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

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**EVIDENCE**

**Thursday, March 27, 2014**

—  
**Chair**

**Mr. Pierre-Luc Dusseault**



## Standing Committee on Government Operations and Estimates

Thursday, March 27, 2014

•(0845)

[Translation]

**The Chair (Mr. Pierre-Luc Dusseault (Sherbrooke, NDP)):** Order, please.

Good morning, everyone.

This is our 16th meeting. We are continuing our study of the main estimates 2014-15 and the Report on Plans and Priorities 2014-15. Joining us is the Hon. Diane Finley, Minister of Public Works and Government Services.

As usual, the time for the presentation is 10 minutes. The members of the committee will then be able to put questions to the minister and her colleagues from the department, particularly those accompanying her from Shared Services Canada.

Ms. Finley, thank you for being here. You have the floor for 10 minutes.

**Hon. Diane Finley (Minister of Public Works and Government Services):** Good morning.

Thank you for giving me this opportunity today.

[English]

I'm very pleased to be here today as Minister of Public Works and Government Services, and also as the minister responsible for Shared Services Canada to talk about my departments' main estimates and reports on plans and priorities for the 2014-15 fiscal year.

With me are Deputy Minister Michelle d'Auray and Chief Financial Officer Alex Lakroni from Public Works and Government Services Canada, as well as Liseanne Forand, who is the president of Shared Services Canada.

As you know, our government is focused on job creation, economic growth, and long-term prosperity for all Canadians, and both departments represented here today are primary service providers to Canada and within government, making sure we have effective and efficient operations in support of these goals.

[Translation]

As part of its broad mandate, Public Works and Government Services Canada serves many vital functions for the Government of Canada. Some of these roles include acting as the government's principal treasurer, accountant, real property manager and central purchasing agent.

[English]

Of course, part of the central purchasing agent role involves procurement responsibility, including defence procurement, and I'll talk about that in a few more minutes.

Shared Services Canada, newly created in 2011 by our government, is working to standardize, consolidate, and streamline the Government of Canada's information technology services. Their mandate is to transform our existing systems, which are often costly and all too often outdated, into much more modern, reliable, and secure IT infrastructure to bring savings to Canadian taxpayers.

This morning I would like to provide some highlights on actions and progress being made by the two departments for which I'm responsible.

For the 2014-15 main estimates, PWGSC's net spending is anticipated to decrease by close to \$197 million from the 2013-14 levels. As for Shared Services Canada, SSC's main estimates for 2014-15 show an increase of 5.4%, or \$75.2 million.

[Translation]

This is largely due to the expansion of Shared Services Canada's mandate and activities, and can be largely attributed to funding received from partner departments for new responsibilities for workplace technology devices. Partner departments are reducing their reference levels accordingly.

Looking to the year ahead, I am proud of several of our initiatives that will foster innovation, achieve additional cost savings for Canadian taxpayers and reduce red tape for small and medium-sized businesses.

[English]

In February Minister Nicholson and I announced Canada's new defence procurement strategy. This strategy represents a fundamental change in the government's approach to defence procurement, and its implementation will be a key priority for my department. Our new defence procurement strategy is designed to meet three objectives.

The first is to deliver the right equipment to the Canadian armed forces and the Canadian Coast Guard in a timely manner. The second is to leverage our purchase of defence equipment to create Canadian jobs, economic growth, and export opportunities. Third is to streamline our defence procurement processes while improving transparency and accountability.

Since that announcement we've already started to make progress. In fact the first projects under the strategy have already been announced. Those are the medium range radar and medium lift helicopter procurements. We're working with industry, as we committed to doing, on applying the new value proposition to these procurements.

[Translation]

Another way in which we are leveraging the government's procurement to drive innovation and create opportunities for entrepreneurs, is through the Build in Canada Innovation Program. As you heard from my officials in December, BCIP, as we call it, allows the government to act as a first buyer, helping kick-start Canadian businesses by moving their home-grown innovations from the lab to the marketplace.

[English]

As we pledged, the build in Canada innovation program has been made permanent and now has an added military component. We're pleased to have received excellent feedback from entrepreneurs who now have greater opportunities to sell and export their innovative products while creating jobs for Canadian workers. The next call for proposals will be happening this spring.

We will also continue to work toward delivering on our government's commitment to preserve and rehabilitate our capital city's historic parliamentary precinct on time and on budget. Committee members may recall that this work is being carried out under a series of rolling five-year plans under an overarching long-term vision and plan.

On November 19, 2013, my officials appeared before this committee to provide an update on the status of renovations and the associated costs for the parliamentary precinct renovation project. I understand that at that time, committee members also made a site visit to West Block to see first-hand the cost and the complexity of the renovations there. Not only is this work crucial to ensuring that these buildings meet current construction standards and are able to fulfill their intended functions, but it also employs many skilled tradespeople.

For example, the rehabilitation of the Sir John A. Macdonald building, the former Bank of Montreal on Wellington Street, on its own will have generated around 600 jobs by the time the project is completed in 2015.

Public Works and Government Services Canada continues its major pension and pay transformation initiatives, which are replacing outdated legacy systems and centralizing service delivery for pension services in Shediac, New Brunswick, and pay services in Miramichi.

Together these transformation initiatives will enable the Government of Canada to save more than \$100 million annually, starting in 2016-17. As well, Public Works is leveraging the new pension system to provide pension services for the RCMP and National Defence. These initiatives will further contribute to our government's plan to increase efficiencies and streamline our operations.

● (0850)

[Translation]

In the exercise of PWGSC's many functions, we strive to make the government more effective, more transparent, more modern and more accountable to Canadians. In keeping with this, we continue to work at further safeguarding the integrity of the public procurement process.

[English]

This is why on March 1, 2014, we further expanded the list of offences that make a company and individuals ineligible to bid on contracts. We also implemented measures that allow us to ban companies from accessing federal contracts if they have foreign convictions or make admissions of guilt in judicial proceedings. For all contracts with Public Works, subcontractors will now be bound by the same terms and conditions as the prime contractor.

Mr. Chair, now I would like to turn to Shared Services Canada.

Since its creation in 2011 it's already delivering results for Canadians in terms of savings, security, and service. SSC is building a modern and resilient IT platform that will help us meet Canadians' current and future service expectations while keeping their personal information protected and secure.

[Translation]

In launching the Canada cyber security strategy in 2012, our government sent a strong message that it takes security very seriously. Shared Services Canada continues to work closely with partner departments and agencies to strengthen the security of government systems—because there is simply no place for untrusted equipment and services in Government of Canada networks.

[English]

It's equally important that we make every effort to lower costs for taxpayers, another area where SSC is making its mark. By taking a government-wide approach, SSC continues to reduce duplication, increase efficiency, and cut costs. SSC has already generated \$150 million in savings simply by getting better prices and reducing duplication and redundancy.

The 2014-15 report on plans and priorities underlines that we expect even better results in the future as the department realizes efficiencies in cost savings to the standardization, consolidation, and re-engineering of IT infrastructure services.

Let me provide you with a few details on this.

