Mr. Goodale, for appearing before the committee today. You have gone a long way to answering whatever questions may have been there, although I'm not sure there were that many questions to begin with.

I'm going to ask a few questions just to establish the role you were playing at that time, for the sake of clarity.

I was wondering if you can tell us this. When you were public works minister, did you ever meet with or did you personally know anybody who was with WPBI property management, the owners of Place Bonaventure, when the lease at Place Victoria for CEDQ was up for renewal?

•(1245)

**Hon. Ralph Goodale:** No. As a matter of fact, Mr. Holland, as a general principle, as a minister, but most especially in Public Works, I made it my practice to avoid the clientele that would potentially be doing business with the department. I tried my best to keep a respectful distance to avoid any reality or any appearance of any kind of untoward influence.

**Mr. Mark Holland:** Before the recommendation was sent to you by the department, and this was in the memorandum of May 31, 2002, did you ever speak with Public Works officials about Place Victoria?

**Hon. Ralph Goodale:** Before May 31, 2002, no, I don't believe so. I'd only been there for five days at that point.

**Mr. Mark Holland:** Right. Did you ever speak to anyone about the Place Victoria file before Public Works sent a final recommendation to you?

**Hon. Ralph Goodale:** That would be before May 31, right? That's when their final recommendation was.

**Mr. Mark Holland:** If that was the date, yes.

**Hon. Ralph Goodale:** I think that was the date, yes. No, there was no conversation or lobby or anything of that nature whatsoever.

**Mr. Mark Holland:** Did you ever ask or direct Public Works to begin direct lease negotiations with Magil Laurentian to renew the lease at Place Victoria?

**Hon. Ralph Goodale:** No, that was done several weeks before I became the minister.

**Mr. Mark Holland:** I have no further questions. I'll turn it over to Mr. Telegdi.

**Hon. Andrew Telegdi (Kitchener—Waterloo, Lib.):** Thank you very much.

Mr. Goodale, how many leases does Public Works handle in a year?

**Hon. Ralph Goodale:** I never counted them, Mr. Telegdi, but I've heard testimony before this committee that says it's at least 500 negotiations a year. There would probably be at any one time between 7,000 and 10,000 leases extant in the country. It's a big number.

**Hon. Andrew Telegdi:** I guess what I'm wondering about, having been around Parliament Hill now for quite a few years, is what level of detail the minister has in this. You've got a process in place, and I'm listening to some of the questions. I really do wish that Parliament Hill was the kind of place where ministers would have that level of detail, but I don't think you really do.

**Hon. Ralph Goodale:** Certainly not the fine points, Mr. Telegdi. You're reliant upon the good professional staff who work for the department. They are the ones who conduct the economic analysis and give you the best advice they can possibly give. So it's not a matter of the minister being immersed in the minutiae. I had a rule of thumb in dealing with matters like this before the department. I would want to know from the officials if the rules had been followed and, secondly, if there was value for money.

In this case, the advice I received was that both of those things were satisfied.

**Hon. Andrew Telegdi:** I'll pass it over to Mr. Hubbard.

**Hon. Charles Hubbard:** Very briefly, Mr. Chair, Place Victoria was rented back in history. People seem to think it's a political business. It goes back to Trudeau. It goes through Clark. It goes to Mulroney, and then it goes on to another. Where does the politics enter this? I have difficulty with that, Mr. Chair.

But to get back to the original, we're talking about fairness. Tenders were called for a lease, and the best, the lowest group that submitted a tender was awarded that contract at Place Bonaventure.

**Hon. Ralph Goodale:** That's right.

**Hon. Charles Hubbard:** And you say, Mr. Former Minister, that you had no complaints from the other bidders?

**Hon. Ralph Goodale:** Certainly no complaints to my knowledge, no.

**Hon. Charles Hubbard:** Then someone decided that maybe we could stay at Place Victoria and it came to your desk to sign off. I guess the arguments were that we could rent this other place to some other agency or some other group. So you have two leases. What you really did as the minister at the time was you extended the lease at Place Victoria at the request or concerns of the group. In terms of serving the regions of Quebec, it's an ideal place for anyone coming from the regions to be able to be right in downtown Montreal, almost in fact at the railway station.

So when you look at the costs, you seem to say to this committee today that maybe we really gained money as a result of the decision you and Madam Cochrane made, if you look at the extension of the lease of Place Victoria and the eventual leasing of the Place Bonaventure site.

Just before I finish, do you have any more information, Mr. Goodale, to give to this committee? I have trouble finding someone at fault, as Mr. Sweet says, someone to blame.

•(1250)

**Hon. Ralph Goodale:** I have just one comment, Mr. Hubbard, and it really goes to your original point. I do not recall, in relation to this transaction or others at Public Works, any exercise of political push and pull, and certainly not on this file.

