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CANADA

# **Standing Committee on Government Operations and Estimates**

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**EVIDENCE**

**Thursday, June 2, 2016**

—  
**Chair**

**Mr. Tom Lukiwski**



## Standing Committee on Government Operations and Estimates

Thursday, June 2, 2016

• (1530)

[English]

**The Vice-Chair (Ms. Yasmin Ratansi (Don Valley East, Lib.)):** Committee members, for meeting number 19, we have witnesses from Defence Construction Canada, led by Mr. James Paul, the president and chief executive officer. Accompanying him is Ms. Mélinna Nycholat, vice-president of procurement.

Have I got the pronunciation right?

**Ms. Mélinna Nycholat (Vice-President, Procurement, Defence Construction Canada):** “Nicolet” would be right. Thank you.

**The Vice-Chair (Ms. Yasmin Ratansi):** We have from the Canada Lands Company, Mr. John McBain, accompanied by Mr. Robert Howald, Basil Cavis, and Julie....

[Translation]

Oh, Ms. Payette. Good afternoon. How are you?

**Ms. Julie Payette (Vice-President and Chief Operating Officer, Montreal Science Centre, Canada Lands Company Ltd.):** Good afternoon.

[English]

**The Vice-Chair (Ms. Yasmin Ratansi):** You're an excitement here.

Mr. Paul, do you have any opening remarks?

**Mr. James Paul (President and Chief Executive Officer, Defence Construction Canada):** Yes, I have opening remarks, if you'd like. Thank you, Chair.

**The Vice-Chair (Ms. Yasmin Ratansi):** And Mr. McBain, you have opening remarks as well.

Can we keep them within 8 to 10 minutes, please, so that the committee has enough time to ask you questions? Thank you.

The floor is yours, Mr. Paul.

**Mr. James Paul:** Thank you, Chair.

To keep the committee's time as effective as possible, in my opening remarks I intend to address the mandate of DCC—or would you like that to follow afterward?

**The Vice-Chair (Ms. Yasmin Ratansi):** What you could do is to give us highlights, and then the committee will ask you questions. Thank you.

**Mr. James Paul:** Simply stated, Defence Construction Canada was formed as Defence Construction (1951) Limited, just as the name implied, in 1951 under the Defence Production Act. Our

mandate is to deliver infrastructure and environmental requirements for the defence of Canada. That encompasses primarily our client partners, the Department of National Defence, with the Canadian Armed Forces, but it also does include other aspects of defence interests for Canada, everything from the Canadian Forces Housing Agency across to, today, the Communications Security Establishment and other similar types of government entities.

Following the Second World War, when Canada's defence capabilities had been reduced because the war was over, but then re-emerging during the Cold War period, the government had a few priorities that it wanted to address quickly and efficiently. One was the modernization and upgrading of Canadian military bases, and the other was to add capacity to prepare for some of the Cold War threats that were perceived. An example would be the decision in the early 1950s to construct the DEW Line in the north. Government looked to existing resources to come up with capabilities that already existed, to the extent possible, and that could be grown; and to consolidate a focused organization that could deliver these defence infrastructure requirements, by dealing with both the procurement, and then the management and delivery, of those requirements as efficiently and as effectively as possible.

DCC was created under the authority of the Defence Production Act, and today is responsible to Parliament through the Minister of Public Services and Procurement. That resulted in the independence of the delivery organization from National Defence itself, which had the need for the infrastructure. That has continued right through to today.

DCC is very much focused in 2016 and beyond on the same things that were stated at the time of its creation, and that was effective, efficient delivery of infrastructure on time, on budget, on specification. Today we use terms like “value for money”, and other modern terms to talk about this, but they essentially boil down to the same thing. That's been DCC'S focus.

I would add, Chair, that defence infrastructure, which is the largest segment of the federal government's real property portfolio, at more than \$20 billion in realty replacement costs, has an ongoing requirement for maintenance, repair, and upgrade. Typically, they are very specialized assets. It can be everything from buildings, which would include hospitals, schools, accommodations, barracks, to runways and the underground infrastructure of the bases and wings themselves, which operate very much like small cities. It includes water treatment plants, sewage treatment facilities, communications lines, and many other aspects like that. These special purpose assets take a very particular knowledge and skill set to deliver efficiently and effectively, and often there are high security requirements, of course, around them. It includes work in the north—I mentioned the DEW Line—and so involves harsh environments in remote conditions. Even if Canada decided to deliver infrastructure in any of its international defence operations—Afghanistan was an example—DCC was there with staff for the whole eight years of the operation. Over 70 staff in total all volunteered to serve six-month terms there, delivering the infrastructure requirements that Canada needed to support defence operations.

It's been an interesting, but very much a consistent, approach for the entire 65 years of our existence. I think that states very well what we do.

**The Vice-Chair (Ms. Yasmin Ratansi):** Thank you. This is perfect, at four minutes and 35 seconds.

Mr. McBain.

**Mr. John McBain (President and Chief Executive Officer, Canada Lands Company Ltd.):** Thank you for inviting Canada Lands Company Limited to appear today. In addition to the opportunity to provide opening remarks, we welcome any questions you or members of the committee may have.

[Translation]

I would also like to invite all the committee members to visit our websites. My team and I will be available after the meeting if you need additional information.

To give you more details and perspective, I have with me today Robert Howald, Executive Vice-President, Real Estate, Canada Lands Company. Mr. Howald is also in charge of the Downsview Park, in Toronto. Also joining me is Julie Payette, Vice-President of the Canada Lands Company and CEO of the Montreal Science Centre, as well as Basil Cavis, Vice-President, Real Estate, Quebec and Old Port of Montreal.

• (1535)

[English]

Canada Lands Company or CLCL was incorporated in 1956 as Public Works Lands Company Limited. After initial activity, it became dormant until reactivated by the government in 1995. Today we operate with the mandate defined at the time.

[Translation]

Unlike private sector businesses, Canada Lands Company has a mandate to take into account the government's strategic considerations. Those include the points of view of the affected communities

and of other levels of government, as well as other heritage, environmental and social issues.

[English]

Structurally, Canada Lands Company Limited comprises the parent organization, referred to as CLCL, and three subsidiary corporations: Canada Lands Company, the real estate arm; Parc Downsview Park; and the Old Port of Montreal, which includes the Montreal Science Centre.

Each is headed by the same chairperson, directors, and president, and chief executive officer, all appointed by the Governor in Council.

[Translation]

We have provided the members of the committee with our corporate structure diagram and a concise chronology of the company's history as an accompaniment to our presentation.

[English]

As the real estate arm, Canada Lands Company manages the company's real estate interests as well as Canada's National Tower in Toronto. I will refer to this subsidiary simply as Canada Lands or CLC.

[Translation]

Canada Lands Company helps the government manage its surplus real property. Once properties are no longer useful to the government, the company buys them at market value.

[English]

Canada Lands' role in the disposal of surplus properties is defined by the Treasury Board's directive on the sale or transfer of surplus real property. What makes us unique is that in addition to profitability, our projects provide auxiliary benefits to Canadians and the communities in which we work.

We act as the master developer of properties. We engage, consult, and obtain development plan approvals. We sell to the private sector, which builds and sells the final product.

The next subsidiary of CLC is Parc Downsview Park Incorporated, which owns and manages the operations of Downsview Park and holds the Downsview lands in Toronto.

[Translation]

The last subsidiary is the Old Port of Montreal Corporation. It owns that property and manages the operation and investments of the Old Port of Montreal and the Montreal Science Centre.

[English]

From coast to coast Canada Lands Company creates benefits for its shareholder above and beyond financial contributions.

Allow me to describe some of the aspects of what we consider to be the value proposition for Canadians.

We handle complex properties. Acting as the government's expert in real estate disposal, we enable surplus, underutilized properties to be reintegrated into communities in productive ways. We bring innovative solutions and enable projects to move forward taking into account community, environmental, first nations, and private sector interests as well as the market. We engage and consult extensively.

The company's fulsome engagement process is our hallmark. Canada Lands is fully dedicated to understanding and collaborating with the community to enhance and integrate our properties. We see the benefit of our consultations, not only in the quality of our master plans, but also in the approvals we obtain. Recently, both Ottawa and Calgary approved our development plans without objections.

We fully comply with all municipal and provincial planning requirements. We operate within the context required of any developer. In that regard, we accommodate the planning preferences of municipalities.

We enable the creation of affordable housing. Canada Lands routinely explores the integration of affordable housing as part of our development plans. We participate in federal programs such as the surplus federal real property housing initiative, and we work with municipalities to ensure their objectives for affordable housing are met. To date, the CLC has enabled the implementation of 2,180 affordable housing units.

We incorporate parks, commemoration, and recreation components as key elements of our projects. On average, Canada Lands contributes 28% of its landholdings to green space uses for both active and passive recreation. We commemorate heritage land uses, investing over \$11 million on 33 legacy initiatives, such as monuments to the armed forces, interpretative trails, and first nations commemoration.

We build business partnerships with first nations. We have established agreements or joint ventures with first nations at six sites in British Columbia and Ontario and are in discussion to create development agreements at three more.

