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Chair

Mr. Pierre-Luc Dusseault

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• (1530)

[Translation]

The Chair (Mr. Pierre-Luc Dusseault (Sherbrooke, NDP)): Good afternoon, everyone, and welcome to the 7th meeting of the Standing Committee on Government Operations and Estimates.

As part of our study of supplementary estimates (B) today, we will hear from representatives of the Department of Public Works and Government Services: Michelle d'Auray, Deputy Minister and Deputy Receiver General for Canada; Nancy Chahwan, Assistant Deputy Minister, Parliamentary Precinct Branch; Pierre-Marc Mongeau, Assistant Deputy Minister, Real Property Branch; Alex Lakroni, Chief Financial Officer, Finance Branch; and Pablo Sobrino, Associate Assistant Deputy Minister, Acquisitions Branch.

Thank you for being with us. You will have 10 minutes to make your presentation in the first part of the meeting. Committee members will then ask you questions on it and on the supplementary estimates (B).

Without further ado, I thank you and invite Ms. d'Auray to take the floor.

Ms. Michelle d'Auray (Deputy Minister, Deputy Receiver General for Canada, Department of Public Works and Government Services): Thank you, Mr. Chair, members of the committee.

I am pleased to appear before this committee on behalf of Public Works and Government Services to discuss the 2013-2014 supplementary estimates (B) and the 2012-2013 departmental performance report.

Since you have named the people joining me today, I will not do it a second time. Thank you for allowing us to finish before 5:00 p.m. We will be attending a late afternoon celebration for the Workplace Charitable Campaign. It will be an opportunity to celebrate the end of the campaign's government component. The employees of Public Works and Government Services have raised more than \$1 million for the national capital region, and we want to celebrate that contribution.

For those committee members who may be unfamiliar with the department, we play a key role in the operations of the Government of Canada, serving, as we like to say, as its treasurer, accountant, real property manager, central purchasing agent and linguistic authority.

It is home to the Receiver General, which manages a cash flow of more than \$2.2 trillion a year and prepares the annual public accounts of Canada. For the 15th consecutive year, we received an unmodified opinion in the Auditor General's audit of the public

accounts, an unprecedented event for a government organization of our size.

We also accommodate more than 272,000 federal employees in a diverse real estate portfolio involving over 2,000 leases and \$1 billion in annual rental payments. We are responsible for more than 60,000 contracts, or 83% of the \$21 billion a year the Government of Canada spends on acquisitions.

We also translate more than one million pages of text a year on behalf of federal organizations and provide translation and interpretation services for Parliament. That includes the people in those cabins right now.

[English]

The department has one strategic outcome, which is to deliver high-quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the needs of federal institutions.

In everything we do, we put a great importance on integrity. In July 2012, the department introduced new integrity measures that render potential bidders ineligible if they have been convicted of certain offences. Since then, Public Works has verified around 43,000 contracts and real property transactions, involving checks on almost 145,000 individuals, companies, and their board members.

Through the 2013-14 main estimates, the department asked for \$2.6 billion to deliver core services related to accommodation, renovations, construction, procurement, translation, and industrial security screening.

We did not seek any appropriations through the earlier supplementary estimates (A). In this timeframe we are seeking \$176.6 million in these supplementary estimates (B).

This request includes \$69.7 million for real property functions, to cover non-discretionary costs in fit-up, payments in lieu of taxes, and municipal taxes associated with crown-owned buildings and leased space. Now, \$38.4 million of this is for the fit-up for three new federal government buildings in Gatineau, which will consolidate a number of departments and reduce our need to lease space. Another \$25 million is for office accommodation for departments and agencies delivering programs related to, for example, agriculture and border security. These office accommodation requirements flow directly from the funding requests made by departments and agencies for new or renewed programs.

The next amount is \$37.4 million for the pay modernization project, to continue the planned work on system design and configuration, and for the implementation of the new service model.

We are also requesting \$31.5 million to improve federal engineering assets such as dams, bridges, and crossings, including, for example, the Chaudière Crossing and the Timiskaming Dam Complex.

As well, \$13.7 million is for the reinvestment of revenues from the sale or transfer of surplus properties that were sold at market value between December 1, 2012, and July 8, 2013. The funds generated from these sales are to be reinvested in federal office facilities and common-use assets to preserve or extend their useful life.

And \$3.4 million is requested for the rehabilitation and reconstruction of the *Manège militaire de la Grande Allée* in Quebec City that was damaged by fire in 2008.

● (1535)

[Translation]

With these supplementary estimates (B), PWGSC's total gross budget would become \$6.2 billion, broken down as follows: \$2.5 billion for the rent, fit-up and utilities of government-wide accommodation, Receiver General and central compensation administration functions, and translation services to Parliament; \$1.9 billion related to the provision of optional services to departments, such as real property project management and translation services, on a cost-recovery basis; \$945 million to deliver core programs such as central purchasing and banking, public accounts, payroll and pension services; and \$708 million for Government of Canada buildings and infrastructure. That is capital funding.

As PWGSC generates \$3.3 billion in revenues, or 53% of its budget, from client departments, this results in a net appropriation of \$2.9 billion.

Allow me now to turn to PWGSC's Departmental Performance Report for the fiscal year ending March 31, 2013.

[English]

Consistent with the government's priorities, Public Works and Government Services Canada has put considerable energy into innovation, cost saving, and making it easier for government clients and Canadians to do business with us.

The department's top organizational priorities for 2012-13 were and continue to be delivering efficient and effective services, transforming critical infrastructure, and ensuring sound stewardship and management excellence.

To deliver on our first priority, the department has adopted a smart procurement approach that leverages digital technology to reduce costs and process for clients and potential bidders. More importantly, this approach has led to enhanced engagement with suppliers. We engage with industry earlier and more often throughout our procurement processes. We make greater use of independent third-party advice and fairness monitors in complex procurements. And we apply robust governance to ensure continuous oversight. It is this approach that the Auditor General recognized in his chapter on shipbuilding in his report that was released earlier this week.

Our office of small and medium enterprises, OSME, helps demystify the government procurement process for businesses and manages our successful Build in Canada innovation program, which links federal clients with private sector innovators.

We also successfully modernized the government's pension administration systems and business processes. The new system, serving about 600,000 users, is the biggest in Canada. It was launched successfully in January 2013. Last night, the Information Technology Association of Canada, ITAC, awarded the project its first prize for large public sector IT projects and actually created a special prize to recognize this particular project for its delivery on scope, on time, and on budget.

● (1540)

[Translation]

In pursuit of our second priority, transforming critical infrastructure, the department made significant progress on its state-of-the-art real property information technology system.

And, as you heard from departmental officials who appeared before you last week, work on the Parliamentary Precinct is unfolding as set out in the long-term vision and plan.

In our effort to ensure sound stewardship and management excellence, our third priority, the department met its savings goals in 2012-2013 and strengthened its financial management through measures such as budget management excellence and renewed financial and materiel management system.

In addition, the transition to direct deposit at the Receiver General for Canada is on track and will save an estimated \$17.4 million a year when it is completed in 2016.

As you can see, PWGSC is entrusted with a broad mandate and manages significant sums of money.