SSC is preparing to implement a new standardized, user friendly, and more secure e-mail system for the Government of Canada, replacing our 63 legacy systems with one. Consolidating e-mail systems to a common and more secure e-mail system will bring anticipated savings of over \$50 million a year beginning in 2015-16. We've also established a first enterprise data centre which will be followed in 2014-15 by two additional government-wide data centres, eliminating up to 50 former facilities. Once the consolidation process is complete, we'll have moved from 485 data centres to seven, resulting in more savings, stronger security, and better service to Canadians.

SSC is also rationalizing the 3,000-plus overlapping and uncoordinated telecommunications networks that provide voice and data services. This will include eliminating costly Centrex telephone services and moving the government to a digital approach that takes advantage of such technologies as voice over Internet protocol, or VoIP, as an example. This will result in greater efficiencies and additional savings to taxpayers.

To further bring savings to taxpayers, SSC will be helping departments reduce their travel requirements by expanding the use of video-conferencing technologies and encouraging sharing of facilities among departments. In today's digital age, it just makes sense, not to mention that this initiative will generate about \$7 million in annual savings.

● (0855)

[Translation]

Another way that Shared Services Canada is cutting costs is by consolidating and standardizing the procurement of workplace technology devices for federal employees, as mandated in budget 2013. By consolidating software contracts, Shared Services Canada will generate savings of \$2.1 million in 2013-14 and \$8.7 million starting next year and in future years.

[English]

Collectively, these measures are enhancing security and improving performance in service, while at the same time reducing costs and generating greater savings to taxpayers. I will continue to work to ensure that SSC's continued progress in modernizing the government's infrastructure will leave long-term benefits for Canadians.

Mr. Chair, I will conclude my remarks by saying that the Government of Canada is a large and complex organization, and whether in Public Works and Government Services or in Shared Services Canada, there will always be room for improvement. I see that both as a challenge and an opportunity. I'm also confident that these initiatives are contributing to the sound management of the resources entrusted to us and ensuring value and results for Canadian taxpayers.

[Translation]

Thank you, Mr. Chair.

I look forward to taking questions from members of the committee.

**The Chair:** Thank you for your presentation, minister.

I will now give the floor to members of the committee.

Mr. Martin, you have five minutes.

[English]

**Mr. Pat Martin (Winnipeg Centre, NDP):** Thank you, Minister, for being here with us today. I think you'll agree, as our committee feels, it's very important that the minister come to speak to and defend the main estimates in particular, especially with such a multi-faceted and diverse portfolio as you represent.

As the oversight committee for Public Works and all of the undertakings of Public Works, I can only say that one hour isn't

really adequate for our committee to speak to you. I wish you ministers would reconsider the principle that you can't afford to give more than one hour to the oversight committee that you are coming to ask permission from to spend money. It's an important principle that I think we should reiterate at every parliamentary committee.

Having said that, I appreciate your remarks today.

We looked through the main estimates and the report on plans and priorities very carefully, but the one thing that comes to mind for me, and which I'd like to spend my time on, is a newspaper article that was released late yesterday, the day before the minister is to come before our parliamentary committee to speak to what is the largest single military procurement in Canadian history. Now we learn the government is delaying its current schedule to sign the contract for the initial delivery of the F-35s until after the next federal election. I'd like to better understand what the reasoning is for this.

You, Minister, have the dubious honour of being about the fifth minister to have to field this particular hot potato of a file, but wouldn't it be fair to Canadians to tell them? Are you or are you not going to buy this aircraft? Will there be an open competition? How much is it going to cost? We need to know that before we go into the next federal election, not after. Can you shed any light on this recent announcement which I think only came out at 10 o'clock last night?

● (0900)

**Hon. Diane Finley:** Actually, there are portions of the article that are not entirely accurate. As you point out, this has been a long and troubled procurement going back well over 10 years. We started looking at it some time ago very closely because we weren't getting the product we needed in the timeframe that was committed to.

As part of that review, we set up a seven-point plan to go back and look at all of the options and do a risk assessment on the different options that were available as opposed to the F-35. We wanted to look at what the competition was, what the risks associated with each of those pieces of equipment were. We're working through that seven-point plan. No decision will be made on whether to procure the F-35 or an alternative until the plan is completed.

**Mr. Pat Martin:** No decision has been made.

**Hon. Diane Finley:** No decision has been made. We're going—

**Mr. Pat Martin:** No contracts have been signed. You're now the minister—

**Hon. Diane Finley:** What we want to do is get all the facts—

**Mr. Pat Martin:** I'm sorry.

**Hon. Diane Finley:** We want to get all of the facts. Then we'll do the evaluation. Then we'll make a decision.

This time, we're going to take the time to get it right, to make sure that two objectives happen. Number one is that the men and women in the military get the equipment they need. Number two is that we do it in a way that's responsible to taxpayers.

**Mr. Pat Martin:** Perhaps you can answer one specific question for me, then, because I don't see it in the RPP or the estimates.

What is the budget for this new defence procurement secretariat? How many FTEs, how many full-time jobs, are associated with this secretariat? What exactly do they do when they come to work in the morning? I mean, do we or do we not need that airplane? That's the only real question.

**Hon. Diane Finley:** The secretariat is working very hard to make sure we have the information needed—

**Mr. Pat Martin:** What's the budget, though, Minister?

**Hon. Diane Finley:** —to complete the seven-point plan and make the proper decision.

For those staffing issues, I'll defer to the deputy.

**Mr. Pat Martin:** Okay.

But what is the budget for the secretariat? Where do we find it in the estimates or the RPPs, and how many full-time jobs are there, Madam d'Auray?

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

Is it with regard to the National Fighter Procurement Secretariat? Or is it with regard to the defence procurement secretariat? Is that the question that's posed?

**Mr. Pat Martin:** It's the defence procurement secretariat specifically.

**Ms. Michelle d'Auray:** The defence procurement secretariat is in the process of being set up. There is no new money being required or requested for this. It is in fact a... We are working and using existing employees taken from a number of organizations, and they are essentially being consolidated in an integrated secretariat. We're in the process of pulling that together right now and it will be operational in a couple of months, but essentially there is no new money being requested or required for this. We are using existing resources to do this.

[Translation]

**The Chair:** Thank you.

Mr. Martin, your time is up.

Mr. Trottier, you have five minutes.

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

[English]

Thank you, Minister, for coming in today.

I want to focus on some questions on the defence procurement strategy that you mentioned in your remarks. It's a big industry in Canada. A lot of Canadians don't realize that once they get away from places like Halifax, Montreal, or Vancouver, but it's actually important in the greater Toronto area and also in my riding of Etobicoke—Lakeshore.

There's a remark from a stakeholder, Tim Page, who is the president of the Canadian Association of Defence and Security Industries. He mentioned, talking about the defence procurement strategy, that these measures, once in operational effect, will result in equipment that meets the operational requirements of the armed

forces in a more timely manner, stronger economic returns for Canada, and enhanced Canadian sovereignty and national security.

I know that you're trying to balance two things in Public Works. Obviously, number one is to get the equipment that Canada and the men and women in uniform need, but you're also trying to manage the expectations of taxpayers. Can you talk about the defence procurement strategy and how this new strategy actually achieves that, and how this gives us better certainty when it comes to estimates and appropriations?