We hold and manage specific properties to the benefit of Canadians. We manage the operations and invest in the CN Tower to ensure it meets Canadians' expectations worthy of its iconic stature. We have direct responsibility for the Old Port of Montreal, the Montréal Science Centre, and Downsview Park, and we bring due diligence, efficiency gains, and timely investments to these attractions of regional and national significance. We welcome more than eight million visitors a year to these sites.

We reduce the federal government's costs and provide a financial benefit to Canadians. We assist federal custodians to reduce their operational carrying costs and liabilities by removing surplus properties from their inventory. Our projects then become regional economic engines for trades, businesses, and professionals, building new communities and infrastructure.

CLCL and its subsidiaries are self-financing. We receive no appropriations. We pay applicable taxes at all levels of government and ultimately return all net revenue to the fiscal framework. Our 2015 to 2020 corporate plan identified financial returns to Canada that will exceed \$470 million over five years, including cash dividends of \$110 million.

Looking back, the company's financial contributions are significant. Since 1995, Canada Lands has contributed a total of \$750 million to the government in the form of dividends, notes repayment, and income taxes paid.

We are keen to lend our knowledge and evolve in ways that increasingly benefit Canada, and I hope that you and others share with us the excitement about what the future holds.

Thank you for the opportunity to provide these remarks. We would be pleased to respond to your questions.

● (1540)

**The Vice-Chair (Ms. Yasmin Ratansi):** We'll go to the first round of questions, with Mr. Grewal for seven minutes.

**Mr. Raj Grewal (Brampton East, Lib.):** Thanks to all of you for taking the time to testify in front of the committee today. My first question is for the Canada Lands Company.

Your mandate includes maximizing your returns to communities and generating revenues. Now, sometimes that would be very difficult to balance. How do you balance those two priorities?

**Mr. John McBain:** It is very much a balancing act. Part of the way we resolve that is in the consultation process I spoke about. Because we work within municipal and provincial planning approval requirements, we must accommodate those preferences, but we also want to make sure that our projects are going forward with the support of communities.

**Mr. Raj Grewal:** In my previous career as a corporate mergers and acquisitions lawyer, efficiency was a big part of delivering services to my clients. Even in the business career I had before that as a financial analyst, it was always about maximizing assets.

In terms of affordable housing, the department was doing a review of all of the government building inventory. Can you give us an update on where that is and how many buildings are being converted to affordable housing? When is that project going to start? This year or next year? What are the exact plans for that?

**Mr. John McBain:** Before I turn to Bob for the details on that, I would say once again that in respect to how we participate in affordable housing, our plans are approved by the municipalities. We can propose in and work with the municipal planning process in terms of determining what percentage of our projects do include affordable housing, and it does vary across the country, quite frankly. We did participate in the survey that was conducted by the Department of Public Services and Procurement.

Bob, I don't know if you have the specifics at hand.

**Mr. Robert Howald (Executive Vice-President, Real Estate, Canada Lands Company Ltd.):** There are a number of different ways in which we are involved with affordable housing. As for the element of the affordability of price points in our developments, we ensure that there's a mix of housing types and sizes within our developments, which drives the equation of affordability.

We are also subject in some municipalities to a requirement for affordable socially assisted housing, and that's provided for. That's a level playing field with any developers.

A third area in a broad sense is that there are federal programs that municipalities can derive social housing from, and we participate in those. The one that's most relevant to us is the surplus federal real property for homelessness initiative, SFRPHI, whereby municipalities' social housing providers can obtain funding to acquire property from our developments, in which they put formalized social housing programs. We always accommodate those and have done so in about six or seven projects across the country.

• (1545)

**Mr. Raj Grewal:** Are there any planned projects for this year?

**Mr. Robert Howald:** Within the planning exercise that we have under way and projects that are just commencing, Wateridge, the Rockcliffe project here in Ottawa, has a variety of housing types. There's also development now happening, homes being built at Stanley Greene, at Downsview Park, where the obligation for approximately 130 affordable housing units for the City of Toronto is being provided. There are very active discussions and negotiations with the City of Vancouver on a couple of significant properties. In that case there's a positive obligation to be providing and there are three-year community benefits of affordable housing within the city of Vancouver.

**Mr. Raj Grewal:** In your experience, is this driven by the municipalities? Is it a seamless process? Are you always willing to compromise to ensure that buildings are converted for affordable housing, to participate in the program?

**Mr. Robert Howald:** On that point, in most cases we're receiving raw land without buildings. It's new-build instances that provide the affordable housing in most cases. There are instances where we have taken over military bases that have existing private married quarters, single family homes, that have been used for short-term and long-term affordable housing products.

To the significance of your question, it's working with municipalities as to the type and form of affordable housing. We work co-operatively and, yes, we do try to accommodate. We don't resist.

**Mr. Raj Grewal:** How do you evaluate and come to a decision on what properties to acquire and what properties to sell? Is there a metric on the return on investment, or is it by project that you judge on what the financial metrics are that make sense in this scenario?

**Mr. John McBain:** The policy states that Canada Lands, within our mandate, is able to acquire what are deemed to be strategic properties that are declared surplus by the government. These are properties that are of high interest, complex in terms of the nature of the disposal, or are deemed to be of high value. We acquire them from the custodian, paying the market value as they sit.

To get to your point, then comes the work that we do with professionals who work in the industry, understanding the market in that area, what the capacities are, what the interests are—stacked homes, single family, high rise. Then we start to engage the community and of course the municipality.

**Mr. Raj Grewal:** There are a lot of concerns, especially in the news today, from bank CEOs on the housing bubble. Is there any concern with your department, and more importantly, are you putting in a process to ensure that you are adequately leveraged to see a downturn in the housing market?

**The Vice-Chair (Ms. Yasmin Ratansi):** Give a quick answer.

**Mr. Robert Howald:** With our developments, we're essentially working within the strength or weakness of the market, whatever it is. We don't drive the market; we react to it.

The article that I saw today was focused on Toronto and Vancouver. In those instances, we have significant projects in Toronto and Vancouver. They won't be going out to market, they won't be supply going out to builders, for another two or three years.

We don't drive the market; we react to the market we're in and have the benefit of any assessments that economists do.

• (1550)

**The Vice-Chair (Ms. Yasmin Ratansi):** We'll go to Mr. Blaney for seven minutes.

**Hon. Steven Blaney (Bellechasse—Les Etchemins—Lévis, CPC):** Thank you very much, Madam Chair.

[*Translation*]

I want to welcome all of you this afternoon.

I will start with some questions for the Canada Lands Company representatives.

I think that this crown corporation is one of the well-kept secrets of the federal crown. I had the opportunity to work with the organization's members, including Mr. Cavis, and I must say that the experience was excellent. We engaged in discussions, which I hope to be able to continue, especially when it comes to the project involving the Chapais Farm, an Agriculture Canada site of which the department wants to divest itself.

The community is very interested in enhancing the site, which is exceptional. In Lévis, we say that it could become for us the equivalent of what the Plains of Abraham are for Quebec City. The site also has a great deal of potential for the development of affordable housing. I want to take this opportunity to mention that I plan to meet with the mayor over the next few days to reactivate the file after the election break we went through.

CLC is really a great organization. Mr. McBain, can you confirm the number of projects the company currently has underway? I think you brought that up. Is it indeed 33 projects?

[*English*]

Am I correct when I say there are 33 projects you are currently involved in?

**Mr. John McBain:** In terms of the number of properties we have, we have about 1,700 acres across the country and 35 projects under way on a national basis.

[*Translation*]

**Hon. Steven Blaney:** I will now turn to the representative of the Montreal Science Centre.

Ms. Payette, it's a pleasure to have you with us. I will be joining you this evening for a major event that, unless I'm mistaken, will take place at the centre.

Sorry, I forgot that the event's location has been changed.

**Ms. Julie Payette:** Unfortunately, the event will not be held at the science centre.

**Hon. Steven Blaney:** Okay. The event was supposed to be held there, and I visited it recently.

Can you remind us of how important a science centre is for Canadian and science culture? Is there any data indicating that Canadians are losing interest in science or that, on the contrary, their interest in that field is constant? Should we make additional efforts to stimulate that interest?

**Ms. Julie Payette:** Good afternoon, everyone.

Thank you for the question, Mr. Blaney. It is highly relevant to my work. I joined the Canada Lands Company because they needed someone to manage the Montreal Science Centre and extend its reach.

[*English*]

I'll speak in English. Why not?

Where is the site of knowledge? Here in Canada we are so fortunate to have liberty and freedom to go to school and to advance and to progress. That cannot be done without science and technology, as we all know. Innovation comes from everywhere. The spark has to be given to young kids to decide to go and study science and technology, just like the spark to play hockey, or the spark to play the violin in an orchestra, or to go into public service, or become a member of Parliament as well. Every single person counts in a society. Sometimes, however, we forget that science and technology is for everyone and there is a basic science culture to be had. In order to grow, our society has to continue that. Throughout Canada we have more than 45 centres, some are municipal, some are provincial, a few are federal, that do science and technology

[*Translation*]

as well as science outreach

[*English*]

to instill that knowledge into people. We have six major science centres in Canada, one each in Vancouver, Edmonton, Calgary, Toronto, Ottawa—with which you're most familiar with, I'm sure—and in Montreal. I'm very privileged to be the head of the one in Montreal.