In providing other departments with a wide range of common services, we enable them to focus on their own mandates and priorities. As befits our stewardship responsibility, we seek whole-of-government solutions that are efficient and cost-effective while striving to deliver high-quality services to Canadians.

Mr. Chair, members of the committee, thank you for your attention.

[English]

My colleagues and I would be happy to take your questions.

Thank you.

[Translation]

The Chair: Thank you for your presentation.

Without further ado, I will call on committee members to ask their questions.

Ms. Day, you have five minutes.

Mrs. Anne-Marie Day (Charlesbourg—Haute-Saint-Charles, NDP): Thank you, Mr. Chair.

Thanks to our guests for being with us here today.

We will get to the various points immediately because this is a big file.

We know that the number of full-time employees will be cut. That number will fall from 12,229 to 11,679 in 2012-2013. What programs will be hit hardest by this reduction in the number of employees?

Ms. Michelle d'Auray: Thank you for your question.

Shared Services Canada was established in 2011. Human resource transfers were made and were reflected in our documents in 2012-2013. This means that part of the workforce reduction that you see here is a reflection of the transfer of our employees to Shared Services Canada. These are not just savings-related cuts but mainly cuts associated with the transfer of employees to Shared Services Canada.

Cuts were also made as part of the savings achieved as a result of the strategic reviews. Most of those savings came from programs that were terminated or simply from positions that were not filled or because people retired.

Mrs. Anne-Marie Day: Spending on the federal pay and pension administration program will rise from \$46.9 million in 2010-2011 to \$114.1 million in 2014-2015. What justifies that increase if the number of employees is being cut?

Ms. Michelle d'Auray: We are in the process of transforming the pay system, which is more than 40 years old. That is what justifies the increase in spending on that program. The project involves two components. The first is the renewal of the IT system. We are finalizing planning for the system. The second component is the consolidation of pay functions, that is to say pay processing. We have consolidated the services that were in each of the departments. Those services are now at a single location under the management of Public Works.

Mrs. Anne-Marie Day: Thank you.

I believe that employees now receive their pay at home. Is that contracted out?

Ms. Michelle d'Auray: No, it is not contracted out. These are direct deposits.

Mrs. Anne-Marie Day: They are direct deposits.

Ms. Michelle d'Auray: Yes.

Mrs. Anne-Marie Day: Under vote 1b, we have \$38.4 million for increases in non-discretionary expenses—primarily for fit-up work—associated with crown-owned buildings and leased space. Staff is being cut and transferred to Shared Services Canada. How then do you explain the increase in property-related expenditures?

• (1545)

Ms. Michelle d'Auray: The increase is necessary because we purchased three buildings so that we could consolidate the employees. This is part of the commitment we made to ensure there was a balanced distribution of buildings between Gatineau and Ottawa in the national capital region. We acquired or constructed three buildings. This amount is needed for building upgrades. In this case, we will move and consolidate employees from various departments, which will enable us to terminate leases and save money. So this is not an increase in the workforce but rather an investment so that we can consolidate further and terminate leases that we have around the region.

Mrs. Anne-Marie Day: So we will be paying more to cut spending

Ms. Michelle d'Auray: This is an investment that will help us save money in the long run and reduce expenses incurred under existing leases.

Mrs. Anne-Marie Day: Starting in what year do we expect to achieve savings?

Ms. Michelle d'Auray: I will ask my colleague Pierre-Marc to answer that.

Mr. Pierre-Marc Mongeau (Assistant Deputy Minister, Real Property Branch, Department of Public Works and Government Services): Thank you for your question, Ms. Day.

Generally speaking, we were able to consolidate several departments that had offices in the three buildings you mentioned. A number of those departments significantly cut the number of square metres they had been using. The consolidation also means a reduction in the space the departments will use. Based on that space reduction, we can calculate the savings we will generate over the next few years. By moving we will save an average of \$3 million in rental expenses a year and thus be able to recoup our investment in 8 or 10 years.

We will also keep the buildings and the departments will occupy them for 25 years. Our savings will start in the 8th, 9th or 10th year, depending on the building, and will be significant. Although there are initial fit-up costs, we believe the rental cost reduction will enable us to achieve greater long-term savings.

The Chair: Thank you.

Ms. Day, your time is up.

Mr. Trottier, you have the floor for five minutes.

Mr. Bernard Trottier (Etobicoke—Lakeshore, CPC): Thank you, Mr. Chair.

[*English*]

Welcome to the government operations committee once again.

In your remarks you talked about the Build in Canada innovation program, which is of interest to this committee. We did a study two years ago, but in those days it was called the CICP, the Canadian innovation commercialization program.

This program was really designed to help smaller businesses deal with the federal government, to give a leg up. Could you talk about some of the progress that's been made in the last two years with this program, from its original inception as the CICP to its current incarnation?

Ms. Michelle d'Auray: I'll speak briefly as an introduction and turn to my colleague, Mr. Sobrino, who was responsible for the pilot and now for its current permanent manifestation.

It's a procurement program. The federal government, through this program, actually purchases the services or products that companies provide in order to meet the need expressed by a government department, a program, or an activity.

It is a competitive procurement process. Needs are identified by departments. The selected products and services are matched with the departments and their needs, and the payments are made, essentially because we are buying a service or product. By giving companies a first leg up—often it's their first big sale—so that they can say they have sold to the Government of Canada, it then allows them to market that product and that service to other clients, both in Canada and abroad.

Pablo, maybe you can give us an overview of the number of projects and the types, if that's okay.

• (1550)

Mr. Pablo Sobrino (Associate Assistant Deputy Minister, Acquisitions Branch, Department of Public Works and Government Services): Thank you, Deputy.

Just to give a little summary, as of last March we had 61 contracts that had been signed with different innovators across Canada, mostly for goods and for some services, up to a value of almost \$500,000. They ranged from as little as \$30,000 up to almost \$500,000.

We've gone forward. The government announced the extension to the Build in Canada innovation program. It is a bit of an evolution of the program. One of the things we discovered as we were managing this program was that there is a lot of interest in innovation in the defence industry space. Those innovations tend to require a little more investment, so we are looking at a program whereby part of the money will be set aside for military innovation, working with the Department of National Defence and the Defence Research Establishment to identify products that would be of use and worthy of investigating through the needs of defence.

The interesting thing about the program and its success so far—and it's largely anecdotal at this point, because we have to get enough products out to market—is that those whose products manage to make that first buyer piece and who use that in their

promotion of their own business are able to sell abroad. That's generally the pressure we receive from small businesses. We have what they've invented, and they've invested in R and D, etc., but they need to make the first sale before they can actually commercialize that product.

I believe that when I spoke with the committee previously on this.... We've had a lot of success in those companies actually getting that product out to market. We can say now that a number of companies actually have incredibly good sales internationally, based on the fact that they were able to sell to the Government of Canada. That was one of the big pieces in our cross-country consultations. Small businesses want to have the government buy their things. This approach allows them to compete, to demonstrate that they are top of class, to have a government department test, and to help them finalize their product so it can go into a commercial market.

Mr. Bernard Trottier: Thank you.

Now, outside of the innovation program, are there some other means? I know that the Public Works Department has put some measures in place to make it easier for small businesses to do business with the federal government, such as things like buyandsell.gc.ca and the procurement ombudsman. I know that those have been successful.