To the best of my recollection, Mr. Drouin never spoke to me about it. His letter was there, and I responded to the letter in due course. There was no follow-on comment from either Mr. Boudria or Mr. Gagliano. The landlords were then, and are today, completely unknown to me. I wouldn't think it's my business to know them, quite frankly. The negotiation is conducted by the professionals in the department, and I stayed completely out of that.

**Hon. Charles Hubbard:** Thank you, Mr. Chair.

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

Mr. Williams, you have up to eight minutes.

Mr. Williams will be the last person.

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

Mr. Goodale, first, welcome.

**Hon. Ralph Goodale:** Thank you.

**Mr. John Williams:** You stated in your opening statement that you accepted the recommendation exactly as presented. Later on, in answer to Mr. Hubbard's question, you said that one of the things you always ensured was, have the rules been respected? Now, the rules were not respected in this situation. We know that, so we want to know why.

Ms. Cochrane was here the other day. She said they saw this as two transactions, that Place Bonaventure was a transaction on its own, and the extension of the lease in Place Victoria was perceived to be a new transaction, a sole-source contract.

This is totally contrary to all the rules. So why would you, first of all, ask if all the rules had been followed, and then find out that the rules had not been followed and approve it?

**Hon. Ralph Goodale:** Mr. Williams, as I understand the rules pertaining to leasing in the Department of Public Works, it is indeed within the rules for a lease to be renewed with an existing landlord if there is a demonstrable economic benefit. The answer to that was, with the rent coming down and the space being less than originally asked for, there was a demonstrable economic benefit to the crown.

**Mr. John Williams:** Yes, I can appreciate that, but the economic statement did not build in the fact that you are now paying rent on vacant space over at Place Bonaventure, which is part of the entire economic transaction analysis.

If you took the narrow point, fine, you can claim that. But the second thing is, why would you approve an extension of a lease where the landlord would not even provide access for people with physical disabilities, which is the rule of the Government of Canada?

**Hon. Ralph Goodale:** The testimony before the committee indicates, as I understand it, that that is the one modification, the one fit-up, that was provided for, and that work was in fact done.

**Mr. John Williams:** We have a letter on file, Mr. Goodale, saying that the landlord was not interested in doing that; neither was it available, and he wasn't even interested in doing that.

**Hon. Ralph Goodale:** I will be happy to check the testimony, Mr. Williams, but three or four times, in the transcripts that I've read over the last two or three days, witnesses have said to the committee that the fit-ups required to properly respect disabled people were in fact done.

**Mr. John Williams:** Here we have a situation where the landlord, Place Victoria, puts in a bid of \$500-and-some per square foot. He finds out he's number four on the list, comes back and says, "Let me amend my bid down to \$430 or \$405 a square metre. Now I'm the lowest bidder. You don't have to do leasehold improvements, and so on and so forth. I win."

Is that how the Government of Canada normally does business?

• (1255)

**Hon. Ralph Goodale:** My understanding, Mr. Williams, is that it wasn't a case of the landlord saying that, but in fact the responsible officials within the Department of Public Works going to them and asking if a renegotiation of the cost was possible. And it turned out to be true.

**Mr. John Williams:** We have total rules regarding contracting and tendering, Mr. Goodale, and they say that if somebody has the lowest tender, that is the one accepted, and of course we signed the

lease with Place Bonaventure. But you can't go back to the existing landlord and say, "Now we know what the marketplace is paying, you can undercut it and stay where you are." Those are not the rules of the Government of Canada, so why are you saying that you've followed the rules?

**Hon. Ralph Goodale:** Indeed, Mr. Williams, that's not my interpretation of what happened here.

**Mr. John Williams:** Is this how we do business?

**Hon. Ralph Goodale:** No, I think you're twisting the interpretation.

**Mr. John Williams:** I'm not twisting the interpretation, Mr. Goodale.

**Hon. Ralph Goodale:** Both deputy ministers told this committee, and it's in the evidence, that if a favourable rental lease rate was not achievable at Place Victoria, then Mr. Drouin's request would have been turned down. But in fact it was negotiable, and both transactions—Mrs. Cochrane said two transactions—were successful.

**Mr. John Williams:** I have to interject, Mr. Goodale.

You're using the word a "favourable" rent at Place Victoria; "favourable" means lower than the marketplace, the lowest of the bids.

**Hon. Ralph Goodale:** Well, it's in the market range, as I understand it.

**Mr. John Williams:** This is how you're trying to tell me the Government of Canada does business. Now we know the Government of Canada does not do business this way: by squeezing the landlord down because you have some bids from the competitor, saying they're charging  $x$ , so if you charge  $x$  less a few bucks, you can stay. That is not how the government does business.

As Mr. Christopherson says, there are some serious motivations here. Claude Drouin can interject with a letter, as pointed out, turn the whole system upside down, and you call this following the rules. By your own statement you said, to my first question asking if the rules had been respected...the answer, of course, is that by virtue of a letter from your colleague, the secretary of state who sits in cabinet with you, all the rules were turned upside down. So how can you tell us the rules have been respected?