[*Translation*]

**Hon. Steven Blaney:** Ms. Payette, do you believe that Canada should establish a national policy on science centres?

**Ms. Julie Payette:** Canada should establish a policy on science. Just the fact that we have a Minister of Science within the government is an excellent development. Maintaining our participation in this field is absolutely fundamental for our progress, for continuing to play a role on the world stage and also for the well-being of our population.

• (1555)

**Hon. Steven Blaney:** Let's come back to the Montreal Science Centre.

Has the experience of clients or visitors changed over the past few years? Do you have any projects lined up for the centre?

**Ms. Julie Payette:** Since my arrival, we have had permanent exhibits, as is the case for all science centres. We began renewing them in 2014. We have renewed three of the four permanent exhibits.

Of course, every year, we have temporary exhibits during the summer, and we will continue to work on that development because we are increasingly part of a technological society where we can no longer ignore the fact that technology is part of our life. Therefore, the Montreal Science Centre must continue with its work.

**Hon. Steven Blaney:** Financially speaking, can you tell me what the budget of the Montreal Science Centre is and what portion of its activities is funded by the private sector?

**Ms. Julie Payette:** Our operating budget is \$15 million, and we generate 75% of our revenue through internal activities.

**Hon. Steven Blaney:** Does that mean that the revenue comes from entrance fees to the centre?

**Ms. Julie Payette:** The revenue comes from the ticket offices of the science centre and the IMAX theatre. In addition, we rent our rooms for events.

**Hon. Steven Blaney:** Okay.

**Ms. Julie Payette:** We have concessions, parking spaces and sponsors.

**Hon. Steven Blaney:** Are you saying that the federal government covers only 75% of the \$15 million?

**Ms. Julie Payette:** No, the figure is 25%.

**Hon. Steven Blaney:** Excellent. Thank you very much.

**Ms. Julie Payette:** You're welcome.

**Hon. Steven Blaney:** Madam Chair, do I have a bit of time left?

[*English*]

**The Vice-Chair (Ms. Yasmin Ratansi):** You've got 30 seconds for the question and answer.

[*Translation*]

**Ms. Julie Payette:** I'm sorry to have used up so much time.

**Hon. Steven Blaney:** With 30 seconds, we barely have time to breathe.

I just want to reiterate, Mr. Cavis, that we would like your organization to be involved in the Chapais Farm project. With your open approach to consultation, you can play a very important role within the Lévis community. I look forward to seeing the Canada Lands Company involved in an important issue for the population of Lévis once again.

Thank you very much.

**The Vice-Chair (Ms. Yasmin Ratansi):** Thank you, Mr. Blaney.  
[English]

We go for seven minutes to Mr. Weir.

**Mr. Erin Weir (Regina—Lewvan, NDP):** Thanks very much for the presentations.

It seems like my colleague, Mr. Blaney, had a pretty good line of questioning going about the Montreal Science Centre. I think he focused in particular on its broader contribution to our society and its role in national policy, but I guess I would really want to get down more to brass tacks about that facility. I note that in the CLCL's corporate plan, it says that the Montreal Science Centre will "develop a plan that will enable it to be more self-sufficient and provide new attractions that will enhance revenues, while maintaining service quality."

In what sense is the facility not considered to be self-sufficient right now?

**Ms. Julie Payette:** Science centres are like schools. They usually need revenue to function. We're an education centre, and we're actually very in line with the provincial government curriculum so that when schools visit, they have a reason to do so.

We're actually doing very well in terms of self-funding. It's very unusual for a science centre or a museum to make 75% of its revenue through secondary revenue and ticketing. In fact, we're really ahead of the pack. It's finding the other 25% where we need to be creative, and that's why we have the plan, and that's what we intend to do.

**Mr. Erin Weir:** It sounds like, in that sense, you're already fairly close to self-sufficiency. That's good news.

Can you speak at all to what attractions should be kept and what new ones might make the most sense?

**Ms. Julie Payette:** A museum, a science centre, or an educational institution cannot continue if they don't renew themselves and develop new exhibits for people to see, new films at the cinema, new technology to demonstrate, and new partnerships. That is key. We're in a society of information technology, and up until very recently science centres did basic science, but we also have to do basic technology because no one today can function without using a computer, or at least understanding the man/machine interface. That's where we're going and, hopefully, we'll get the support to continue in that direction.

**Mr. Erin Weir:** We've talked about sufficiency on an operating basis, but might these new initiatives involve any kind of capital requirements? Can you speak at all to some of the longer-term investments that might need to be made?

• (1600)

**Ms. Julie Payette:** Indeed, within the plan, I think we need to have a recurrent and solid source of funding for the development part, which continues to change all the time. We also follow, as I mentioned, the education program of the Province of Quebec, and this is changing also. The focus is changing all the time. We have to renew ourselves to attract the folks, and then some of them will choose a career in science and technology, which is really good for this country.

**Mr. Erin Weir:** For the Canada Lands Company more broadly, you're projecting revenue from real estate sales of about \$200 million in 2017, and that's about two thirds more than the prior year.

I'm wondering if you could speak at all to what assets you're planning to sell and how you plan to raise that revenue.

**Mr. Robert Howald:** What you do see in our revenues is that there are vagaries year to year and that in the core real estate side, it's dependent on where projects are in their life cycle. The sales that we have projected this coming year come from the Wateridge project, the Rockcliffe project here in Ottawa. There are sales in Chilliwack at our Rivers Edge project, the Village at Griesbach in Edmonton, the Pleasantville project in St. John's, and the Currie project in Calgary. Running through them quickly in my mind, those are the primary ones that add up to the number for this year in real estate sales.

**Mr. Erin Weir:** Does the Canada Lands Company have an appropriate amount of autonomy to make these sales from a business point of view, or is there any risk of the federal government pushing it to make more sales for overall budgetary reasons?

**Mr. John McBain:** I know I also speak for Bob when I say that we have never experienced any emphasis. We operate at arm's length and the government is not.... It's a business undertaking.

**Mr. Erin Weir:** Okay, excellent.

For Defence Construction Canada, we note that your number of employees has declined from I think just over 1,000 a few years ago to more like 750 today. Is that right? If so, why has there been a decline in employment?

**Mr. James Paul:** In our model we are also a non-appropriated entity. We operate on a fee-for-service model. We adjust our resources depending on the amount of programming we're asked to deliver. Under our corporate plan, we do project for five years out. It's not just a year-to-year adjustment but is based on the projections and the type of services we're being asked to hire, because we employ engineers, technologists, environmental scientists, a few architects, and other professions like that, and a lot of project management people. We hire resources based on the services that we're projecting to deliver.

The adjustment you referred to was a result of a downturn from what was a record high level of spending by us a couple of years ago of over \$1 billion a year over two years on roughly 2,000 infrastructure projects annually, which we delivered for National Defence and our other client partners. That came down about 25% to 30%, and at the same time we were driving ever-increasing efficiencies and effectiveness in our service delivery. We had committed under the deficit reduction action plan, DRAP, requirements to bring our costs of service delivery down more than 10%. We in fact achieved a 20% reduction in costs of service delivery and did a lot of benchmarking against private sector alternatives and so on. We changed our approach to focus on higher risk, higher value activities with more manpower, which is a cost for us and the client partners, and then less focus on the lower-risk items, for example.

We transformed our whole delivery model from a prescriptive to a risk-based approach to how we focused our services. That reduction in cost to delivery meant that we could use fewer personnel in our delivery.

But just to tell you, in ending—

**The Vice-Chair (Ms. Yasmin Ratansi):** We have to cut you short there because we have to be mindful of other people who want to ask questions.

For the last round of seven minutes, Mr. Drouin.

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** I have to say, Madame Payette, that I wanted to be an astronaut as a kid because of you. I'm young enough to say that here. But it's sort of in space here too as we...

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

**Mr. Francis Drouin:** I have a question for Mr. Paul with regard to the mandate of DCC and how you're integrating green procurement and the greening of whatever you build. What type of policies do you have to ensure that you meet your mandate? I see you also help DND do that as well.

• (1605)

**Mr. James Paul:** Yes.

**Mr. Francis Drouin:** Can you explain?

**Mr. James Paul:** Our main client partner is the ADM of infrastructure and environment, so environment is a big part of it. It represents roughly 25% of our annual business, and is growing. That includes everything from the upfront planning stage—environmental assessments, remediation plans, etc.—right through to delivery of energy performance contracts and many different types of environmental initiatives that result in greenhouse gas reductions and lowering costs of services that can create pollutants. That even results in payback to the DND, and overall reduction of those costs.

It similarly includes, under the environment, the UXO—unexploded explosive ordnance—remediation program. We do a lot of remediation, and it includes all the legacy UXO sites that the DND, as the strong environmental steward it is, has committed to delivering. We manage those projects for the DND to achieve that.

As a corporation, we have our own environmental stewardship policy for how we, DCC, approach and operate. We also support our client partners in achieving their objectives.

**Mr. Francis Drouin:** Looking forward, is there any new policy that you would be putting forward, as technology advances, to further green some of the buildings you are involved with?