I've talked to some small business people in my own riding and some stakeholders. They've talked about how they've successfully gained contracts with the federal government, but one of their criticisms is that the federal government is actually the worst payer. It's really hard to get paid by the federal government at times, compared to other entities they deal with.

I don't see any measures or metrics, and I suppose it's good for the taxpayer and good for the treasury to squeeze small businesses, but ultimately it's not good for the small businesses. Some of them have to lever up just so they can finance doing business with the federal government. Is Public Works doing anything to make the federal government a better payer, especially for smaller businesses?

[*Translation*]

The Chair: Your time is up, but I will let you answer the question.

[*English*]

Ms. Michelle d'Auray: I should say that there are some metrics for us. The Treasury Board Secretariat has very precise metrics of the number of days that it takes us to pay. I have to say that at Public Works we actually meet the metric. It does happen that other government departments do not, because we are not the only ones who procure, so we do work with other organizations.

I also meet with small businesses, and this is often a comment that I hear. In fact, when I get those comments and I try to find out what's happened, what I find is that more often than not it's another department. By asking us and by creating the opportunity through OSME, the office of small and medium-sized enterprises, it gives businesses an opportunity for a place to go to ask the question.

[*Translation*]

The Chair: Thank you for that answer.

Mr. Blanchette, you have five minutes.

Mr. Denis Blanchette (Louis-Hébert, NDP): Thank you, Mr. Chair.

I want to thank the witnesses for being here. We are always pleased to see you in committee.

My first question concerns the Voltigeurs de Québec Armoury. You are requesting \$3.4 million this year. A \$104-million project was announced, including \$11 million for studies and public consultations.

You no doubt have a schedule since you are requesting funding. I would like to know what that figure corresponds to and what we can subsequently expect.

• (1555)

Ms. Michelle d'Auray: Thank you for your question.

The amount requested in the supplementary estimates (B) is really for the project definition stage. We are currently discussing the matter with the various tenant departments, the City of Québec and the National Battlefields Commission, and we are completing exploratory analyses of the lands and various buildings. We are requesting this funding in order to complete that work.

Mr. Denis Blanchette: What is the timetable?

Ms. Michelle d'Auray: I am getting to that. Our objective is to be able to issue the construction contracts and start work in early 2015 for occupancy in 2017.

Mr. Denis Blanchette: That is excellent. Thank you very much.

My colleague spoke a little earlier about the consolidation project in Miramichi. We know it is an interdepartmental consolidation. If my memory serves me, we know you are using the PeopleSoft human capital management system.

We can see that this will virtually triple between 2010-2011 and 2014-2015. How does that compare to current costs?

Ms. Michelle d'Auray: The amounts appearing in the estimates and what you have in the report on plans and priorities show the curve of the increase in expenditures as a result of the pay system modernization project and so that we can finish consolidating the people, the human resources, or rather the people who will be working and providing pay services. We are consolidating the pay officers.

The expenditure curve will subsequently decline and stabilize because these are expenditures that are incurred to upgrade the system, to invest in it, to finalize and implement it and to finish hiring and training the people to provide the services. The curve will therefore decline once that is finished.

Mr. Denis Blanchette: When will that happen?

Ms. Michelle d'Auray: I believe it will be in 2015-2016. The savings will begin in 2016-2017. Savings are also attached to this and are in the order of \$78 million.

Mr. Denis Blanchette: All right.

We also see that there are \$31.5 million for dams, bridges and crossings. What exactly are you doing with that? Perhaps you could quickly give me an idea of the infrastructure you own.

Ms. Michelle d'Auray: We have 19 assets of all kinds. They include wharves, bridges, dams and even a section of the Alaska highway. What can I say? It is a diversified portfolio.

A portion of the amounts requested in the supplementary estimates will be allocated to Chaudière Crossing, the Burlington Lift Bridge, Chaudière Falls Dam and Des Allumettes Bridge.

Mr. Denis Blanchette: What are you going to do to Chaudière Bridge?

Ms. Michelle d'Auray: I think it is for the dam or the crossing.

Mr. Pierre-Marc Mongeau: Yes.

Ms. Michelle d'Auray: It is not for the bridge as such.

Mr. Pierre-Marc Mongeau: We call the Chaudière bridge Chaudière Crossing. This work is mainly related to health and safety. We want to ensure we restore the crossing to a green state, based on the red-yellow-green system. We want to make that is done by the end of 2014.

Mr. Denis Blanchette: All right.

What is the current state of that infrastructure?

Mr. Pierre-Marc Mongeau: I do not have all the details on the health and safety issues, but it is mainly a matter of shoring up components. From time to time, more visual issues may be involved, but there are always components that have to be reinforced to ensure that all health and safety aspects are covered. This covers all bridge maintenance activities. Checks are done. When we find unsound components, we make sure they are repaired before they become dangerous.

The Chair: Thank you, Mr. Blanchette.

Mr. Cannan, you have the floor. You have five minutes.

• (1600)

[English]

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Ladies and gentlemen, it's a pleasure having you as witnesses again. We appreciate Public Works, and over the last couple of years it has taken some positive steps and directions.

I want to ask a few questions regarding the departmental performance report in the Auditor General's report this week, specifically around the shipbuilding procurement strategy.

I was in Halifax for the last couple of days with our international trade committee, talking about the Comprehensive Economic Trade Agreement, CETA, with the European Union and meeting with Atlantic stakeholders and business organizations. We toured a Halifax port yesterday, and people are ecstatic about the \$115 billion megaproject. I had a tour of the Irving shipyards, and there are great opportunities for Atlantic Canada, and all Canadians.

The Auditor General mentioned the national shipbuilding procurement strategy, and said that the shipyard selection process was “a successful and efficient process independent of political influence, consistent with government regulations and policies, and carried out in an open and transparent manner”. Through the NSPS, the government is indeed managing the acquisition of military ships in a “timely”, “affordable”, “efficient”, and “transparent” manner that will support the shipbuilding industry for years to come.

Whoever is comfortable in answering, could you maybe comment on the Auditor General's findings with respect to the shipbuilding procurement strategy and its oversight mechanism, and specifically his findings with respect to whether the NSPS is being well managed?

Ms. Michelle d'Auray: The quotes you read were the ones that I was going to use. It is highly unusual for an Auditor General's report to have so many positive elements and so many positive quotes. We were quite happy, if anybody could be happy with an Auditor General's report.

For us, it was an excellent report card. It demonstrated the results of what I mentioned earlier in my opening remarks, our approach to smart procurement. It demonstrated that it is worth taking the time and effort to engage early and frequently with industry, to be transparent about the iterations, the approach, and the requirements that we have. More importantly, it's also listening to what industry has to say and for us to make the adjustments necessary to the procurement processes as we go forward.

The other element that was absolutely essential was expertise—third-party experts we retained in order to give us advice all the way through. That was both in terms of what a target state for the shipyard should be and what the fairness monitor we hired should give us in terms of the assurance around the process and for the industry, that we were following all of the process elements as we should and that we took into account industry's comment.

We also had a very strong and robust governance structure, which continues to this day. It is, at the top, a committee of deputy ministers, which I chair, and has quite an extensive set of committees to support all of the elements of the decision-making. We have a very robust escalation mechanism, so that no issue turns around and spins for any length of time. Decisions are made. Also, we report regularly to ministers about the work and the progress we make. The shipyards found the process quite comprehensive, and they, too, found the selection process to be as transparent and as effective as possible.