● (0905)

**Hon. Diane Finley:** That's an excellent question.

It's one of the things of which I'm very proud and which our department has been doing in conjunction with the Minister of National Defence and the Minister of Industry.

We've had some challenges with defence procurement in the past. These are big-ticket items. They're very complicated procurements because of the technical specifications. As well, there are always very few people who can provide these services.

What we want to do is make sure that we're getting the equipment our men and women in uniform need, but that we also do it in a way that is timely, efficient, and cost-effective for taxpayers, so we're changing the process. We're going back, and on major procurements, we're going to engage with industry early on.

Before the RFP is even released, we're going to check and see what solutions are out there, what the existing solutions are, so that if something exists, we can say, "Fine, that's something we can go after, and that's something we can specify in the RFP." This would avoid dreaming up something that doesn't exist and losing a lot of time in an RFP where the suppliers say, "Sorry, we can't do that." Then we've wasted time. If we engage industry earlier, we can put together a much better RFP because we'll know what's out there and who can deliver what. We'll get a sense of the price ranges, the delivery times, and the availability. That's going to make a better RFP. That will speed up the process considerably.

For major acquisitions, we're also adding something called a value proposition. In the past, on big procurements, we've required the suppliers to submit what they call IRBs, industrial and regional benefits, but those were never truly evaluated as to how good they would be for Canada. Simply, if somebody provided IRBs they got a pass or a fail, but the contract was based on technical compliance and also the price. That was all, so somebody who was offering a much greater benefit to Canada than another company was didn't get an advantage in the bid evaluation.

We're going to change that. We're adding a value proposition, and it will be rated and weighted in the evaluation of the bid response, up to probably around the 10% range. That means companies will have to invest in Canada through intellectual property transfer, through development of infrastructure, training of skills, a lot of different things that are going to provide a lot more benefit to Canada and to Canadians, and that will be heavily considered when we evaluate the proposals.

**Mr. Bernard Trottier:** Thank you, Minister.

Could you give some examples of which procurements would use the new approach and which ones would not?

**Hon. Diane Finley:** Basically, we're looking at defence procurements over \$100 million. For those it will be mandated that there will be value propositions included in the evaluation. For anything between \$20 million and \$100 million, we're going to take a look at it and see if a value proposition would be appropriate. In some cases it may. In some cases it may not. For under \$20 million, we won't necessarily be adding a value proposition, but we will be looking at those bids through the lens of a new and revised Canadian content policy.

**Mr. Bernard Trottier:** I mentioned the size of the defence industry in Canada. Could you talk about some of those benefits and what it means tangibly when it comes to job creation in Canada?

**Hon. Diane Finley:** One of the objectives here is to help support our Canadian industry. We have a lot of companies in this country that have very specialized technologies and skills and have the potential for huge exports. In fact, 50% of the defence and security work in Canada is exported. We want to support those companies, help them grow, and also help them develop the imprimatur, if you like, for exporting. If they've done business with the Government of Canada, that helps them export to other countries, and that's a good thing, because that's creating jobs and economic growth here while bringing in foreign investment dollars.

[Translation]

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

**Mr. Raymond Côté (Beauport—Limoilou, NDP):** Thank you, Mr. Chair. I would also like to thank the minister for finding the time to appear before us.

I am very pleased to be here today. I am also happy to see that a second federal building is being built in the Estimaerville sector, in Beauport—Limoilou. Public servants will be relocated there, which will visibly improve things.

Minister, I listened carefully to your speech. I will focus on Shared Services Canada, a completely new initiative that requires a lot of brainstorming. It is not easy to achieve the goals that have been set.

One of the questions I have about the main estimates has to do with the redeployment mentioned in the 2014-15 Report on Plans and Priorities. This report tells us that Shared Services Canada anticipates that its full-time equivalents will decrease from 6,400 to 6,100 between 2014-2015 and 2015-2016. This drop will primarily affect the distributed computing services sub-program, which will experience a drop from 460 to 160 full-time equivalents.

What is the justification behind this significant drop? Are we talking about a program with a set term or a transfer to subcontractors?

• (0910)

**Ms. Liseanne Forand (President, Shared Services Canada):** Thank you for your question.

This change has to do only with implementing the new email system. As the minister pointed out in her speech, we are consolidating the 63 existing email systems into one. This project will end in a year, at the end of March 2015. That explains the

difference in the numbers. The people in those positions will be transferred to other positions once the project ends.

**Mr. Raymond Côté:** Okay.

What is the status of the work related to the email services transformation initiative?

**Ms. Liseanne Forand:** The transformation of the email system started at the same time as Shared Services Canada. A year ago, in June 2013, the government signed a contract with Bell and CGI, in partnership with Microsoft. Ever since, we have been working with them on implementing the project. We are conducting trials at the moment. We are expecting to implement the system gradually across the federal service in waves, so to speak.

Shared Services Canada will be the first wave. We always want to test new products ourselves first to know whether they work. In this way, we make sure to deliver a good product to the other departments and partners. Then there will be three waves in the various departments. The 43 departments will migrate to the new email system by March 31. We are at the end of the trial and testing period and we expect to start implementing the system in May this year.

**Mr. Raymond Côté:** There is another aspect that intrigues me, and that is linguistic management and services. We see an increase in the actual expenditures from 2011-2012 to 2012-2013, but in the main estimates we see a drop of approximately 15%, down to a total of \$68 million.

What will the impact of this reduction be? Are the amounts being transferred somewhere else to support linguistic management programs? Are services being cut?

I am looking at page 2 of the Library of Parliament briefing notes.

**Hon. Diane Finley:** For us, interpretation services are very important. Our government believes in the importance of bilingualism. In terms of translation, all the departments can use the services of Public Works and Government Services or buy those services elsewhere, from the private sector in particular. There is a drop in this area because there is a drop in demand. People are also going to the private sector for those services. In addition, internal services have improved efficiency by using technology. That is why the total amount has been reduced.

• (0915)

**Mr. Raymond Côté:** Should we be concerned?

I am sorry, Mr. Chair.

**The Chair:** Thank you, but I will now give the floor to Mr. Aspin.

[English]

**Mr. Jay Aspin (Nipissing—Timiskaming, CPC):** Minister, thank you for taking time out from your busy schedule to be with us today.

I couldn't help but notice that you did not make reference to the national shipbuilding procurement strategy, or NSPS. In his recent report, this is what our Auditor General had to say about the NSPS, in three notable quotes.

First:

We concluded that...[the] NSPS...should help sustain Canadian shipbuilding capacity and capability. In addition, the NSPS should help the government to procure federal ships in a timely, affordable manner, consistent with the build-in-Canada shipbuilding policy.

Second:

We also concluded that National Defence and PWGSC—in consultation with the Treasury Board of Canada Secretariat—are, to date, managing the acquisition of military ships in a timely and affordable manner...

Third:

We found that PWGSC implemented adequate controls, including an effective governance structure, over the selection of the shipyards...We would encourage PWGSC to consider using this approach in other future major capital acquisitions.

This is what the Premier of B.C., Christy Clark, said this means:

Thousands of high-paid jobs, people who are going to be able to support their kids.... I think it's so important because it's not just one generation. It's going to be multiple generations that are going to benefit from this.