**Mr. James Paul:** I will let my VP of procurement add to this, but I will tell you quickly that we are a very innovative organization. We are constantly moving the yardstick forward. I mentioned some of the things we are doing on the energy performance contracts. We are building buildings to LEED standards and other standards that DND has committed to achieving.

Mélinda, maybe I can let you add a bit to this.

**Ms. Mélinda Nycholat:** We are also very proud to be rolling out an e-bidding system. We started rolling it out about two months ago, for the purpose of reducing paperwork and making the process more efficient for DCC. We have also moved to an electronic filing system, again, to reduce paper and be more environmentally friendly.

We are also very supportive of the use of more technology in construction—the building information modelling, for example. We participate in an industry committee whose purpose is to facilitate the use of building information modelling in construction.

We are also participating in Canadian Construction Innovations, which is also looking for how to innovate in construction and make it more efficient. Greening is part of that, as well the use of technology.

**Mr. Francis Drouin:** Can you explain building information modelling for me?

**Ms. Mélinda Nycholat:** BIM is a new approach to designing, implementing, and maintaining facilities. It's data. As opposed to designing a building on drawings, it uses data. All the information on the building is stored in a data software, and then you can apply different technologies to do energy analysis, to do designs, to do conflict resolution between different elements of the building to make the construction more efficient, and to store data in regard to the maintenance—the requirements for different equipment, as well as the preventive maintenance programs.

It is a very integrated and very exciting new technology.

**Mr. Francis Drouin:** The last time the ADM of real property was here, he was talking about potentially lining up technologies—user applications with property. He had some vision, but of course we didn't have time to expand on that. Are you looking at this as well?

**Ms. Mélinda Nycholat:** They are implementing a brand-new IE business modernization system, and it does include the potential use of BIM for the operation of their facilities. Of course, we are supporting them on that.

We and DND are both participating in the same industry committees together.

•(1610)

**Mr. Francis Drouin:** Would you have been involved at the former Nortel site? Would that be you guys or not?

**Mr. James Paul:** Because that is in the national capital region, there are special protocols. We would do, say, 95% of the infrastructure projects nationally and globally, but within the national capital region there are special protocols. That is actually a PSPC—Public Services and Procurement Canada—department-owned facility. You could say that DND is the tenant or lodger at the facility, versus the custodian and owner. PSPC is managing that project.

**Mr. Francis Drouin:** In terms of your greening policies versus those of PSPC, would you say you're more advanced, or are you not going to say that publicly?

**Mr. James Paul:** I was referring to DND's policies that we support, but we would mirror PSPC in a lot of ways. Our internal ones, which Mélinna mentioned, include the move to electronic document management, electronic bidding and procurement, and how we operate our own facilities. Most of our staff are collocated on bases and wings, so those are under DND's facilities, and we're supporting them on the environmental initiatives there. At our five regional sites across the country, which support our staff, we're very much focused on greening initiatives as well. They're relatively small facilities. We're sort of tracking both sides: what we do as an organization, and what we do to support our client partners, to help make them more green.

**The Vice-Chair (Ms. Yasmin Ratansi):** We will go to the five-minute round, with Mr. McCauley.

**Mr. Kelly McCauley (Edmonton West, CPC):** I have some quick questions for you. I'm looking at the general income statements. We're losing money in food and beverage and attractions at Downsview and the Old Port, but your general statement shows that you're making money off of that. What are we missing here? Is that from the CN Tower?

**Mr. John McBain:** Yes.

**Mr. Kelly McCauley:** Okay.

Do we do our own food and beverage operations at Old Port and Downsview as opposed to contracting out or leasing out?

**Mr. Robert Howald:** At Downsview, we actually have a third party that provides the property management services.

**Mr. Kelly McCauley:** How do we lose money if we have that leased out or contracted out?

**Mr. Robert Howald:** With regard to the operation of the park at Downsview, 59% of Downsview Park land, over 300 acres, is actually passive and inactive park, so it's the maintaining of that. There are revenue elements with the—

**Mr. Kelly McCauley:** The maintenance is listed under attraction, food, beverage, and hospitality?

**Mr. Robert Howald:** I'll have to look and see where. I'm just going to pull up that chart.

**Mr. Kelly McCauley:** It's a very simplified income statement. There's not much comparing costs there. It's the same for Old Port. You're losing a fair amount of money there. Are we running Old Port food and beverage and attractions ourselves?

**Mr. Basil Cavis (Vice-President, Real Estate, Quebec and Old Port of Montreal, Canada Lands Company Ltd.):** The majority of the food and beverage operations are contracted out to third parties. The only exception is a small kiosk that we have in the Montreal Science Centre for the IMAX.

**Mr. Kelly McCauley:** If we're contracting out Old Port, why are we still losing—and by we, I mean taxpayers—\$7 million a year on the operations?

**Mr. Basil Cavis:** It's because there are other operations at the Old Port that are not related to food and beverage, including the operation of the green space in the park.

**Mr. Kelly McCauley:** So can I assume the income statement listed here is incorrect?

**Mr. John McBain:** The income statement is correct. The Old Port used to operate under a \$24 million-a-year appropriation from the government.

**Mr. Kelly McCauley:** No. What I'm saying is that under attraction, food and beverage, and other hospitality, the revenue is \$8.4 million and the expenses are \$15.3 million, so unless you're putting some other costs in there...?

**Mr. John McBain:** I'm sorry, but I don't have in front of me what you have in front of you.

**Mr. Kelly McCauley:** I'll show it to you afterwards.

**Mr. John McBain:** Okay.

**Mr. Kelly McCauley:** It's listing only four items, so there may be some other expenses going in there then.

In Edmonton, we have the Telus Science Centre, which you mentioned. It's a fabulous area of Vancouver.

**Mr. John McBain:** That's not us.

**Mr. Kelly McCauley:** No, I realize that, and I realize you're not in Edmonton.

I have to ask this. Why do we as Canadians own the one in Montreal but we're not in that business elsewhere across the country?

**Mr. John McBain:** In terms of the history of the science centre, I think you'd need to go back to the creation of it, which dates back to 2000, as I recall. It was a decision of the government to create the science centre and invest in it. It's part of the development of the Old Port.

Canada Lands was asked to assume the responsibility for the Old Port in 2012.

•(1615)

**Mr. Kelly McCauley:** Just looking at real estate sales—and again you probably don't have this—budget 2016 shows \$119 million in sales. Real estate cost of sales, we list as \$86 million, which is 70%. What's going into the cost of the real estate sales that's so high? Are you looking at the appraised land value?

**Mr. Robert Howald:** Backing up to understand our real estate role, we acquire it at market value, so there's a land cost. We act as the master land developer. We take the land through the municipal planning approval process, the consultation. There is significant soft cost involved with that: planners, engineers, facilitators. Then we typically do that hard servicing—

**Mr. Kelly McCauley:** Are we still going ahead and acquiring new land?

**Mr. Robert Howald:** Yes.

**Mr. Kelly McCauley:** I have to ask the government the purpose of our purchasing new land to transfer. If we've got surplus land, I understand transferring it to a municipality to develop low-income housing, but when you talk about purchasing and developing, I don't understand—

**The Vice-Chair (Ms. Yasmin Ratansi):** Mr. McCauley, your time is up. We'll have 15 seconds for a response.

**Mr. John McBain:** We purchase surplus land from the government; we don't purchase new land.

**Mr. Kelly McCauley:** That's perfect.

**The Vice-Chair (Ms. Yasmin Ratansi):** We'll go to Mr. Ayoub for five minutes.

[Translation]

**Mr. Ramez Ayoub (Thérèse-De Blainville, Lib.):** Thank you, Madam Chair.

This is pretty interesting. Similar questions have already been asked about figures. You don't have the tables, but it would help us if you provided some information on that later.

I would like to talk about the Old Port of Montreal. You say that you are in “public consultations”. You are trying to gather information concerning the plan for the future of the Old Port of Montreal and the Montreal Science Centre. I was going to say the palace of science, but it's almost the same thing. I visited the website.

What is your marketing plan to ensure that you obtain responses? What role do municipalities or the City of Montreal play in your plan? How is everything coming along?

**Mr. Basil Cavis:** Thank you very much for the question.

[English]

The public consultation and master planning for the Old Port is a three-phase process that we're doing. We're currently starting the second phase. In January of this year, we did a visioning exercise with the population and had 260 people provide us with their opinion. Our objective is to have a master plan by the spring of 2017 to be able to revitalize the Old Port and bring new activities to the site.

The way we're working with the city and other stakeholders is that we have an advisory committee with 13 different prominent Montrealers, including the city of Montreal, which has Richard Bergeron, a member of the executive committee.

The public consultation and master planning for the Old Port of Montreal also includes the Silo no. 5 site, the former grain elevators that have been abandoned for about 30 years.

[Translation]

**Mr. Ramez Ayoub:** I saw in the consultation that you were talking about the spring of 2017. That will mark Canada's 150th anniversary and Montreal's 375th anniversary. There will definitely be no changes from now until those celebrations.

**Mr. Basil Cavis:** Our objective is to unveil a master plan in 2017. We have a number of projects and activities. We are working on preparing the Old Port site for 2017, including for a New Year's party on January 1 to kick off 2017. Other events will also take place at that site in 2017.