We now have issued contracts to the two selected shipyards. We continue our ongoing engagement, both with industry, for the suppliers to the shipyards, and with the shipyards, as we progress on each one of the projects that is being undertaken for the construction of the ships.

Hon. Ron Cannan: Thank you.

I'm glad you appreciated those comments and the Auditor General's quotes. I thought they were excellent.

Somebody else who made an excellent quote is my honourable colleague across the way, Mr. Pat Martin, when he commented:

You can tell by the enthusiasm from the committee members that we're all as excited about this as a lot of Canadians are, and I think credit goes to all of the actors. Perhaps it is a new standard in how we make major procurements.

Do you think there are any lessons we have learned from shipbuilding strategic procurement, that is, taking this strategy's model and applying it to future procurements? It's something the government hasn't necessarily had top marks on in the past, as far as past procurement.

Ms. Michelle d'Auray: We are in fact applying the model to quite a range of procurements. I would say that's not just the complex procurements, which are often on the military side, but also in terms of very complex procurements that may not have the same range or dollar value.

For example, right now with the fixed-wing search and rescue aircraft, we've had extensive, and continue to have extensive, engagement with industry. In fact, we had a letter of interest that was issued to the companies on the evaluation process. We now follow that process and that approach very consistently and aggressively because it has demonstrated and proven its worth in terms of the management of processes of procurements.

● (1605)

Hon. Ron Cannan: I'm proud to say that my constituent Kelowna Flightcraft is maintaining the search and rescue aircraft and giving them much longer lifespans. So we can procure that in the future.

[Translation]

The Chair: Thank you, Mr. Cannan.

[English]

Hon. Ron Cannan: Thank you very much.

[Translation]

The Chair: Mr. Byrne, you have the floor for five minutes.

[English]

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Thank you, Mr. Chair.

Thank you very much to our witnesses.

Deputy Minister d'Auray, if you could provide the committee with some additional information about the new integrity measures for the tendering process, we'd be delighted to hear that.

Ms. Michelle d'Auray: We have had integrity measures for the procurement processes for some time, but the last set of changes we made were in July 2012, when we added a set of infractions where a bidder would be considered ineligible to do business with Public Works following a conviction.

I can give you a sense of what some of those offences would be: if they're found to be convicted of fraud against the government; frauds under the Financial Administration Act; payment of a contingency fee to a person to whom the Lobbying Act applies. There's a fairly extensive list of convictions that would render you ineligible to bid.

The other element that we will render ineligible is if you are found to be in collusion. If the Competition Bureau has found you to be in collusion but has given you a leniency provision, we will not consider the leniency provision. So you will also be banned or prevented from bidding and/or contracting with us.

We also have the provisions to terminate a contract or a real property transaction if in the course of a contract the company or its board of directors has been convicted of one of these offences. So it's not just prior to signing the contract, it's also during the duration.

There is no dollar threshold to this. It applies to every contract that is signed with Public Works.

Now, it does apply to procurements under the aegis of Public Works and Government Services Canada. It doesn't apply to other departments that have the authority to procure. We are now signing a memorandum of understanding with other departments that wish to use the provisions of our integrity framework and our validation and certification processes.

Hon. Gerry Byrne: How many firms have been excluded since July of 2012 from bidding on contracts as a result of these more robust provisions?

Ms. Michelle d'Auray: Mr. Chair, we do not count the ones that have potentially not applied. In fact what we have received is a number of letters from companies that have indicated that they have not applied to us because they knew that the provisions, once applied, would render them ineligible.

What I can say is that we have in certain instances found about a dozen companies, I would say, when we were about to sign the contract, that would be non-compliant.

Hon. Gerry Byrne: One particular supplier of management consulting services to the Government of Canada is a company by the name of Accenture, which is, as you are aware, a derivative of Arthur Andersen, which of course was involved in the Enron scandal.

I think it would be fair to say that this Accenture was very directly related to Arthur Andersen and Andersen Consulting. Would you be able to describe to the committee the current portfolio of management consultant contracts that Accenture would currently have with the Government of Canada?

Ms. Michelle d'Auray: Mr. Chair, we would have to get back to you with that information. We would be in a position to do that for the data for which we hold the information, which is what Public Works would have.

Hon. Gerry Byrne: It would probably be in the tens of millions, though?

Ms. Michelle d'Auray: I really would not want to venture a guess at this point, because consultancy contracts and expenditures vary quite significantly from year to year.

Hon. Gerry Byrne: Thank you.

Ms. Michelle d'Auray: At the request of the committee, we can do that.

[Translation]

The Chair: Yes, you may send that information to the clerk, who will forward it to all the members of the committee.

Ms. Michelle d'Auray: All right.

[English]

Hon. Gerry Byrne: Thank you.

I'd like to move to the Champlain Bridge contracts. A circumstance that seems to be evolving is that a number of contracts, some important contracts, are going to single bidders. Arup engineering has already received a \$15.2-million contract. I understand there were no bidders other than this particular engineering firm for this project. They have no particular history in dealing with Transport Canada. They're a U.K.-based company with I think a very small office in Toronto.

More recently, IBI Group has received a \$1.1-million contract for electronic tolling.

Does this cause concern for value for money for Canadian taxpayers, that there is a potential here that contracts for a very major project are going to one bidder? While the \$15-million mark and the \$1.1-million mark may be relatively small considering the total size of this project, it does allow both of these companies to now be grandfathered for future contracts, which now may be sole-sourced.

Could you give the committee some description of how this tendering process occurred and whether or not you have any concerns about value for money for taxpayers as a result?

• (1610)

Ms. Michelle d'Auray: With regard to the first contract that was mentioned for Arup, it was in fact a sole-source contract that was accorded to the company. It was part of a subcontract that had been competitively won by PricewaterhouseCoopers to help in the definition of the design and engineering elements. Given the time compression that we have to undertake at this point for the procurement of the construction company for the Champlain Bridge, and given the background and the work done to date by this company, we issued a sole-source contract to Arup. Arup is not going to be able to bid or be part of any consortium for the request for proposals for the public-private partnership construction of the bridge.

This was a means for us to accelerate the work in order to be able to give a potential consortium, when we put out the request for proposals, a sense of what the requirements are. This is a fairly technical request for proposals that would be going out and this company is helping us define what those elements will be.

With regard to the second contract that you mentioned, it was in fact competitively attributed. There was a competition and IBI Group won the competition. So there has been a series of contracts that have been issued for the bridge. The only sole-source contract was the one attributed to Arup.

[Translation]

The Chair: Thank you.

Mr. Byrne, your allotted time is up.

Mr. Aspin, you have the floor for five minutes.

[English]

Mr. Jay Aspin (Nipissing—Timiskaming, CPC): Thank you, Mr. Chair. Welcome, Madam d'Auray and your officials. Thank you for assisting us with this examination of supplementary estimates (B).

I have a few technical questions. Maybe I could begin by zeroing in on the department's supplementary estimates reference funding for accommodation costs related to the pension administration project.

It's my understanding that the transformation of the pension administration project has been recognized with prestigious awards. It has also been recognized as being a tremendous achievement. Could you elaborate on why this funding was necessary? Can you shed some light on why the transformation of the pension administration project has been deemed such a success?