Even our beloved colleagues in the NDP are quoted as saying something about it. I quote former deputy speaker and former MP Denise Savoie, who said that she couldn't have better news for her region in terms of good jobs, especially at this time in the economy.

Peter Stoffer said:

...the significant economic benefits of building ships in Canada, including the creation of approximately 15,000 jobs and economic spinoff benefits of \$2 billion a year.

Mr. Chair, through you, I would like to ask the minister if she could possibly comment on why the government's national shipbuilding procurement strategy is good news for the shipbuilding industry and also good news for the Canadian economy.

**Hon. Diane Finley:** For sure it is good news. As you'll recall, we launched our Canada First defence strategy a few years ago. That included a commitment to make sure our men and women in uniform got a much-needed investment in equipment to support them as they defend our values both at home and abroad.

Over the last number of years before we formed government, the military had been starved of equipment. If you'll recall, they even showed up in Afghanistan in the wrong uniforms. If you extend that to the big equipment, the story was even worse. We made a huge commitment to invest in this, and that included the ships, which very much needed replacing.

By this point, of course, having not spent money on big ships, we didn't have a big shipbuilding industry in Canada anymore, so it was time to rebuild it. When we did, it was very cyclical. It was boom or it was bust. The way we've set up the national shipbuilding procurement strategy is that we've planned it out. We've split the work so there will be steady work for many years to come.

On both coasts, where the biggest contracts have been awarded—Irving on the east coast and Seaspan on the west—they're going to have steady work for many, many years. This will create a lot of jobs, high-paying jobs, skilled jobs. That's good for the Canadian economy. It will help our sovereignty, because we'll have control over our own technology and equipment. Our men and women in uniform will have the equipment they need, and it will last a long time.

As you pointed out, the outside estimates have been for 15,000 jobs and \$2 billion a year—again, a year—in economic activity.

That's really good news for Canadians and for jobs. It's not just the jobs that are created at the shipbuilding yards; both companies are recruiting suppliers right across this country, in towns large and small, in companies large and small, to provide the various components for the ships. That's a pretty broad range of outsourcing they'll need to do. Every region of Canada will benefit from this. It's a huge economic stimulus, but it's something that will give us long-lasting value.

● (0920)

[Translation]

**The Chair:** Thank you, but your time is up.

Mr. Byrne, you have five minutes.

[English]

**Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.):** Madam Minister, you mentioned that the defence procurement secretariat is in process. It's being enabled now, I assume. There's also the National Fighter Procurement Secretariat that's in existence.

Do you anticipate that the two will be folded into each other once the defence procurement secretariat is established?

**Hon. Diane Finley:** Our longer-range plan, once we get the defence procurement secretariat set up, is to fold that in, along with the shipbuilding secretariat. This will provide us with greater synergy. We're going to have people working together. They can share best practices, because we're applying the same principles as we used in the shipbuilding procurement strategy to the acquisition of fighter jets and to all of the defence procurement.

Going forward, the new defence procurement strategy will apply, so these people will be able to work together. We'll get efficiencies and we'll get synergy from the experiences they've had.

**Hon. Gerry Byrne:** Madam Minister, are you confident that the CF-18s will be replaced in a timely manner? Their life cycle is now relatively soon to expire; I think 2020 is realistically an outside date, even with upgrades.

Can we have F-35s or something else by 2020 if you're not going to procure until at least 2015?

**Hon. Diane Finley:** We want to make sure that this time when we go forward that we're going to get it right. As you know, it has been many, many, many years that...for failure to deliver as originally expected. We're going to make the decisions as quickly as we possibly can, but we want to make sure that we take the time to make the right decision. That's why we're working through our seven-point plan, to get all of the facts before we make the decision. Then we expect delivery within two years of placing of the procurement.

**Hon. Gerry Byrne:** Could getting it right include a potential capability gap of having no air coverage for a period of time?



**Hon. Diane Finley:** No. We're working very closely with the Department of National Defence to make sure that the men and women in uniform do have the equipment they need until the new equipment comes in. That's our whole goal: to make sure that they get that. But we're also responsible to taxpayers and the way we spend their money. If we don't get it right, then we could see a repeat of the last 10 years. We don't want that to happen. That's why we've engaged third party experts to review the qualifications, the risk assessments, to make sure that we are getting all of the information necessary for a good decision.

**Hon. Gerry Byrne:** You're right, Minister. Having the holdups like those we've had with the light armoured vehicles, the trucks, the helicopters, and just about every military procurement within the last 10 years is not acceptable. I would encourage you to try to correct that at some point in time. It has not gone well for the military.

Perhaps you could enlighten us. You said that defence procurement has fundamentally changed now that it's moved into Public Works. What was so wrong with defence procurement prior to your ministry taking it over?

**Hon. Diane Finley:** One of the fundamental things—and I'm going back much more than 10 years here—is that things weren't getting delivered. Orders were being placed for equipment that was ideal but that didn't exist. That was one of the biggest holdups; there was no clear understanding of what products were actually deliverable and what were hoped for that technologically hadn't been developed yet. If a thing hasn't been developed, it can't be built and it can't be delivered.

This is why right now we're doing the early engagement with industry before we issue an RFP, because we want to understand what exists and what is still to be developed, because that really affects how quickly we can get the equipment.

• (0925)

**Hon. Gerry Byrne:** Would you include the F-35 in that category? I was a member of the public accounts committee when officials from this Conservative government sat at the table and vehemently defended a fighter jet that did not exist and that was increasing in cost and that seemed to be increasingly unsupportable. Would you categorize the F-35 in that very same way, as being intended equipment that was non-existent?

**Hon. Diane Finley:** When the order for the F-35 was placed, prior to our government if you'll recall, it was a very developmental airplane. That was the plain and simple fact. Whether people understood—

**Hon. Gerry Byrne:** It's just that a contract was placed.

**Hon. Diane Finley:** —how much development work was required, I don't know. I would hope they didn't know, because if they did and they made the decision based on that, then it was, let's just say, more than optimistic to expect they could get a developmental airplane produced within the short timeframe that was required in the contract.

What we have to do is to go back and reset it. Let's get all the facts. Let's find out and apply the same principles that we did on the shipbuilding strategy—

**Hon. Gerry Byrne:** I want to focus in, Minister, if I can. I have a limited amount of time.

**The Chair:** I see, Mr. Byrne—

**Hon. Gerry Byrne:** The F-35 seems to be exactly in that same mode. You say that it does not exist. That it's just terrible to place an order on a project that doesn't exist—

**Hon. Diane Finley:** I did not say that.

**Hon. Gerry Byrne:** —yet we have this gap that needs to be filled by 2020. There seems to be a disconnect here.

**Hon. Diane Finley:** That's not what I said.

[*Translation*]

**The Chair:** I am going to have to cut you off and give the floor to Mr. Adler for five minutes.

[*English*]

**Mr. Mark Adler (York Centre, CPC):** Thank you, Minister, and all your officials, for being here today. I commend you for all the hard work that you've been doing. The Canadian people will be very grateful when all this is said and done.

I do want to focus on some of the comments you made on the build in Canada innovation program. In particular, I want to quote something you said, "We're pleased to have received excellent feedback from entrepreneurs, who now have greater opportunities to sell and export their innovative products while creating jobs for Canadian workers."