•(1620)

[English]

**Mr. Ramez Ayoub:** Madam Chair, how many more minutes or seconds do I have?

**The Vice-Chair (Ms. Yasmin Ratansi):** You have about a minute and a half.

**Mr. Ramez Ayoub:** Thank you.

[Translation]

I would like to come back to the Old Port of Montreal.

You may not have the tables in front of you, but I have some figures that come from your corporate plan summary. In the row “Government funding/Financial support from CLC”, there is a pivotal year or a year that is very different between 2014 and 2017. The amounts are about the same in 2014 and in 2017—\$11.5 million and \$10.6 million—but the amounts vary in between those years from \$13.1 million to \$16.9 million. What is the explanation behind those large variations?

**Mr. Basil Cavis:** The events and activities we hold every two years are a good explanation for those variations. The Cirque du Soleil is the best example. Normally, it uses the site every two years. So the money comes from the rent it pays and all the ancillary revenues such as parking. That causes fluctuations from one year to another.

**Mr. Ramez Ayoub:** In other words, it's not government funding that is fluctuating.

**Mr. Basil Cavis:** We stopped receiving government funding in 2013.

**Mr. Ramez Ayoub:** Okay. Thank you.

[English]

**The Vice-Chair (Ms. Yasmin Ratansi):** Mr. Blaney for five minutes.

**Hon. Steven Blaney:** To get back to the question of my colleague Kelly, would it be possible to provide us with some information on the apparent discrepancy between the cost of the food and beverages, or the rental, being higher than the revenue? Could you clear that up, maybe not this afternoon but later if possible, because I'm sure this information would be of great interest to the members of the committee?

[Translation]

I would now like to address the Defence Construction Canada representatives.

Your organization, which was created in 1951, plays an important role in procurement. I know that you talked about this already, but since I arrived a bit late, I would like to ask you what your priorities are for next year.

**Mr. James Paul:** Thank you for the question.

[English]

Do you mean priorities specifically around procurement, or overall as a corporation?

**Hon. Steven Blaney:** Of DCC, of your corporation.

**Mr. James Paul:** Our priorities are always to continue to deliver the program that our client partners ask us to do efficiently and effectively. I've mentioned that the mix of services is always changing. DND and our other client partners will project a program, based on project approvals and fundings they're responsible for. After that, we track what those approvals are around, manage the procurements accordingly, and then we hire the proper skill sets, and by hire I mean we engage the private sector. We are the procurement authority and contract manager. We don't put the shovel in the ground, so to speak. Part of our role is to support the Government of Canada's economic stimulus and other support programs on the financial side. The \$1 billion roughly that we expend annually is all through the private sector in competitive processes that follow all the government procurement and contracting policies.

**Hon. Steven Blaney:** You are in charge of upgrading the military bases. Can you give me an update on the investments that have been required to welcome the Syrian refugees on military bases?

**Mr. James Paul:** Our piece of it was that we assisted DND by building additional accommodations at three bases and wings, specifically in Quebec and Ontario. Within their plans, if they were asked to accommodate Syrian refugees, they would have housed them. The main project was at Valcartier. For example, we rapidly—from when the request was made in late October, or early November, to delivering on it in December and January—built a number of additional units or new builds on a modular housing basis. We're used to doing that for the Canadian Forces Housing Agency. We have also upgraded existing cadet facilities. Even if these are not used for refugee accommodation, a legacy of that will be the much improved facilities that can be used in Quebec and Ontario for cadets, and training, and so on.

**Hon. Steven Blaney:** I visited the cadet military base in Valcartier. How much was invested in those three military bases?

• (1625)

**Mr. James Paul:** Mélinna, can I ask you about the numbers?

**Ms. Mélinna Nycholat:** I don't remember the numbers exactly. It may be in the order of \$1 million roughly.

**Hon. Steven Blaney:** One million dollars?

**Ms. Mélinna Nycholat:** I think so. It's probably safer not to say any numbers.

**Hon. Steven Blaney:** If you have the info per military base, I would appreciate it.

You are in charge of procurement, and the government has undertaken large procurement projects. You are managing \$1 billion, you have an increased budget because there's more investment, and

your manpower has been reduced. Are you able to cope with more projects and less people?

**Mr. James Paul:** I ran out of time to answer Mr. Weir's question fully. What I was saying in terms of our responsive model was that we are in fact growing our staff again because of the growing program. Three to four years ago, we had exceeded \$1 billion, and then it came down to about \$850 million. We adjust the resources accordingly. We profile some of them, and we use a strategy that involves roughly 75% permanent positions and about 25% contract term, and that becomes an excellent way to try out new resources. We are in fact staffing close to 150 new positions this year to respond to the program growth that FIP and other projects brought in.

**Hon. Steven Blaney:** How many new positions?

**Mr. James Paul:** One hundred and fifty, so we will be close to a thousand personnel by next year.

**The Vice-Chair (Ms. Yasmin Ratansi):** Now we go to the five-minute round with Ms. Shanahan.

**Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.):** I'll continue with Mr. Blaney's line of questioning. I thank him for bringing it up, because we have heard from the Auditor General's report, I think last fall, about serious problems with military housing. What I'm hearing, actually from all witnesses here today, is that you always adhere to very tight controls around your data management, around inventory, and so on. So I'd like to hear your views. You did contribute to building new military housing. What's going on with the existing stock?

**Mr. James Paul:** CFHA is one of our key clients. Of course, it is up to CFHA, which is part of the Department of National Defence, to identify their plans and program requirements, and then to get the funding approval they require. When we come in, CFHA says, "This is what we would like you to do in years one through three, coming out." DND plans three years out on its infrastructure. We have a five-year view. Then we act on those projects. That includes both the maintenance and repair of existing facilities, housing specifically, and also the recap or upgrade of, say, older stock to modernize it, and the construction of new facilities across the country.

DND's needs shift based on where the personnel growth is. Some bases are growing, some are shrinking. Sometimes we're disposing of lands. For example, the Rockcliffe Air Base that Canada Lands is managing the disposal of now, our job for DND was to go in and do the demolition, the remediation and the environmental clean-up, so that when the site is turned over to Canada Lands, they can be confident it's a clean site that can take further development.

We respond to what our client partner, CFHA, has in their plans for their needs. I know that they are addressing the housing requirements as well as they can. but that's not really our place to comment. We're not part of the department.

**Mrs. Brenda Shanahan:** I understand.

I am impressed by the building information modelling program that you have there. It certainly sounds like.... It seemed that one of the root problems was around the data collection, around what exactly the state of the housing was across the country. We can certainly see some room for improvement there.

To speak to Canada Lands, it's also impressive. Dealing with real estate in the best of times is a very risky business, so what is the secret of your success? Are you aligning yourself with market values on a continual basis? How do you monitor those risk factors, because you can also lose money in real estate?

**Mr. John McBain:** You're quite right. To be fully transparent, one of the benefits of being a crown, working within the policies set out by the government, is that we reach an agreement with the federal custodians on the market value of the properties. We sign a promissory note. We make an upfront payment, but we don't repay the promissory note until we're in a cash-positive situation, so there's less risk for us than there would be for a private sector developer.

It stems from the concept that the government realized that it could sell the property once and get an increase in value, or it could have an organization like ourselves do the development to get the uplift that benefits the taxpayer. In consideration of the latter approach, we do get a bit of a cushion that protects us.

•(1630)

**Mrs. Brenda Shanahan:** Okay. Very nice. Thank you.

Chair, how much time do I have?

**The Vice-Chair (Ms. Yasmin Ratansi):** You have about one minute and 15 seconds.

**Mrs. Brenda Shanahan:** I will cede it to my colleague, Mr. Drouin.

**The Vice-Chair (Ms. Yasmin Ratansi):** Now you have one minute.

**Mr. Francis Drouin:** To get back on greening, I was interested in how you reported on that, or how you measured the effect on greenhouse gases. Do you self report, or do you have a third party analyzing this?

That was my only question.

**Mr. James Paul:** The highest value ones for the government overall are what we're helping our client partners achieve. The energy performance contracts, for example, are the best current ones to talk about. They are performance-based contracts. The nice thing about it is that you get the reporting, because for the private sector organizations that are delivering it, their compensation is tied to what they accomplish in terms of energy savings and efficiencies. There are very tight measurements of those performance criteria, and that's how they will be rewarded. Also, DND shares in the cost reductions that are achieved. It's an example of many types of models we use that are well governed that way.

**The Vice-Chair (Ms. Yasmin Ratansi):** We'll go to Mr. Weir for the last three-minute round. We'll come to the second round later.

**Mr. Erin Weir:** Are your employees paid through the Phoenix pay system?

**Mr. John McBain:** No, they are not. We are a separate employer.

**Mr. Erin Weir:** And is it the same with Defence Construction?

**Mr. James Paul:** Yes, we're an independent employer as well.

**Mr. Erin Weir:** Okay, that's good fortune on that front. Have you had any experience with Shared Services Canada?

**Mr. James Paul:** Shared Services is one of our client partners. We're doing the new Borden data centre as a P3. That was just announced by our minister last week.

We're not supported directly by Shared Services Canada, but we do benefit from a lot of the things they do with respect to firewall and virus protection for government systems overall. All our email comes through servers where they also have some oversight. But we have our own IT team, a small focus team of 10 people that does our own internal servers and things like that.