Ms. Michelle d'Auray: The amount requested in the supplementary estimates of \$5.7 million is to provide office space for the pension administration, now that it has been consolidated. This amount is listed separately because it will be charged to the superannuation account and the pension fund. So it is a chargeable amount. We are provided with the amount and then we charge it back to the funds.

The pension project itself was another large information technology project to replace another 40-year-old IT system for which there was no longer any technical support or capacity. The investment required was about \$260 million. Starting in 2016-17, about \$29 million a year in savings will be generated as a result of it.

The reason this project is garnering so many prizes is that this is a service and a system that supports almost 600,000 users. It is the biggest of its kind in Canada. The pension project was not just to develop and re-base the system but also to turn it into a paperless system. All the transactions are done electronically. It has a very extensive web-based user system, so people actually access their services and their information directly from the web. There are some pension advisers and a call centre with a 1-800 number that people can call. It is very simple and at the same time very sophisticated. The system will give people their information and accelerate the processing of the requests for pensions.

One of the other members of the committee asked about the deposits. These are done as direct deposits. There are no paper transactions; it's all electronic. In fact, it has turned into a model that other countries are looking at. We're now going into different phases for the pension—it went live in January 2013. We are now applying the same rigour to transform the RCMP's pension system and add it to the platform. The next phase will be to bring the Canadian forces pension system onto the same platform.

My colleagues who are winning all these prizes will say that what they developed is the religion of on-scope-on-time-on-budget. They call it a religion because they inculcate it in all their employees. In fact, we now have a hard time keeping those employees. They are superb project managers, they have now got the religion, so to speak, and they are being used in different projects in IT transformation across the government.

• (1615)

Mr. Jay Aspin: On scope, on time, on budget. Good news indeed. Congratulations.

Do I have any further time, Mr. Chair?

The Chair: Fifteen seconds.

Mr. Jay Aspin: I'll relinquish those seconds.

Thank you.

[Translation]

The Chair: Thank you.

Mr. Martin, you have the floor for five minutes.

[English]

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Mr. Chairman.

Looking at the estimates and the departmental report of this portfolio it reminds us what a staggering scope and magnitude of activity there is there. As one of the oversight committees of Parliament that is supposed to provide scrutiny and oversight it's almost impossible in this amount of time to do justice to the amount of activity that's been presented to us today. The best we can do is pick narrow little subjects and drill down a little bit in those. While I appreciate the task that you have, Madame d'Auray, we simply can't do it justice in this limited amount of time.

I'm going to use what little time I have to ask specifically about some of the contracts that go through Public Works, specifically the advertising contracts on behalf of other departments.

My information is the entire federal government's advertising budget last year was about \$65 million. Minister Oliver wants \$40 million this year alone to promote the oil and gas industry. I'm wondering if there are any criteria or limitations imposed on you as to what nature of advertising the government is allowed to buy. I've always understood that government advertising is to inform Canadians of the services government has to offer, to make sure that they're aware of their entitlements and the services, etc., not to promote one particular industry sector. And it's not even in Canada, I understand he wants to spend this money advertising abroad in Europe and the United States.

Nobody has to do any tag day sales for the oil and gas industry. Second to the big banks, they're about the wealthiest corporations in the country, if not the world. When you're put in the position of purchasing these advertising blocks is there any screen that you use to push back and say, why are we promoting the Canadian Association of Petroleum Producers with taxpayer's money?

Do you have any obligation or responsibility, as Public Works, to that effect?

• (1620)

Ms. Michelle d'Auray: The responsibility of Public Works is to manage the procurement of the advertising agency and the placement of the media at the request, and according to the media plan, of the department or organization.

The funds, as the member indicated, are actually allocated to each department and it is up to each department to manage the content according to the government's communications policy. In terms of any specific questions with regard to the content of the ads and the communications aspects, those would be best directed to the responsible department.

Mr. Pat Martin: To your knowledge, are these figures accurate? Can you verify that?

The \$12.9 million that Mr. Oliver is asking for in the supplementary estimates (B) will be added to, I believe, \$26 million that he's already spending promoting the oil and gas industry for a total of \$40 million. Would you be able to answer, would this \$40 million be above and beyond.... Last year they spent \$237,000 total, this year it's \$40 million. Will that be added to the government's total of \$65 million in advertising that they spend across the board?

Ms. Michelle d'Auray: I think, Mr. Chair, we would have to get back to you on that because my understanding is that the total Government of Canada advertising, centrally funded, is \$65 million.

Mr. Pat Martin: That's my understanding, yes.

Ms. Michelle d'Auray: The departments, however, can also allocate from within their own funding. Again, that question should be directed to the Department of Natural Resources.

Mr. Pat Martin: Okay.

I'm going to leave that and with the last minute I have go to a very narrow question.

The direct deposit program I presume is an efficiency undertaking to save money and streamline direct deposit, whether it's pensions or paycheques. I understand by 2016 this program will be complete. Does that mean that no one will get a paper cheque in the mail anymore, period?

I raise this because I've had seniors come to me with that concern, that they are not comfortable with, or prepared to, endorse the idea that all communication of money from the government will be electronic.

Ms. Michelle d'Auray: The goal is in fact to get as close to 100% as possible, recognizing that in some instances there are some people.... This is for direct deposit in bank accounts, so if you do not have a bank account or if you do not have access to a financial institution, there are some provisions for the government to be able to provide you with the money in a cheque form. However, we have found, and it has in fact been demonstrated, that direct deposit and electronic transfers to banks are actually more secure than paper cheques, which can be endorsed using different means of identification.

In fact, we have found that the take-up among seniors is among the most significant of all of our users. The challenge that we have for direct deposit is with small business, it's not with seniors.

[Translation]

The Chair: Thank you.

Mr. Van Kesteren, you have the floor for five minutes.

[English]

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair.

Thank you all for coming here.

I'm one of the newbies. I think there are a lot of newbies here, and we're just gathering information and trying to understand.

In a former life—and we still own it—we owned a car dealership. They used to call the dealer principals—I guess I was a dealer principal—three-fingered Charlies because we would zoom into the assets, the liabilities, and the profit/loss. Those were the only three figures that we were really interested in.

I'm somewhat surprised, and maybe I'm missing this, but.... If I could just segue for a second—maybe I can answer Mr. Martin's question, too—advertising is a form of promotion. I think that's probably why the government does it. If my memory serves me correctly, we'd advertise about 6% of gross sales, so if gross sales were \$10 million, it's sizeable. To that degree, if you look at what the federal government is spending, it's far, far less than that. If it is a form of promotion for oils and sands, or 20% of GDP, then it makes sense that we would spend that kind of money on the oil and sands—pardon me, the oil and gas industry.

Do you have or does the federal government have a spreadsheet much the same that would list assets and liabilities? Obviously, we take in a sizeable amount of money, we spend a lot of money, but do we have a figure? What's the federal government worth?

• (1625)

Ms. Michelle d'Auray: The public accounts is actually the closest that we have in presenting, as you call it, the total balance sheet. We put a dollar figure on the expenditures, obviously, the revenues, and the liabilities. In terms of the assets, we do not put a dollar figure on the assets because we self-insure. Even if an asset had a certain value, we would put a dollar figure on it if we were about to sell the asset, but not put it into the value of the books of Canada. If we did, we would actually have to measure every single asset that we have, put a market value to it, and some of it is irreplaceable. At some point, you look at your liabilities and you look at the assets if you sell them.