Could you please share with the committee what the goals and objectives are of the build in Canada innovation program and perhaps elaborate on some of the benefits of this program?

**Hon. Diane Finley:** The build in Canada innovation program is run through our office of small and medium enterprises. It's not a subsidy program; it's an opportunity for Canadian companies to trial their products through a buy-and-sell arrangement with government departments, which will then put the products through their paces, see if they're relevant, see how they can be improved, and give that feedback to the companies so that they can take their products from the demonstration stage to a marketable stage. It helps our departments find out what's available out there and what can help them be more efficient and more effective. It helps the Canadian companies, because they get live testing of their products in a real-world situation.

That's good for them to improve their products, but it also gives them the advantage when it comes to doing export business. If they are trying to sell to a foreign government, it's a whole lot easier if they can say that they've already sold to the Canadian government. We've seen a number of companies that have applied to this being hugely successful with it. There have been several quotes. We launched the fourth round of calls for proposals in November; it closed in January. We're going through them now.

This time we have additional funding for the program. We've made it permanent. Previously it was sort of a pilot. I know the word "pilot" is an official term in government. It was a trial program, shall we say. We've now made it permanent. We've added extra funding to it and specifically a military component, because our military is the biggest spender of Canadian dollars in terms of tangibles. They have such a wide range of needs. The focus is going to be on products that protect the soldier. If you recall from the Jenkins report, this is one of the key industrial capabilities that Canada has. It gives us a competitive advantage around the world. We want to build on that strength. That's why we partner with Canadian companies to further increase their skills, their product line, their quality, and their ability to export, because exports from Canada create jobs here in Canada, and that's good for everyone.

**Mr. Mark Adler:** You talked about the military. Are there any specific target areas for innovation other than the military?

**Hon. Diane Finley:** We're also looking at health care and other areas where the products could be of use to the departments such as Environment. I saw one product that is dramatically improving the ability to assess an oil spill on land, for example. It's really fascinating technology that exists only in Canada. It's getting a leg up because of the work it's doing in partnership with Environment Canada.

• (0930)

**Mr. Mark Adler:** Thank you.

[Translation]

**The Chair:** I will now give the floor to Mr. Martin for five minutes.

[English]

**Mr. Pat Martin:** Minister, I'm still not quite clear about your answer on this newspaper article regarding the most recent delay. Could you please be a little more clear in your remarks? All through your remarks you've been talking about your responsibility to the taxpayer, etc. Well, we have an obligation to the taxpayer to tell them whether or not we are buying these planes and how much they will cost. They should know that before the next federal election and not afterwards.

As it stands, Canadians are being asked to buy the world's most expensive pig in a poke, sight unseen, with no competition, for an airplane that's not even certified yet. It's more political than operational on the face of it.

**Hon. Diane Finley:** When it comes down to the facts, we want to make sure we do not have a pig in a poke. We want to make sure we are being responsible with taxpayers' money. To do that, we have to make a responsible decision. The only way to make a responsible decision is to gather all of the facts. No decision has yet been made. I repeat, no decision has yet been made.

**Mr. Pat Martin:** Minister, you have staff in Washington right now working with the American military, Canadian Armed Forces personnel. You have contracts being awarded in Winnipeg and elsewhere to build components for these aircraft. We have to be forthright with Canadians. Are we buying these things or not, and if so, how much are they going to cost? Nobody has explained to me yet why we need a stealth fighter, period. I don't even know if we're clear on the operational....

Stealth fighters are designed to swoop in on unsuspecting people and bomb them under the radar. Canada is not really in the business of bombing people in their sleep. Are we being honest with Canadians? Why do we need stealth fighters? Could we not get a cheaper version of an airplane that would do the same thing but without the stealth capability?

Those are questions that remain to be answered, and you're now the Minister—I don't envy you—that has to answer these things.

**Hon. Diane Finley:** My department is responsible for the lead on the procurement, but it is not my department that decides what kind of equipment our military needs. We know it's not a crop duster. It has to be bigger and better than that, but we do not have within our department the technical expertise to determine what the military should be using. We wouldn't be so presumptuous.

We rely on the military to provide us with what its mission requirements are, what it needs to get the job done.

**Mr. Pat Martin:** How long does that really take? We have ex-armed forces personnel on this committee. Does it really take a decade to describe what kind of aircraft we need? Again, that's out of your portfolio, so I won't dwell on that.

With respect to the buy Canadian policy, can you tell me if there have been any changes to the preferential treatment for Canadian companies since this terrible example with the troop carriers?

Let me just tell you what happened that disadvantaged both Quebec and Winnipeg. We make the best buses in the world in Quebec and in Winnipeg. When the Canadian Armed Forces needed all new troop carrier buses, it put out the tender and awarded it to Mercedes-Benz in Germany, because it was the low bidder, and the difference was \$5,000 on a \$500,000 bus. We weren't allowed to buy Canadian because there weren't three bidders; there were only two, Quebec and Winnipeg.

Is that changing? Are you now allowed to buy Canadian regardless of how many bids you get?

**Hon. Diane Finley:** That's a very good example of why we've changed the policy. Instead of having three bidders, now only two are required.

**Mr. Pat Martin:** Really?

**Hon. Diane Finley:** There's also the aspect of the value proposition: what response to an RFP is going to provide the best value to Canada? It's not just the price. It's not just the price combined with the technical qualifications, but what jobs would be created. Those would be looked at, but not just in their totality. What's the distribution of them? Are they good quality jobs? Will there be information technology transfer included in it? Will there be long-term benefit? Will there be immediate benefit?

All those factors will be used to evaluate the value proposition, which as I said, could be as much as 10% of the evaluation of the bid. That could be enough to win or lose the procurement.

• (0935)

**Mr. Pat Martin:** I think we can all agree that, to the greatest extent possible, we want to buy Canadian. It seems Canada is the boy scout here. We always put everything out to worldwide tender, and I don't think we're selfish enough, frankly, in keeping that work in-house in our own country. The helicopters are another example, recently.

**Hon. Diane Finley:** That's a good argument for the national shipbuilding strategy.

[*Translation*]

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

I will now give the floor to Mr. Sweet for five minutes.

[*English*]

**Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC):** It's an honour to participate in the committee, and it's great to be here to hear about the good work that you're doing, Minister.

Minister, I have a somewhat lengthy preamble, but I'll get to the question.

In your remarks you mentioned that the Public Works department continues its major pension and pay transformation initiatives, which are replacing outdated legacy systems and centralizing service delivery for pension services in Shediac, New Brunswick, and pay services in Miramichi, New Brunswick.

You mentioned that these transformation initiatives will enable the Government of Canada to save more than \$100 million annually, starting in 2016-17. You continued on talking about Public Works leveraging the new pension system to provide pension services for the RCMP starting in 2014-15 and for National Defence a year after. These initiatives will further contribute to our government's plan to increase efficiencies and streamline our operations.

In this regard, I would note that earlier this month the Prime Minister said:

Canada has earned a world-wide reputation as a leader in pension administration, financial reconciliation and the use of technology to better deliver government services....