**Mr. Erin Weir:** As you might be aware, our committee is doing a study of Shared Services Canada, so if you had any thoughts or feedback on that, it would certainly be of interest. I definitely appreciate what you've already said on that front.

Coming back to the reduction in the number of employees at Defence Construction Canada, was that reduction achieved through layoffs or more attrition? Can you give us any insight on that?

**Mr. James Paul:** It was a combination of all factors. We are an independent crown corporation employer, so we have employment agreements in place with all our staff. I'll answer it three ways quickly.

Attrition, that's a quick one to address. In some cases, yes, it was a result of retirements and otherwise. In other cases, I've mentioned that we often use term positions. Where we see a need for a one- to three-year requirement, we will staff them with term positions and also draw on resources elsewhere in the country. It doesn't mean that we have to physically move the people. We operate very effectively that way.

Then you're right that there was a dramatic downturn in the DND infrastructure program. We went through a workforce adjustment, which we did in accordance with the terms of our employment agreements. A number of the positions were terminated, which we handled respectfully and fairly and with the proper legal advice. We're not mired in litigation coming out of that. We did it the right way, but we have to respond that way because, as I said, we're not an appropriated entity.

**The Vice-Chair (Ms. Yasmin Ratansi):** You have about 13 seconds.

**Mr. Erin Weir:** Okay, maybe it's a yes or no question. In your construction, do you adhere to any sort of a fair wages policy for the construction employees?

**Mr. James Paul:** We contract with the private sector. The general contractors are subject to all the rules involved in the construction sector. We engage closely with the Canadian Construction Association as the representative association.

Again, we can step in if there's a situation of abuse or unacceptable practice. But for the most part, it's an arm's-length contractual relationship. We have to let the GCs do their job, but we have complaints and arbitration proceedings, so we can respond if there's a real issue where something is offside.

• (1635)

**The Vice-Chair (Ms. Yasmin Ratansi):** We're going to the first seven-minute round of the second hour.

Mr. Whalen.

[Translation]

**Mr. Nick Whalen (St. John's East, Lib.):** Thank you, Madam Chair.

I want to thank all the witnesses for coming to meet with us today, especially Ms. Payette. My wife, children and I will actually be visiting the Old Port of Montreal tomorrow. I hope that, despite Mr. McCauley's question, you will not raise ticket prices, unless you do it the day after tomorrow.

I think this is a positive experience. It's a good thing that public sites like this one exist and that all Canadians can visit them and learn about scientific issues.

[English]

I am trying to figure out how Canada Lands is managing its environmental risk. When I looked at the 2014-15 to 2017-18 plans document, there was a risk assessment statement or the summary of your corporate planning.

When I look at the same document for this year, it seems to have been reorganized. Can you explain to me why you've changed the form of reporting in the plans document or corporate plan summary from 2014-15 to 2015-16?

**Mr. John McBain:** If you'll allow me to take a look....

**Mr. Nick Whalen:** In particular, in the document last year a whole section was related to enterprise risk management and internal control. That section has been eliminated in this year's draft and it's been replaced by a single paragraph, 1.6.

When was that decision made and why? It makes it difficult, obviously, at our end of the table to see longitudinally how an organization's managing its risk if the reporting formularies change.

**Mr. John McBain:** We did conduct a thorough review of the risk management framework within the organization, including having a new chair of risk management appointed at the board level. We undertook that review with our third-party auditors, Ernst & Young. As a result of that work, we reformulated our risk management framework.

I think that's what you're seeing reflected in the change in the two documents.

**Mr. Nick Whalen:** Okay. Great.

Is it possible, then, for you to deposit with the committee the scorecards, the results of those, for the years up to when it changed, and then, for the year during the transition, what type of scorecard you did, as it seems to be missing?

**Mr. John McBain:** Certainly.

**Mr. Nick Whalen:** In terms of managing your environmental risk, when I look at the statements from last year, there is a section that says, "The corporation is not aware of any material non-compliance...nor is it aware of any investigations", or whatnot, on page 44. But then at page 72, it indicates that "The corporation assessed all of its activities...involving risks to determine potential environmental risks. For the properties and activities that may be significantly contaminated, the corporation has assessed the likelihood of settlement as remote."

Can you explain to us those two statements, one where there is no non-compliance on environmental risk, and one where you're concerned that you can't settle any of the existing environmental liabilities? Can you help us understand those two statements?

**Mr. Robert Howald:** In our real estate operations, as I mentioned before when the member for Brampton East made a statement, most of the land we're acquiring is vacant. When we're acquiring property, environmental testing is done so that there is an understanding of any environmental conditions within the soil. Where there are buildings we are acquiring, there are also building assessments to identify whether there are liabilities on that basis.

The comfort and the confidence we have is that the actual removal or cleanup of building materials or contaminants in the soil are understood, and will be managed through the redevelopment of the project, which is not unusual or a discomfort that real estate developers have.

**Mr. Nick Whalen:** Roughly how much money is set aside, or what contingencies do you have, for managing environmental risk? Or is that something that will be fully financed through the property development?

**Mr. Robert Howald:** It will be a cost within our pro formas for a project. In all instances they are contaminants that are fine in place but have to be dealt with through the development. There will be lines or monies within our financial pro forma not only for servicing costs but as well for environmental remediation or building demolition, and with that any greater care that needs to be taken. It's all built into our financial pro forma for a project.

• (1640)

**Mr. Nick Whalen:** On a go-forward basis in the projects, are you then completely alleviating Canada Lands of environmental liability at the end of a project when these residential developments occur? For instance, in Pleasantville, in my riding of St. John's East, there is a 64-acre development ongoing. It's a former U.S. military base; I can only assume there are very strange things lurking under the soil.

At the end of that project, will Canada Lands still retain any residual environmental liability, or will it all have been discharged?

**Mr. Robert Howald:** It will be discharged. That's the comfort that we have and that we'd rather not pass on to another. You've been there, so you will have seen that we have quite an extensive demolition process going on with the remainder of the buildings that are on the site just to be able to eliminate the contaminants within the buildings as well as any in the soil.

**Mr. Nick Whalen:** Unlike Ms. Shanahan, I feel that property developers always tend to make out pretty well. In terms of your profile on profits in property development, do you benchmark your results against other property developers in the same market? How would you be comparing against developments in the Galway site for Pleasantville, or do you do that benchmarking market by market?

**Mr. John McBain:** For us, because of the value proposition that we propose for Canadians, we don't view ourselves as the same as other developers. For example, because of the percentage of green space that we include in our properties, and the commemoration of heritage and legacy projects that we include as part of our projects, we're not driving to the same end result. However, in markets we do need to see the comparables. We need to understand what we're doing. The balance of those value proposition elements against profit is part of what makes us what we are.

**The Vice-Chair (Ms. Yasmin Ratansi):** Mr. McCauley, you have seven minutes.

**Mr. Kelly McCauley:** You mentioned at the beginning that the company was dormant until reactivated in 1995 and that you operate with a mandate defined at that time. Is the mandate still considered relevant or is it perhaps out of date?

**Mr. John McBain:** It's an interesting question.

I'm always impressed when we look—

**Mr. Kelly McCauley:** Excuse me. I only have a few minutes.

**Mr. John McBain:** Okay.

I'm impressed by the quality of the mandate and the foresight it showed—

**Mr. Kelly McCauley:** Okay. You generally—

**Mr. John McBain:** —but at the same time, the world of real estate and development is evolving.

**Mr. Kelly McCauley:** That's perfect.

I've been reading through the opening remarks. You talk about being “the master developer of properties”. Very quickly, keeping in mind that we have about three minutes, when you talk about being the master developer, what does Canada Lands look after before it's turned around?

**Mr. John McBain:** We get a 300-acre property, sometimes after

**Mr. Kelly McCauley:** Let's say it's Griesbach. We'll talk about that.

**Mr. John McBain:** In terms of a plan like Griesbach, we do stakeholder engagement and engage with the communities. We propose a plan that goes to the city. We then get the feedback, we adjust the plan, and it gets approved, and we then have a development plan. Then we make the decision. Do we do bulk sales of property to developers who build, or do we do as Bob was describing earlier? Do we service, put in the roads and the

underground services, and sell individual lots? We define the entire plan and the requirements of construction in it.

**Mr. Kelly McCauley:** What value is it for us to do the full package, to run the roads in and do the other infrastructure amenities?

**Mr. John McBain:** I'll turn it over to Bob, but for us it's really a question of where the most benefit is for Canada Lands and therefore the return to the crown. We assess the market.

Do you want to answer that, Bob?

**Mr. Robert Howald:** There is profit to be made all the way through, but probably the most significant profit that a developer makes is on what we call “the first lift”, or after you get the plan approved by a municipality, because all the planning, uncertainty, and risks are out of the way.

We do tend to continue and do the servicing and put the infrastructure in place, primarily to ensure that the commitments that have been made through the consultation through the community plan are actually built out as is, so that the end product is as advertised, and so we don't dispose of it prematurely and a developer buys it and looks to change the plan.

In the end, we're selling serviced lots or blocks on a defined plan. We put all the skeleton or roads and services in place. The end product is as was anticipated through the process.