Mr. Dave Van Kesteren: From what I understand, these buildings—and we had a wonderful tour with Ms. Chahwan last week of what we're doing—we never tag what the building's worth. Is it ever done?

Ms. Michelle d'Auray: We do not put a book value on the assets held by the government except for very specific accounting purposes.

Mr. Dave Van Kesteren: What about crown lands and things like that?

Ms. Michelle d'Auray: Unless we are about to divest ourselves of crown lands, Mr. Chair, we do not put a value on them. The closest we have come is when we have to assess all of the liabilities. We have done, for example, a full assessment of the liabilities for contaminated lands or buildings. We did undertake an initiative a few years back, exactly as you suggest, to do a valuation of all of the assets held by the Government of Canada. We looked at the cost benefit of doing that, and we found that it was going to take us probably about 30 years to do it, and the cost of doing it would far outweigh the benefit because, if something happens to the physical assets, and we need them, we replace them. It's just virtually impossible to put a dollar value on them.

Mr. Dave Van Kesteren: How much time do I have, Chair?

The Chair: You have one minute.

Mr. Dave Van Kesteren: The short answer is we have no idea what the federal government is worth—no idea?

Ms. Michelle d'Auray: No, the short answer is at some point.... I'll stop there.

Mr. Dave Van Kesteren: Interesting.

Okay, I have two other questions. The first is in relation to pensions. When we were looking at our spreadsheet last week, we discovered—and I think most of us knew—that the federal government had a debt of about \$640 billion, but tagged to that were liabilities for pensions.

We ran out of time. I didn't get an answer for this. Does that mean the money is not set aside for public pensions? From what I understand, the employee gives a portion and the employer contributes a portion. Is that money not put somewhere? Or is that just a balance, again, for assets and liabilities? It's sitting there, but it's a liability because it has to be paid.

Ms. Michelle d'Auray: Mr. Chair, there are some instances, and this goes back to my previous incarnation as the Secretary of the Treasury Board, not in this current function. I can give you an answer but the specific answer would actually be coming from the Treasury Board Secretariat. After 2000, both the sources of funds as well as the liabilities were put into the Public Sector Pension Investment Board. Prior to that, the liabilities and the payments were, as you suggest: the payments went into this general revenue fund and the contributions in went into the consolidated revenue fund, and the expectation of the payments out were also from the fiscal framework.

After 2000, actually, the regime was established with the Public Sector Pension Investment Board, much like the Canada Pension Plan Investment Board, and so the moneys in and the moneys out are now accounted for with the board.

Mr. Dave Van Kesteren: Thank you.

[*Translation*]

The Chair: Ms. Day, you have five minutes.

Mrs. Anne-Marie Day: Thank you, Mr. Chair.

I would like to continue the line of questioning started by Mr. Van Kesteren.

A citizen filled a complaint with Advertising Standards Canada in September and won. At issue was a government advertisement

concerning Canada's Economic Action Plan announced by Stephen Harper. It stated that \$15,000 would be available, \$5,000 from the provinces, \$5,000 from the Government of Canada and \$5,000 from the business itself. As we know, however, the government was blamed and the advertisement was withdrawn from the program.

Could you tell us how much that advertisement cost?

• (1630)

Ms. Michelle d'Auray: Mr. Chair, I will have to provide those figures at a later date. They will have to come in part from the Department of Employment and Social Development.

The Chair: Thank you, you may send that information to the clerk.

Ms. Michelle d'Auray: If you are asking us to provide those figures, we will have to get them from the other departments. I simply want to point out that this is not necessarily our responsibility.

Mrs. Anne-Marie Day: Since implementation of this program requires the involvement of the provinces and employer associations, I would like to know whether it has been implemented or is about to be and, if it has not, when it will be. Has provision been made for it in the budget?

Ms. Michelle d'Auray: Mr. Chair, since that is not my responsibility, I must ask that the question be put directly to the department concerned, which is Employment and Social Development.

The Chair: Thank you for that clarification.

In that connection, I will ask that the questions asked relate directly to the Department of Public Works and Government Services.

Mrs. Anne-Marie Day: The figures provided to us, stated in millions of dollars, on the expenditures of the Department of Public Works and Government Services indicate that increases are expected in five of the nine existing programs in 2013-2014. I can name them for you, but I believe you already know them. On the other hand, reductions are forecast for 2014-2015. As you know, 2015 will be an election year.

Why are increases estimated now and decreases for the following year?

Ms. Michelle d'Auray: Could you clarify which programs you are talking about?

Mrs. Anne-Marie Day: They are accommodation and real property services—you gave a partial answer for that—the Receiver General for Canada, federal pay and pension administration, linguistic management and services and procurement ombudsman.

Ms. Michelle d'Auray: Thank you for that clarification.

Accommodation expenditures always fluctuate, and there are increases and decreases over the years. The inflation rate and lease expenses also increase. Consequently, costs will rise.

We also expect cost reductions as a result of approximately \$240 million in savings that we will generate. The total amount of those reductions will begin to apply in 2015-2016 and 2016-2017. That will also enable us to consolidate the departments and reduce space, as Mr. Mongeau mentioned earlier. So there will be significant reductions in that area.

We talked about pay administration earlier. There is an increase and a decrease because the implementation project will be completed in subsequent years. The reduction under the Receiver General program is attributable to the direct deposit program, which will result in savings.

Costs have already been cut in the linguistic management program because it is a temporary program that we have not renewed. We plan to change the operating model gradually. As for the ombudsman, this is simply a matter of estimates based on stability of the amounts. It does not really have an impact, except on the forecast stability, which ultimately represents a proportionate decline if the amounts do not increase.

The Chair: Thank you.

Ms. Day, your time has elapsed.

Now we will hear from Ms. Ablonczy. You have the floor for five minutes.

• (1635)

[English]

Hon. Diane Ablonczy (Calgary—Nose Hill, CPC): I want to get back to the program to use the procurement of the federal government to support and encourage small businesses. This is something we've been talking about for a long time.

One of the things we noticed is that the same suppliers always got the contracts and there was never any effort to include new, and exciting, and start-up businesses. So I'm just delighted that this is happening.

However, as in most things, there's a bit of a moral hazard built into this, in the sense that companies can become complacent, or dependent, or feel that they don't really have to adhere to world-class standards because, you know, the government is going to nurse them along a little bit.

I know you probably had a lot of anxious discussion about where the right balance is. Could you talk to us about your observations?

How do you intend to manage the process so that it helps, so that it doesn't enable a lack of excellence?

Ms. Michelle d'Auray: The specific program of building innovation in Canada is actually designed to give companies that first leg up into a contract with the Government of Canada. We will be adding a new component to it, the military procurement component, in order to be able to give companies that opportunity. The neat thing about this particular program is that it is not meant to be a recurring procurement. It is a one-time procurement for an innovation or a product or service. It is to be able then to demonstrate that the use of that... It has to serve a need. It has to be able to respond to a specific need of a government department or agency.