In the case of pension administration, tens of millions of dollars in annual savings.

The other big transformational project—

Again, continuing along with what the Prime Minister said:

—the new centralized federal pay centre in Miramichi, is even more significant in terms of saving taxpayers money.

Once it is up and running and the start-up costs have been recouped, the pay centre will deliver close to \$80 million in savings each and every year.

I am also pleased to announce that the pay centre is on budget and on track to be completed by 2015, right on time.

On time and on budget.

In this regard, I would like to take this opportunity to congratulate the hard-working officials at Public Works who, through their efforts, are modernizing our pay and pension administration system and saving millions of dollars annually for taxpayers.

I'd especially like to congratulate the associate deputy minister of Public Works, Ms. Renée Jolicoeur, who on March 7 was presented

with the Public Service of Canada Outstanding Achievement Award by the Prime Minister himself at Rideau Hall. The awards were hosted by the Governor General.

Ms. Jolicoeur is a world-class innovator who has transformed outdated government pension and pay systems into cutting-edge operations that have saved taxpayers money, have provided better services to Canadians, and are envied around the world.

Minister, I was wondering if you or your officials would like to elaborate on these very positive initiatives from your department.

**Hon. Diane Finley:** Thanks very much for the question.

We are very pleased with how much has been accomplished in this regard. This is part of our overall approach. Let's consolidate. Let's bring some of these systems into the 21st century so that we can provide timely services responsibly, accurately, and cost-effectively, not just to Canadian citizens but also to other government departments.

In terms of the actual operations, I'll turn to Madam d'Auray, who is overseeing Madam Jolicoeur in this process. They're the ones who really deserve the credit for it.

**Ms. Michelle d'Auray:** Thank you, Minister.

Thank you, Mr. Chair.

The pay administration initiative that you've mentioned, for example, is changing a 40-year-old and largely in-house built pay system and information management system to a commercial off-the-shelf system. It has allowed us to also consolidate the pay services from 57 organizations across the government into one location in Miramichi, which allows us to create 558 jobs in that region. It allows us to decrease the cost of the delivery, and increase the efficiency in the time to deliver the services. It will save, as you indicated, \$78.1 million when it is completed. This is not a small initiative, as you can imagine, but it is also one that is on track, and it is driving a fair amount of efficiencies.

On the pension system, which we modernized, that, too, was 40 years old. I don't know, but there's something about those 40-year-old systems. Again, it was modernized and the pension services were consolidated. Those were consolidated in Shediac. That was launched in January 2013. It saves time and effort. It actually allows people to access the services online, which is quite an efficient way of accessing services. We've also been able to remove almost all of the paper from the process. We image all of the documentation. It is entered automatically and is treated, again automatically, from an information-based system.

Because of the success of the transformation, we have also been able to expand the pension platform to incorporate the RCMP system and are moving to incorporate the DND pension system, both of which needed modernization. Rather than having to expend additional funds to modernize those systems separately, we've now been able to leverage the platform we have and draw additional savings and efficiencies as a result.

• (0940)

[*Translation*]

**The Chair:** Thank you, Ms. d'Auray.

Go ahead, Mr. Côté.

**Mr. Raymond Côté:** Thank you, Mr. Chair.

Ms. D'Auray, I would like to continue talking about linguistic and translation services. Ms. Forand said that the department is increasingly turning to external contracts. Despite the short-term savings that we can expect, those contracts might end up costing more in the long term.

By turning to outside players, are you not worried that you will lose the inside expertise? Are you not worried that the level of services will suffer in the long term?

**Ms. Michelle d'Auray:** The services of the Translation Bureau are provided through a healthy mix of internal resources and external resources. As a result, we are close to achieving this balance. We are using internal and external resources.

As the minister said, we have achieved unprecedented levels of efficiency. We have invested in computer systems to process orders electronically. Going from paper to computers has enabled us to save \$4 million. As a result, when you see a drop, you are also seeing a drop as a result of efficiency. We have managed to reduce our operating costs.

We have also just completed a rather innovating project, a language portal, for which we have received funding as votes. The language portal allows people across Canada and around the world to access our terminology and our documentation, which was not possible before.

This new electronic access supports the development of the private sector. We are always mindful of how our activities affect the private sector with which we work closely. We must also follow up on the requests of various government departments.

Finally, as you know, the Translation Bureau works on a cost recovery basis. It is an optional, not a mandatory, service. As the minister said, departments can also directly use the services of the private sector. They are not required to exclusively use the services of the Translation Bureau.

**Mr. Raymond Côté:** Thank you very much.

How much time do I have, Mr. Chair?

**The Chair:** You have only two minutes.

**Mr. Raymond Côté:** We are now going to look at defence procurement.

On the Public Works Canada site, we can see that the new Defence Acquisitions Guide will be published in June 2014. I hope this deadline can be met.

To follow up on my colleague Mr. Martin's remarks, when we talk about defence procurement, we are referring to the big picture, to Canada's preferred role and place in the world. That has to do with our policies, both in terms of foreign affairs and the operational requirements established by National Defence. After that, Public Works takes the baton.

The example of the acquisition of a new fighter jet speaks volumes about this issue. It seems that the project gets delayed and we will not see the end of it or, actually, that we will be dealing with

never-ending processes to guarantee the response capacity of our Canadian Forces.

How can you reassure us that we are not going to end up in a materiel procurement system that takes longer and longer?

• (0945)

**Hon. Diane Finley:** One of the reasons for launching the defence procurement strategy is that we wanted to reduce the time required for making major acquisitions such as ships and fighter jets. As you said, it is very important that Canada acquire that equipment.

However, we are not the ones determining what National Defence will need. In June, the Department of National Defence will publish its first version of its acquisitions guide. I look forward to seeing this guide that should give the industry an idea of the needs of our armed forces for the next five to 20 years.

The industry will then be able to determine which products require research and development. That will be very important for the industry and the armed forces.

**The Chair:** Thank you. Could I ask you to please wrap up?

**Hon. Diane Finley:** That is why a guide will be provided to help in the decision-making.

**The Chair:** Minister, thank you for being here and for your time this morning.

I am going to suspend the meeting for a few minutes to give you time to leave.

Other officials from the department will join us to answer more questions. I will therefore suspend the meeting for a few minutes, thanking you once again for being here today.

• (0945)

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

• (0950)

**The Chair:** We'll reconvene the meeting.

We have new witnesses here with us: Mr. Long, Ms. Saurette and Mr. Sobrino. We will continue with our questions.

Ms. Ablonczy, go ahead for five minutes.

[English]

**Hon. Diane Ablonczy (Calgary—Nose Hill, CPC):** I'm interested in the IT system that is being transformed—that's a nice word. Every department, I understand, used to have their own e-mail IT system, and now you're consolidating them, which must be a massive undertaking. I'm just interested in your vision, in your process for that and how that's coming along.

**Ms. Liseanne Forand:** Mr. Chair, thank you for the question.

Yes, indeed, Shared Services Canada was created in August 2011 to fundamentally change the way IT infrastructure is managed and delivered in the Government of Canada. I'll specify IT infrastructure because it's not everything IT in government. It really is those parts of IT that can be delivered in a common way as a common platform to all departments, so exactly things like e-mail systems.