**Hon. Ralph Goodale:** In the first case, the fairness monitor would say, as I believe the testimony before this committee indicates, that the tendering process was properly done. Indeed a contract was signed with Place Bonaventure.

**Mr. John Williams:** Well, I don't find—

**Hon. Ralph Goodale:** With respect to Place Victoria, that was the existing space where the existing lease was in place, and the rules of the Government of Canada say that that can be renewed on a sole-source basis if there is demonstrable economic advantage to the crown, which there was in this case.

**Mr. John Williams:** Not after the process of tendering.

Mr. Miller has the rest of my time.

**The Chair:** Mr. Miller.

**Mr. Larry Miller (Bruce—Grey—Owen Sound, , CPC):** Thank you, Mr. Chairman.

Mr. Goodale, I don't want to waste any time.

First, when the decision was made that a reduced space requirement would work, when that decision was made, was that information handed to the winning bidder so that they could then adjust their bid? Yes or no.

**Hon. Ralph Goodale:** That whole process started before I was minister.

**Mr. Larry Miller:** Was it or not then? You're saying you don't know.

**Hon. Ralph Goodale:** I can't answer that question technically because I wasn't minister at the time.

**Mr. Larry Miller:** Fair enough.

You mentioned earlier in your statement that you asked a number of questions. I didn't hear you say one question, and you can correct me or clarify. Did you ask as one of your questions, are we getting the best value possible?

**Hon. Ralph Goodale:** A question to that effect would have been asked by me, yes. Typically it was in all of these ministerial conversations.

**Mr. Larry Miller:** I'll take that as a yes.

I know that, at least to my knowledge, you were never the minister responsible for Canada Lands or responsible for that.

**Hon. Ralph Goodale:** Yes, I was, actually.

**Mr. Larry Miller:** Oh, you were. Okay.

Under that, if a building was sold, under your authority or minister's responsibility, would it be fair to say that you would probably know who bought that building?

**Hon. Ralph Goodale:** If I were minister responsible for Canada Lands?

**Mr. Larry Miller:** If you were the minister responsible for Canada Lands and a building or a piece of property was sold, would it be a fair assessment to think that, yes, you would probably know—

**Hon. Ralph Goodale:** I would be informed of the name of the party. That's not to say I know them. I would know their identity.

• (1300)

**Mr. Larry Miller:** I wasn't implying that you knew them, just knew of them.

Just for your knowledge then, the committee heard today from Mr. Gagliano that when he was the minister responsible for Canada

Lands, I presume before your time, a building was sold, but he didn't know who bought it. I didn't think that sounded very logical at the time, and you've just clarified that.

**Hon. Ralph Goodale:** What I could just say to you is that if you look at the memo that came up from Mrs. Cochrane recommending the result on this transaction, there was a paragraph in the memo that simply identified who the landlord was. It gave no further information than just the name.

**Mr. Larry Miller:** Thank you.

Lastly, you've been a member of Parliament for quite a while. I believe you're a lawyer, and with that I have to presume, and I think the average person would, that you're fairly knowledgeable, or should be, and should be able to make a good logical decision.

I'll just create a scenario here for you. You and your wife get married and you rent a house, and after a while two or three little ones come along, and all of a sudden the place isn't big enough. So you contact a real estate agent and say, "I want you to get me two or three quotes on a place, a bigger house that will accommodate me and my family." So the person does that, and he finds a place that not only is big enough to hold you and your family, but it's much cheaper than the one you're in. All of a sudden the person who owns the house you're in comes back, gets wind of this, and says, "Whoa, whoa, I know this one isn't big enough, but what if we bumped you in some rooms there and lowered the rent?" Do you think that would be something you would probably agree to in your personal life?

**The Chair:** Be very brief.

**Hon. Ralph Goodale:** In the case of a growing family, it's difficult to retract the size. In the case of a government department, the minister, and ultimately the deputy minister, came to the conclusion that it was possible to function successfully in the smaller space, especially since the regional Montreal office had been relocated.

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

**Mr. Pierre Poilievre:** Mr. Chair, I would like to ask for consent to do another round of eight minutes. There are a lot of unanswered questions at this point. I have a whole list of them here. There are several members who haven't had a chance to pose questions. I don't know what the other side, the Liberal delegates, would have to fear by allowing such a round.

Can we do that, Mr. Chair?

**The Chair:** No, I think the time is up at one o'clock.

Mr. Goodale has indicated that he has another appointment at one o'clock, and I have another one at one o'clock. And several members have already left. So I'm going to adjourn now.

You can bring a motion to bring him back, Mr. Poilievre. That's possible.

Mr. Goodale, on behalf of the committee, I want to thank you very much for your appearance here today.

The meeting is adjourned.







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