For example, there was a procurement recently with Fisheries and Oceans for a kind of sonar for its boats, for the Coast Guard for fisheries monitoring. Once its use has been demonstrated, it can in fact be used as a proof of the concept and can then be resold to other countries or to other organizations that have similar needs.

So it is in fact a very neat program that gives that opportunity to new companies or to companies with new products. It's not just for new companies. It's also for companies with new products, innovations, or services.

With regard to the ability of companies to compete and our ability to vary the base of suppliers from which we choose, this is where the work of the office of small and medium enterprises is critical. Not every organization or company understands the requirements of competing and selling to the Government of Canada. While we do recognize that it is a complex process, it is one that we have established in order to ensure the integrity and the fairness of the process. We have found that through OSME and its outreach activities—it is very much web-based, face-to-face, and it has a fairly significant outreach program—companies are getting a better understanding and are in fact applying and competing in situations where they would not necessarily have thought to offer their services or goods to the Government of Canada.

It's not something that gets solved overnight. OSME has been in operation, Pablo, for how long?

Mr. Pablo Sobrino: Since 2005....

Ms. Michelle d'Auray: So it is progressively encouraging and reaching out to companies and facilitating their interaction with the government.

Hon. Diane Ablonczy: Can you give us some idea of the take-up?

Mr. Pablo Sobrino: In terms of small business, of all non-military sales, so all other procurement, 70% to 75% of procurement goes to SMEs, small and medium-sized enterprises. So there's good uptake there. In the military area it tends to be a bit smaller. It's in the neighbourhood of 40% of small and medium-sized enterprises doing business with us.

I don't have the figures with me right now but we do have a turnover of new companies.

I would just say that the key piece to finding new service providers and new goods providers is to engage with industry early about our requirements. The smart procurement approach is that early industry engagement. One of our roles at Public Works is to challenge the client department when it comes up with a requirement. They need something but we challenge the requirement because we don't want a requirement that specifies the result, we want one that specifies their need. So you can tell me that you need a red Chevrolet with four wheels and it has to have winter tires, but I'll ask what you need it for. You need it to drive. That means I can procure a car, with limits on it.

That's the challenge.

In a simple way that is exactly what we do with each procurement. The early engagement is with industry and with our client departments. It opens up the playing field for new opportunities, for new businesses to come up with new ideas on how to approach services.

• (1640)

[Translation]

The Chair: Thank you.

Ms. Ablonczy, your allotted time is up.

I now hand the floor over to Mr. Byrne for five minutes.

[English]

Hon. Gerry Byrne: Thank you, Mr. Chair.

I want to follow up again on the issues of integrity measures and the public procurement.

Deputy Minister, I think we can both agree that there are some constraints to this process that should be identified, to prevent a false sense of security. Some of those constraints would be that convictions actually have to be against contractors who were engaged in contracts with the federal civil service, as opposed to relationships with private sector companies. They would actually have to have been convicted in a criminal court for a previous past dealing with the federal government.

Is that correct?

Ms. Michelle d'Auray: Mr. Chair, that is not correct.

It's a list of infractions, some of which are against the government but others of which involve participation in activities of criminal organizations, income and excise tax evasion, and offences in relation to drug trafficking. I didn't read through the whole list of infractions and convictions but they are not just about prior business with the Government of Canada.

Hon. Gerry Byrne: I used the example of Accenture, and I don't think it's a stretch for anyone's imagination. There was some trouble there that came down with Accenture and the whole Enron scandal. Accenture flowed from Arthur Andersen as a company that basically reinvented itself and simply reincorporated itself. Now Accenture has some significant dealings with the Government of Canada.

Do the rules reflect the reality that sometimes companies whose principal officers are criminally charged and convicted can sometimes simply reinvent themselves through renewed incorporations?

Ms. Michelle d'Auray: There are two elements, Mr. Chair, that I would address. One of the elements is that if a company has been convicted in another country, conviction in another country does not apply in Canada. So that's one aspect of the question.

If the company and its affiliates or its directors—even if the directors find themselves on another board—have been convicted, we actually exclude them on the basis of that conviction. So it's not just the company but it's also the directors of the company.

Hon. Gerry Byrne: I understand. Thank you very much for that information.

On the flip side, companies can also sue or take legal action against the federal government. Accenture is a company that's known to be very aggressive about that. In addition to providing this committee with a portfolio of contracts that have been awarded to it, knowing its own past would you also be able to provide the committee with a description and a portfolio, as it were—and if need be, I can give you further description of that—of how many times Accenture has actually engaged in legal action against the federal government because it felt the federal government did not fulfill its contractual obligations or it has received an out-of-court settlement from the federal government?

Ms. Michelle d'Auray: Mr. Chair, I would have to check back to see if we can actually find that information. In some instances it may be a matter of public record and in some instances it may not be. It is a question for us. With your permission, we would look into it and get back to the clerk of the committee.

Hon. Gerry Byrne: Would it be fair to say that since it's a single company I'm referring to and it's well known to the federal government that it may not be very difficult to do that research?

• (1645)

Ms. Michelle d'Auray: I would prefer to say that we will look into it and get back to the committee clerk if that is okay with the chair.

[Translation]

The Chair: Yes, that is possible. To be in a better position to answer the question, you should refer to the study of supplementary estimates (B).

[English]

Hon. Gerry Byrne: Thank you, Mr. Chair, but I do note, however, that the witnesses actually raised in their presentation to us—and I will quote from the Deputy Minister of Public Works and Government Services that:

In everything we do, we put a great importance on integrity. In July 2012 the department introduced new integrity measures that render potential bidders ineligible if they have been convicted of certain offences.

I think it would be fair, Mr. Chair, for you to acknowledge that since it is the witnesses who raised the issue of integrity of the contracting process, it would not be inappropriate in the least to raise that issue here at the committee with the witnesses within my exchange.

[Translation]

The Chair: There is no problem if answers can be provided on the subject, to the extent that is possible. Otherwise, answers may be forwarded later to the clerk of the committee.

Ms. Michelle d'Auray: All right.

[English]

Hon. Gerry Byrne: With regard to the federal ombudsman for contract procurement, would you be able to describe to the committee basically the relationship that Public Works and Government Services has with the ombudsman and the value that it provides to the contracting process?

Ms. Michelle d'Auray: The ombudsman, Mr. Chair, is a separate entity. The office reports directly to the Minister of Public Works and Government Services Canada.

It has the mandate to assess and to address complaints that it receives for procurements under \$25,000, or below the range of the trade limits, which I believe is \$76,000. It also receives complaints for procurements that are beyond that.

The ombudsman refers those complaints to us—his office cannot address those—if they receive complaints about a procurement process that relates to Public Works. They also receive complaints about procurement processes that relate to other organizations that have procurement authorities.

I would encourage you, if I can put it this way, to look at his annual report which was just recently released. You will get in there all the information about the number of cases and the number of complaints and the assessments. But he doesn't work with us. He has a very specific mandate to inform potential suppliers to the Government of Canada of what the recourse mechanisms are through his office. He refers complaints that he receives to us if he cannot address them, and then when he receives complaints for which he has the mandate, he undertakes a review of the complaints.

When we receive complaints that he refers to us, for which he doesn't have the mandate to review, we take each one of them on its face value and we undertake procurement reviews, and we get back directly to the complainant.

[*Translation*]

The Chair: Thank you.