When departments created their own e-mail systems in the mid-1990s, the technology wasn't robust enough to deliver an e-mail system for 377,000 people, so each department built their own e-mail systems. With that, they used different technologies. They used different platforms. They created firewalls, of course, around their e-mail systems. Over time that created a complexity and a lack of efficiency that technology, in fact, gave us the ability to overcome. One key part of this was to give all departments the same e-mail system and bring them all within the same network that way.

Similarly, the networking—wide area networks that link up whole organizations, local area networks that link up a single workplace, all of those things—was also built individually by departments. Each department would have its wide area network and its own local area networks in all of its locations. For example, you would have something like an office building at 4900 Yonge Street in Toronto where you might have five or six departments. You would have five or six wide area networks entering the building from each of the departments, and each of them inside would have created their own local area networks. Over time all of this became what looked to me like spaghetti, a real mix of wiring, which is expensive. It's inefficient. It slows down the performance. It's bad for service. What we are doing is looking at all of that networking. We're going to create a single integrated voice data and video network for the Government of Canada on a much more rational basis.

The third component of IT infrastructure transformation is data centres. When you work on an application of any kind, that application relies on data that has to be stored somewhere. Departments have set up their own data centres. Some of them are quite large; some of them are just sort of a room in an office building where they've created a raised floor and put in servers. All of this had become very diverse with different kinds of technology being used, different kinds of products. There were 485 different places across the country where departments were storing data. We are going to reduce that to a consolidated footprint of seven purpose-built data centres, some of which are already built, others of which will be secured from the private sector. You can imagine how that is going to cut down on costs, not only because we're going from 600,000 square feet to about 235,000 square feet. For this, again, technology has increased the capacity to have highly dense data centres. Also, if you go back to the question of networking and data transmission costs, when you have data located in 485 places, just moving it around is going to cost money as opposed to having it located in highly consolidated places.

That's the overall vision. That's the plan at the end of the day. We will have a single, secure, integrated network linking up seven highly dense, modern, reliable, and secure data centres across the Government of Canada.

• (0955)

**Hon. Diane Ablonczy:** What's the ETA for that?

**Ms. Liseanne Forand:** The entire transformation is aiming to be completed by 2019-20, but we will be making incremental progress as we go. The e-mail system, for example, will be fully implemented by the end of March 2015. We have opened a first enterprise data centre here in the Gatineau region, which is a development and test data centre. We will be opening two other enterprise data centres later this year in southwestern Ontario. That will enable us to start moving workloads, as we call them, from the old data centres into the new data centres. For example, we closed 10 of the 485 data centres this year, and we anticipate closing another 40 or 50 in 2014-15. It's incremental. It's not a big bang thing.

As you probably know, Mr. Chair, IT projects are considered to be risky from a management point of view. One of the ways of addressing that risk is to reduce it to sizable, smaller, chunky projects. That's how we're going forward with this. We're doing it in small, bite-sized pieces as we go, with a view to completing the whole transformation by 2020.

[Translation]

**The Chair:** Thank you for your answers.

Mr. Byrne now has the floor for five minutes.

[English]

**Hon. Gerry Byrne:** Madam d'Auray, I want to follow up on some of the minister's comments on the integrity provisions of procurement and government activity in procurement.

Foreign military sales are specifically exempt from the integrity provisions, as is the Koblenz office of Public Works and Government Services Canada.

That's a pretty glaring omission. Is there a reason for that?

**Ms. Michelle d'Auray:** Mr. Chair, with regard to foreign military sales, because it is a direct government-to-government procurement, in fact we rely on the selling government for the purchase...and their review of their materiel.

With regard to the Koblenz office, that was an oversight on our part. In fact it has now been covered by the integrity framework.

**Hon. Gerry Byrne:** When you say it was an oversight, the omission of the Koblenz office, it was really blatantly spelled out in the new document that was tabled on February 1, 2014. How do you say it was an oversight?

**Ms. Michelle d'Auray:** The new integrity provisions were actually implemented on March 1.

**Hon. Gerry Byrne:** Sorry, yes, it was March 1, not February 1.

**Ms. Michelle d'Auray:** It was included in that. Prior to that, it had not been. When we were looking at the acquisition and the processes that were supported through the Koblenz office, most of them were in fact through direct government acquisitions. We have now extended the coverage to include the Koblenz office.

**Hon. Gerry Byrne:** There are exemptions that are available under the policy, which quite frankly creates some pretty significant loopholes. Those authorized opt-outs can be signed off at, I think, the assistant deputy minister level. Is my interpretation correct?

**Ms. Michelle d'Auray:** I believe you are referring to the public interest exception. The only exceptions really that apply are when it is necessary to enter into a business with a supplier where no other supplier is available, or there is an emergency, there are national security issues, health and safety, or there would be economic harm. The exceptions are fairly well limited and defined. At that point, we are also, if we have to exercise the exception....

To your question, yes, it is at the assistant deputy minister level, but it is done with a governance committee, and the exceptions are rigorously assessed and applied. Then we also exercise some fairly stringent control in administrative measures. We essentially raise the level of delegation for approvals of invoices, and we extend a fairly robust monitoring process, as well as audit provisions.

•(1000)

**Hon. Gerry Byrne:** Thanks very much for that.

For reasons of national security, Canada may have to engage in business practices with an organization or a company that has a criminal past. Will there be some transparency to this? Will you publish on an annual basis, in a very clear and concise format, which is not difficult to find, instances where the exemption has been offered?

**Ms. Michelle d'Auray:** Mr. Chair, I think the number of instances where that applies would be fairly limited; they have in fact been fairly limited.

The contracts change and the approaches change. Also, we assess companies on a contract-by-contract basis and their situations do change and evolve. As I indicated, we've also changed the provisions which started on March 1. We are also aware that when we do a contract-by-contract assessment, the situations around those assessments do change.

The publication of a list is something which we are also aware would create situations. In a particular circumstance, a company may find itself in a situation but then might also change.

**Hon. Gerry Byrne:** I'm not following that, Deputy Minister. Could you elaborate on that?

**Ms. Michelle d'Auray:** As we do contract-by-contract assessments, the circumstances around a particular company can change.

**Hon. Gerry Byrne:** They can have their criminal records expunged.

**Ms. Michelle d'Auray:** In some instances, it is possible for that to happen, or—

**Hon. Gerry Byrne:** With only a brief period of time....

Will you be able to publish those lists, Deputy Minister?

I apologize, but I'm going to be cut off by the chair.

**Ms. Michelle d'Auray:** Mr. Chair, when we are asked to provide we can provide, but we do not maintain lists. It is not in our practice to maintain lists. We assess the contracts on a contract-by-contract basis.

**Hon. Gerry Byrne:** You do not publish the exemptions.

[Translation]

**The Chair:** Thank you, Mr. Byrne. I am sorry, but I must cut you off.

I will now give the floor to Mr. O'Connor for five minutes.

[English]

**Hon. Gordon O'Connor (Carleton—Mississippi Mills, CPC):** Madam d'Auray, I think my question is for you.

I've had a number of complaints about the contracting process, and I'd like you to explain to me how the process works with prime contractors and subcontractors.