● (1645)

**Mr. Kelly McCauley:** We—and when I say “we”, I mean Canada—are making more money off it that way.

**Mr. Robert Howald:** Yes.

**Mr. Kelly McCauley:** Do you run into conflicts with private sector developers in undercutting them or with the advantage we have?

**Mr. Robert Howald:** No, we don't, in that an element of Canada Lands on the real estate side is that it's a small group. In your Edmonton situation with Griesbach, there are five people who operate that, but we hire out all of the disciplines that we require from the professional services, from the engineers, the consultants, and the architects to the actual contracting for the work.

**Mr. Kelly McCauley:** The current government has talked about affordable housing. Have we or has the federal government had many discussions with Canada Lands yet? The reason I ask is that in Edmonton it's a big focus of our current mayor, and it's a focus of our provincial government. Have we been in talks about how you have land, serviceable land that you could turn over, or is that just not down the path yet?

**Mr. John McBain:** We certainly have that conversation with every development in every municipality. In addition, we work with federal programs such as the surplus federal real property for housing initiative.

We've had the fortune to brief our minister on a couple of occasions and have indicated where we're taking in the work that we do with respect to supporting affordable housing desires at the municipal level.

**Mr. Kelly McCauley:** Okay, and—

**The Vice-Chair (Ms. Yasmin Ratansi):** Thank you. Mr. Blaney is next.

**Hon. Steven Blaney:** I would like to follow up. You told me that you have an investment of basically \$1 billion per year. Is that roughly what you're investing per year on your projects?

**Mr. James Paul:** We're spending roughly \$1 billion. It was \$950 million last year and we have the national defence....

**Hon. Steven Blaney:** Okay, and you have many interesting projects, especially the fleet facility project. You have many projects scheduled. You will hire 175 more employees, correct?

**Mr. James Paul:** I think I said 150 approximately. It depends on

**Hon. Steven Blaney:** Oh, okay.

**Mr. James Paul:** It will be responsive to how the program grows, Mr. Blaney, so it could even be 200.

**Hon. Steven Blaney:** How many people in total do you have already?

**Mr. James Paul:** As of today we have roughly 875 employees, so we have already grown from where we reported at the end of the last fiscal year, but we will go to 900 this year.

**Hon. Steven Blaney:** I'm going to ask a question that's a little bit out of the box. When I was at Public Safety, there were discussions that Canada needs a new government operations centre, a new emergency centre to coordinate all the activities. That is more under Public Safety. Has there been any thought given to the fact that you have the expertise to undertake major projects, that you could be involved in that new government operations centre, or is it news to you at this point in time?

**Mr. James Paul:** It's more the latter. It's news. I can tell you that our minister has the authority to ask us to do additional projects. That's why, for example, we're doing the Shared Services Canada data centre. They're not part of National Defence. We stand ready to support special infrastructure requirements if government makes the decision.

**Hon. Steven Blaney:** You did CSEC. Am I correct? You did the brand new top class—

**Mr. James Paul:** The CSEC P3 project, we delivered that.

**Hon. Steven Blaney:** You certainly would have the expertise to build this crucial facility for the Canadian government.

**Mr. James Paul:** Thank you for recognizing that. Even in National Defence, for example, the fire hall at Esquimalt is also designed to be the post-disaster government operations centre that would operate to do military but also civilian response.

**Hon. Steven Blaney:** You have expertise in the procurement of those facilities.

**Mr. James Paul:** Absolutely. That's what we do.

**Hon. Steven Blaney:** It's probably at the prehistoric age with the current facility.

How many—

**The Vice-Chair (Ms. Yasmin Ratansi):** You have 10 seconds.

**Hon. Steven Blaney:** It would be great to have you there.

**The Vice-Chair (Ms. Yasmin Ratansi):** Thank you.

Seven minutes for Mr. Weir, please.

**Mr. Erin Weir:** I was wondering if the Canada Lands Company is overseeing the possible redevelopment of the former Kingston Penitentiary.

**Mr. John McBain:** We are currently involved in discussions both with Corrections Canada and the City of Kingston to understand what the possibilities are there. Frankly, that's a subject of collaboration with the mayor. Bob has been in conversations and meetings with the mayor to engage the public about what their expectations are. That's a work in progress. We need to make sure that we see a fit for Canada Lands in the aspirations that the community has for that.

• (1650)

**Mr. Erin Weir:** Could you tell us a bit about what some of the possibilities might be?

**Mr. Robert Howald:** Actually, that's a question that we're asked many times when we acquire a piece of property, namely, what are our plans? However, we do sincerely and honestly start without any plans or preconceptions. In the case of the Kingston Penitentiary site, there is active visioning and a community day that's been advertised coming up later this month in Kingston, and there are many different fora where the public can provide their initial thoughts or initial ideas. Our plenary session with the public at the end of that day is more just about identifying the land and the site. It will be some months before we will be taking what we've heard from the community, putting down our own ideas, thoughts, and experiences on it and having a plan come forward. We have no plans at this time.

**Mr. Erin Weir:** I'm certainly not trying to put any words into your mouth about what the plans might be. I'm just curious. Could you tell us even what some of the options coming from the city, the public, or other stakeholders might be?

**Mr. Robert Howald:** It's more a philosophy, but there's an understanding with the city—and obviously, for it to make sense for Canada Lands—that there has to be financial viability for the project. There is a tremendous amount of heritage and history with that site, but it can't cover the entire parcel of land. It's just not viable for that large of a site to be maintained in that manner.

Using very open wording, it will be a mix of uses, as I see it, on the site. What that mix will be, whether it will be residential, commercial, heritage, or museum, I don't know. It will likely be in some form a mix for that site in conjunction with the Olympic Harbour site immediately to the west.

**Mr. Erin Weir:** It seems like in the United States there's been a fair bit of success in developing Alcatraz as a tourist attraction. Is that one of the options that's being looked at for the Kingston Penitentiary?

**Mr. Robert Howald:** If I can get this right, the St. Lawrence Parks Commission is working with the city this summer to be able to provide tours of the Kingston Penitentiary site, so from our perspective that will be a good test of the viability or interest in that. Certainly I can imagine that the first weekends will be very busy. How will that hold out through a summer? It's a good test for us to see what the public interest is in that very historic site.

**Mr. Erin Weir:** Fair enough. Thanks.

I have a question for Defence Construction about this Borden data centre with Shared Services. How is that project proceeding? Is it on track? Do you have a sense of when it will be complete?

**Mr. James Paul:** Absolutely. Mélinna Nycholat is our lead on it.

The minister's announcement a week ago Tuesday was on the successful award of the.... So that's the completion of the procurement phase and award, on time and on budget. I can tell you that absolutely, and it is being delivered as a P3. That's proven to us to be a very effective vehicle for ensuring on-time delivery.

Would you like to add anything, Mélinna?

**Ms. Mélinna Nycholat:** Certainly, the project company that we have contracted with on that contract is leaning forward very much. Even before we signed the contract, they were already getting ready to finalize their design. We have several submissions from them to review. The design is well under way and the plan is to start excavation of the foundation by the end of July. That's just a couple of months away, so it's very aggressive.

**Mr. Erin Weir:** You've made the point a couple of times that it's a P3, and I'm wondering in exactly what sense it is a P3, because of course, as you said, it's normal to contract private companies to do the construction. Is this going to have financing or maintenance from a private company?

**Mr. James Paul:** It's a public-private partnership in the formal sense. In this case, there's a major risk transferred to the private sector, because they actually provide not only the financing, but, really, they own the facility. What they're committing to is a performance-measured operations availability to SSC, and their payments only start being made once the facility is available. If there is a delay, they don't get paid, and yet they're funding the construction up front. More importantly, if the facility isn't available to SSC and doing what it's supposed to do every month, then there would be subtractions from what they receive.

That's over a 25-year operating phase agreement, following the three-year construction plan. That's what the P3 brings to the table.

Now, as I said, we do close to 2,000 infrastructure projects a year. We've done a handful of P3s. So it's still not the preferred approach for every project.

• (1655)

**Mr. Erin Weir:** Could I ask you what the rationale is for private financing, given that the government could presumably finance it at a much lower interest rate than a private company could?

**Mr. James Paul:** It's a great question. I have mentioned a few times that our job is to step in when our client partner has the funding approval from Treasury Board to proceed with a project. That decision would have been one that, coincidentally, our minister, because we're under the same minister at PSP, would have made with SSC at the time to use that approach. The federal government did announce that it had an almost preferred approach for \$100-plus-million valued capital projects to explore a P3.

So PPP Canada did a screen, approved it as a very suitable project for a P3, but that's something PPP Canada does, and then we were just asked to deliver it.

**Mr. Erin Weir:** Was the P3 screen applied under the previous Conservative government, or under the current government?

**Mr. James Paul:** For a project like that, typically it's at least three years in the planning and making before it comes in, but PPP Canada does the screen. They are also an independent crown corporation. They are applying a comprehensive key screen for these projects that would respond to government policy if it changed. It would be the same screen, I believe, that was used a year or two years ago.

**The Vice-Chair (Ms. Yasmin Ratansi):** We go to Mr. Ayoub for the last seven minutes.

[Translation]

**Mr. Ramez Ayoub:** Thank you, Madam Chair.

I will probably share my time with Mr. Drouin, but I would first like to discuss a few issues I am interested in.