I now hand the floor over to Mr. O'Connor for five minutes.

[*English*]

Hon. Gordon O'Connor (Carleton—Mississippi Mills, CPC): Thanks for coming today. I know we're running out of your time.

I've noticed that Revenue Canada brings in more than \$250 billion a year and yet you're called the Receiver General. Why isn't Revenue Canada called the Receiver General since they bring in a lot more revenue than anybody else?

Ms. Michelle d'Auray: That's an interesting question, Mr. Chair.

We are the organization through which the payments and receipts are processed, so we are the receiver general, in that sense, for all of the incoming and outgoing, so that is the name.

Revenue Canada generates or collects the revenue, but we receive the revenue.

Hon. Gordon O'Connor: So we could call them receiver anyway.

It's just a thing I've always wondered about because they seem to get all the money.

There is some guidance or rule out there that says that in the national capital region, buildings or people have to be distributed in certain proportions. It might be 77:23, or something like that.

I'd like to know what the state of that distribution is at this time.

Ms. Michelle d'Auray: It is a policy and a commitment made by Public Works and Government Services Canada to ensure that in its office accommodation distribution within the national capital area, 25% would be in Gatineau and 75% on the Ottawa side.

I will turn perhaps to my colleague Monsieur Mongeau to give us the current status.

I think it's almost at 25:75 right now.

• (1650)

[*Translation*]

Mr. Pierre-Marc Mongeau: We aim for a ratio of 75:25. It varies slightly from 74.9% to 75.2%, but we are following the right model. Going back to the question initially asked, the fact that we were able to construct three buildings in Gatineau also helps us shore up that 75:25 ratio. We abide by that rule and we regularly monitor the situation.

[*English*]

Hon. Gordon O'Connor: My next question has to do with life-cycle costs for projects. What is involved in a life-cycle cost?

Ms. Michelle d'Auray: Mr. Chair, the concept between life-cycle costing, or through life cycle, actually goes from the beginning of the acquisition of an asset—for example, the planning, the procurement, the actual cost of the asset, the maintenance, the operations—all the way through to its disposition. That is what is called a through life cycle. So it covers the cost of an asset from the planning to the purchase to the final disposition of the asset. Depending on the type of the asset, it could cover 25 years, 30 years, or 10 years. It has to cover all of the aspects of it.

Hon. Gordon O'Connor: How do you calculate that? Let's take a large defence project, which apparently we now have to calculate 40 years for.

How do you calculate for 40 years?

Ms. Michelle d'Auray: Mr. Chair, not every asset has a 40-year lifetime, but we do look at what the comparables would be. If we have a similar asset or equipment, we will look at the costs of personnel, training, maintenance over time, and we will project those over a timeframe. These essentially, as you have put them, are estimates of through life cycle, and those estimates get refined annually once the asset is acquired and addressed.

We have found that some assets can go much beyond their original expected life duration, but then the maintenance costs go up significantly. They are adjusted through the life of the asset, but when you are about to make a purchase, it is good practice, which is done in all enterprises when you have significant asset purchases, to look at what your expected costs over the duration of the use of that asset would be. You need that in order to be able to plan, for budgeting and planning purposes.

Hon. Gordon O'Connor: Do I have time left?

The Chair: You have 10 seconds.

Hon. Gordon O'Connor: I think it's very difficult to try to imagine inflation 10 years, 20 years out. You have to be off your mark by quite a distance eventually.

Ms. Michelle d'Auray: We always use ranges, Mr. Chair, so there is always an element of projection.

Whenever we use a number that goes out more than five years, there are all of the usual caveats around the ranges, the expectations, what could happen in a case of some major activity or break. Again, from an operational perspective, it is to give you a range of what the costs of having and maintaining that asset would be over the expected life of that asset.

It really is a planning tool. It's not specifically a budgeting tool, but it is a planning tool when you're trying to do financial projections over a long time cycle.

[*Translation*]

The Chair: To conclude, I will hand the floor over to the inestimable Mr. Blanchette.

Mr. Denis Blanchette: Please do not get carried away, Mr. Chair.

The costs of the linguistic management and services program have increased slowly in recent years, until 2012-2013. In the past two years, however, they have fallen by nearly 20%. What happened?

Ms. Michelle d'Auray: There are two factors to consider. First, the Translation Bureau used temporary programs. Those temporary programs had a lifespan of five years and were not renewed once they had expired.

• (1655)

Mr. Denis Blanchette: You mean a temporary program that has just been terminated?

Ms. Michelle d'Auray: Pardon me?

Mr. Denis Blanchette: Do you have an example of a temporary program that has just been terminated?

Ms. Michelle d'Auray: There was a five-year program to support colleges and universities in training translators and interpreters. The program was set up and we provided funding for that purpose. At the end of the five-year period, it had achieved its objectives and was not renewed. That is an example of a temporary program.

In addition, there has been a decline in use of the Translation Bureau's services. The number of documents translated and the use of interpretation services fluctuate over the years. Our interpretation services, apart from those used in the parliamentary precinct, are intended for conference activities and very specific purposes. There is a fluctuation in that area as well. People increasingly use video conferences and have less need for on-site interpretation services since they travel less to meetings.

Mr. Denis Blanchette: What you just described to me represents more than one-quarter of the budget.

Ms. Michelle d'Auray: Yes, absolutely. The fluctuations can have that kind of impact.

Mr. Denis Blanchette: I am going to move on to another subject.

Mr. Cannan opened the door for me earlier when he mentioned shipyards. The Auditor General congratulated you on the process and said it was going well on the whole. In your presentation, you said you increasingly consult proactively in dealing with the private sector.

You also discussed inflation with Mr. O'Connor. A major point was overlooked with respect to the purchase of military ships. Inflation in the military ship-building industry is much higher than what you and I experience in everyday life. Of course, the government will eventually have to make a choice regarding the number of boats it wants to have built and so on. My question will not concern that because that is the government's responsibility.

Instead the question I am going to ask you concerns the process. It will be extremely expensive. What are you going to do to ensure you do not overlook such important details again?

• (1700)

Ms. Michelle d'Auray: I hope I correctly understand the nature of your question.

The Auditor General acknowledged in his report that a budget is a useful mechanism for establishing thresholds. A budget promotes a certain discipline, a rigour in determining what needs are necessary in order to build the ships planned and how they will be constructed. We are now entering the design phase for certain ships. We consulted our American, British and other colleagues who have experience in building ships of this size. They all told us we had to ensure that all essential components were designed first so that we could get a clearer idea of construction costs and methods. That is why we are doing it. That is in a way what the Auditor General told us.

There is also the issue of inflation. It should not be forgotten that the price of materials fluctuates. I worked at Fisheries and Oceans, and I remember that the price of steel was astronomical at one point and then fell two years later and subsequently fluctuated. It is important for us that the design be as complete as possible so the shipyards can give us an accurate idea of the cost to build those ships.

The Chair: Thank you.

Mr. Blanchette, your time is up.

I would like to thank the representatives of the Department of Public Works and Government Services for coming today to make a presentation and to answer our questions. I wish you a good evening to conclude your fundraising activity for the holidays. We look forward to seeing you again.

I will suspend the sitting for a few minutes, and then the committee will reconvene.

[*Proceedings continue in camera*]

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