I will address Ms. Payette, from the Montreal Science Centre.

According to the Corporate Plan 2015-2016 to 2019-2020 Summary, there is a renewed effort to become more self-sufficient. There currently seems to be a lack of self-sufficiency. New activities are also being sought. That's according to the corporate plan summary. I would have liked you to tell us a bit about attractions that will be changed or future attractions. What is your plan for increasing your self-sufficiency and changing or improving the service offerings?

**Ms. Julie Payette:** Thank you for the question, Mr. Ayoub.

I have many colleagues in other parts of the country and around the world. For a science centre, our organization is very self-sufficient. By generating 75% of our revenue ourselves, we are the all-out champions in that department.

Our challenge is to ensure the Montreal Science Centre's sustainability and future with our main partner, Canada Lands Company, but especially with outside partners, our sponsors.

We also have a foundation we use to find money to subsidize the scientific content of our exhibits. Of course, that's something we constantly have to work on, as money doesn't grow on trees.

**Mr. Ramez Ayoub:** The plan contains something of an analysis, and it talks about new attractions and new content.

Is a plan for the next few years already in place to make changes and stay relevant, or is that currently in the works?

**Ms. Julie Payette:** If I may, I will give you an example.

We currently have an IMAX theatre where we use film. However, film is becoming rare in 2016. We just submitted a full plan to enable us to make a change and update in order to move to a more advanced large technological format and make a wider variety of activities possible. For example, as Montreal is a hub for the technology development of video games and digital technology, we want to use that big screen to develop passions for IT.

**Mr. Ramez Ayoub:** We are preparing for the interviews.

**Ms. Julie Payette:** It shows.

**Mr. Ramez Ayoub:** Yes, but I did not realize that the strike took place last week. That's unfortunate. I can't ask you too many questions because you will tell me that you are in negotiations anyway. That's not a problem. That being said, we have to hope for everyone's sake that the summer activities can get started again. That must actually have an impact on revenue.

Mr. Cavis, I would like to come back to the Old Port of Montreal Corporation.

Was there a change for 2014-2015 in the accounting procedure or the calculation of expenditures and income when it comes to rental operating costs and general and administrative expenses? In 2014, we see that the costs were \$3 million, but they were \$13 million the following year. Conversely, the general and administrative costs in 2014 were nearly \$16 million, but fell to \$1.3 million the following year.

What is behind those differences?

• (1700)

**Mr. Basil Cavis:** I'm trying to find the columns in question.

**Mr. Ramez Ayoub:** It's on page 25 of your report. I'm talking about rental operating costs, and general and administrative expenses.

**Mr. Basil Cavis:** Okay. We will have to—

**Mr. Ramez Ayoub:** It really must be figured out why the general and administrative costs are going from \$15.9 million to \$1.3 million. There must be an explanation in accounting. I dare hope that the explanation is of that nature. Otherwise, another explanation must be provided.

**Mr. Basil Cavis:** Okay.

**Mr. Ramez Ayoub:** I was not trying to put you on the spot. If you would like to answer me later, you can send the information to the analysts.

**Mr. Basil Cavis:** Yes, if that's okay with you. I will have to look at those figures.

**Mr. Ramez Ayoub:** You will have to figure out where that difference comes from.

That's the last of my questions. I will share the rest of my time with Mr. Drouin.

Thank you.

[English]

**Mr. Francis Drouin:** How much time?

**The Vice-Chair (Ms. Yasmin Ratansi):** One and a half minutes.

**Mr. Francis Drouin:** Again, just for Mr. Paul, it seemed very interesting with DCC.

A couple of months ago, the former national security advisor said publicly that cybersecurity is now the biggest threat and much bigger than terrorism. When you're procuring, do you consider cybersecurity?

Has that changed, from 10 years ago, in how you're procuring today? You mentioned that you're building something at the data centre at Borden, so I imagine it does. How has that changed in the organization?

**Mr. James Paul:** I'll let Mélinna Nycholat come in as well, because procurement achieves the security requirements for a project that National Defence dictates. One of the things we require from our clients is a clear statement on the security requirements. We put into effect, through the contracting process, the clearance requirements for contractors, individual employees, and so on. The levels do vary. You want the security requirements to be as low as possible, because they add to costs and delays in delivering a project. Once they're defined, then we make sure that all the proper clearances are obtained.

Is that the area that you're looking for an answer on?

**The Vice-Chair (Ms. Yasmin Ratansi):** Mr. Drouin, I'm so sorry, but your time is up.

We will go to the last five-minute round because we have committee business to discuss.

Monsieur Blaney.

[Translation]

**Hon. Steven Blaney:** Thank you very much, Madam Chair.

Ms. Nycholat, have you ever provided financial contributions to the companies you do business with to enable them to fulfill contractual obligations?

**Ms. Mélinna Nycholat:** Are you asking me whether DCC has made payments to companies that bid on our contracts?

**Hon. Steven Blaney:** Exactly.

**Ms. Mélinna Nycholat:** No, not at all.

**Hon. Steven Blaney:** I am asking you this question because allegations are being made in newspapers about the naval strategy. Money has allegedly been transferred to shipyards to increase their capacity, and that is neither in the spirit of your policies nor in the spirit of the naval strategy.

That brings me to the next question. Have you ever considered using your services for military equipment, for instance, since you are involved in procurement?

**Ms. Mélinna Nycholat:** No. We have never been asked to handle equipment procurement.

• (1705)

**Hon. Steven Blaney:** Is that not part of your mandate?

**Ms. Mélinna Nycholat:** It is but only for infrastructure and the environment.

**Hon. Steven Blaney:** That's not part of your mandate, but you do have expertise in procurement and in managing public funds. For instance, I think that there is currently a military contract for the purchase of vehicles, including with the Mack Defense company. Are you not involved in that?

**Ms. Mélinda Nycholat:** No, we are not involved. Moreover, we of course often take care of infrastructure to support equipment.

**Hon. Steven Blaney:** Okay.

Have you participated in exercises in the past? In every country, the major procurement principles are constantly being questioned. Does that come under departments in charge of public works? Does it come under armed forces?

Have you already participated in scenarios where your entity managed procurement contracts, be it for vessels, aircraft of military vehicles?

**Ms. Mélinda Nycholat:** Not to my knowledge.

[*English*]

But I could maybe ask Jim if he knows if we've ever been asked to participate in any kinds of discussions or committees reviewing whether we should participate in procurement practices related to other procurements like equipment.

**Mr. James Paul:** The short answer is no. There is cross-communication, because whenever National Defence comes up with a budget to procure a new form of equipment—a plane, ship, tank, vehicle, or whatever—they also look at the infrastructure requirements to support it. We give input on that planning part.

**Hon. Steven Blaney:** On that, if there are delays...because obviously in what we now call the national shipyard strategy...

**Mr. James Paul:** National shipbuilding program.

**Hon. Steven Blaney:** In the national shipbuilding strategy, there are delays. If I take the icebreaker, for example, we are now told that it could take a year before we get this icebreaker. Is it changing your plan? You are building a facility in the north, but could the facility be built and there would be no ships because the strategy is not delivering on time. Is it something you are adjusting to?

**Mr. James Paul:** DND would be adjusting the program requirements based on what it needs. The Nanisivik facility, which, you're correct, we're building, is a relatively small facility. It had already been reduced in scope to be essentially a refuelling facility and an upgrade to the existing jetty. It's smaller than the original project that DND envisioned. That's what we're delivering.

The larger support projects for the shipbuilding program are in Halifax and Esquimalt, on the Atlantic and Pacific coasts. Right now they're in the design and procurement phase for the new jetties there, which are roughly \$200 million and \$400 million projects, respectively, just for the jetty replacement. They are in the design and procurement phase only, and they will be aligned with the time schedule by DND.

**Hon. Steven Blaney:** Excuse my misunderstanding.

[*Translation*]

When you say jetties, are you talking about wharves?

[*English*]

**Mr. James Paul:** A jetty is a dock.

**Hon. Steven Blaney:** Are you planning to postpone the construction of those jetties, since those ships could arrive later than scheduled, or has there been some adjustment to make the spend, to build the bridge, as we say, when we get to the river? It may take longer.

**Mr. James Paul:** Only if our client partner asked us to postpone.... At this point, the design phases are still proceeding, so the design can still be made ready, but the construction phase will be based on their best estimate of timing.

**Hon. Steven Blaney:** So far you are in the design phase, but you have not yet figured out when you would go and construct those jetties.

**Mr. James Paul:** The larger project, the west coast one, is not yet awarded for construction. The Atlantic one is going ahead just now with construction, so the construction phase is ready to proceed.

**Hon. Steven Blaney:** You're constructing the jetty and expecting that the fleet will come.

**Mr. James Paul:** One of the nice things is that the new requirements for these jetties have them as multi-platform jetties. In the old days, they would build a jetty specifically for one type of vessel. The new jetty designs will take multiple platforms, so they can be used for existing and new ships.

**The Vice-Chair (Ms. Yasmin Ratansi):** Thank you very much.

I thank the witnesses for being here and the committee for participating.

We will suspend for two minutes and go in camera.

[*Proceedings continue in camera*]





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