**Ms. Michelle d'Auray:** Mr. Chair, when we contract, we establish our contract provisions with a prime contractor. Since our relationship is with the prime contractor, we do not have a contractual relationship with a subcontractor. However, we do bind the prime contractor to its subcontractors. We hold the prime contractor accountable. The prime contractor is accountable to us, but we do not hold the subcontractors accountable to us.

My colleague Mr. Sobrino might want to elaborate. Or is there a specific circumstance, Mr. Chair?

**Hon. Gordon O'Connor:** The complaints I have from a number of people are the subs.

When you went from the old system where you had MERX.... Do you still have something like MERX? I don't know.

**Ms. Michelle d'Auray:** Our acquisition system is now called Buyandsell. It is open. It is on an open source non-proprietary platform. There are no requirements now for people to pay to download the information. It is publicly available. Contracts, RFPs, are open for any company to assess and bid on.

**Hon. Gordon O'Connor:** I assume that this system was adopted to reduce the number of contracts. In the past, I believe you had subcontracts. You had every kind of contract, and you have fewer contracts now.

If you don't win a contract as a prime, then as a sub, you have to wait for a prime to pick you, if they pick you at all. There have to be a lot of losers in this game. There have to be a lot of small companies that have lost out in this game.

Are the savings worth it? How much money has been saved going to this system where you only have primes?

•(1005)

**Ms. Michelle d'Auray:** I believe you are referring to the fact that potential suppliers can no longer see who has won a contract in the past.

I will ask Mr. Sobrino to give you a bit of background on that.

**Mr. Pablo Sobrino (Associate Assistant Deputy Minister, Acquisitions Branch, Department of Public Works and Government Services):** Buyandsell.gc.ca is where you access all tender information. Under the old system, which was administered by a third party, Mediagrif, and which is called MERX, in that system when you downloaded a tender document, you were identified and anybody could see that you had downloaded it. Subs would reach out to those primes to see if they could get subcontracts. This is particularly of interest in the construction field, for instance, where electrical companies, etc., would like to do the electrical work on a major contract.

The principles of open data and privacy, which is what we're having via Buyandsell.gc.ca, is that you're allowed to download whatever information you'd like from the government and not be identified as someone downloading that information. Buyandsell.gc.ca has that provision now. We are putting measures in place whereby if a company would like others to see them, they can positively ask for that to happen; a prime could ask that their name be publicized for downloading. We're putting in that functionality.

As well, a number of the associations, the Canadian Construction Association, for example, are looking at also providing their own service where they can identify who's bidding on major contracts. There are workarounds, but the principle here is open data. The government's open data policy is really that you have the discretion to download information without being identified, so that is one of the trade-offs we have.

**Hon. Gordon O'Connor:** One good thing I've just heard from you is that if you download you can ask to be identified so that people know you're out there and interested. That at least helps some of the subs to get the word out that they're around.

**Mr. Pablo Sobrino:** That's correct and that's a capability we're putting in place. It's not in place yet, but we are building that now. *[Translation]*

**The Chair:** Thank you, Mr. O'Connor.

Mr. Martin now has the floor. You have five minutes. *[English]*

**Mr. Pat Martin:** I'd like to use my time to follow up on what Mr. Byrne was talking about. I'm still not clear about just what kind of screening does take place and will take place to ensure that contractors working for the federal government are not only not convicted criminals but that they live up to a fairly high corporate social responsibility and reputation.

What about the existing contracts? I know SNC-Lavalin, their real property division, has a huge operations and maintenance contract, and I believe that contract is for \$1 billion or more. They've been convicted even recently for shenanigans and monkey business offshore at least. Do existing contractors get screened after the fact in an example like that?

**Ms. Michelle d'Auray:** Mr. Chair, there are two aspects. One of them is do we apply this rigorously to any new contract, and do we do an assessment on a contract-by-contract basis? We do.

The list of offences covered in fact was expanded as of March 1 of this year. One of the elements that we have added is a specific.... If you are unable to contract with us, the debarment period is now 6 to 10 years. One of the factors we found is that sometimes when companies bought each other out and one of the assets that they were acquiring would have had a prior conviction, but the company had actually changed all of its processes, it was no longer able to compete for contracts. We put in a limit of 10 years and then after those 10 years, there are still some measures that have to be put in place for us to be able to open the doors for contracting purposes. That said—

**Mr. Pat Martin:** I do understand that.

**Ms. Michelle d'Auray:** —with regard to a number of large contracts that we currently have, including, for example, the building

maintenance contracts that we have with SNC-Lavalin, the company has voluntarily added to its existing contracts with us the terms of the integrity provisions that we have.

We have been working with a number of companies with which we have significant contracts or that span a long term to see if they would voluntarily adopt the integrity provisions. They're not compelled to do so, because obviously the contracts were signed before the integrity provisions were put in place in some instances. For any new contracts that we have with the company or any other company, as I mentioned earlier, we do the systematic review and check on a contract-by-contract basis.

● (1010)

**Mr. Pat Martin:** Thank you.

I did have a question about surplus lands and the Canada Lands Company. Can you shed any light? One of the things our analysts pointed out in their research was that the Old Port of Montréal Corporation was cut by \$24.5 million in the main estimates, and it was amalgamated with Canada Lands Company, but where did the money go?

Is it a sale of the property? When something goes to Canada Lands Company, it's because it's surplus and it's meant to be sold off. Is that correct?

**Ms. Michelle d'Auray:** In this particular instance, Mr. Chair, the Old Port of Montréal and Downsview Park were both amalgamated, not sold but amalgamated. They were integrated with the Canada Lands Company. One of the commitments made with this amalgamation was to achieve a certain degree of efficiency in terms of the appropriations that were required to support those organizations. Canada Lands is continuing to support the operations of the Old Port of Montréal but through its own holdings, through the holding company, so that the appropriations are no longer required to support the activities of the Old Port of Montréal.

The infrastructure, the services, and the activities of the Old Port of Montréal continue under the holding company, Canada Lands Company, and the activities are funded by Canada Lands.

*[Translation]*

**The Chair:** Thank you for your answers.

*[English]*

**Mr. Pat Martin:** That's interesting. Thank you.

*[Translation]*

**The Chair:** To wrap up, I will give the floor to Mr. Trottier. You have five minutes.

*[English]*

**Mr. Bernard Trottier:** I want to follow up on my colleague's questions around small and medium-sized businesses and their ability to conduct business with the Government of Canada.

Obviously, the government is a major purchaser of goods and services. I'm looking at the report on plans and priorities which states that the government remains committed to giving small and medium-sized enterprises access to compete for government business.

You have a quantitative performance objective, which is good. That's one of the things I like about the report on plans and priorities. It's not just the cost but also the performance that goes along with the cost. There is an expected result in the RPP that says that the percentage of volume of non-military procurement contracts awarded to SMEs is targeted to be 70% by the end of March 2015. Can you share whether Public Works and Government Services Canada is on track to achieve that target of 70%? Is that 70% the number of contracts or is that a dollar volume?

**Ms. Michelle d'Auray:** Mr. Chair, I will ask Mr. Sobrino to respond to the question.

**Mr. Pablo Sobrino:** We are on track to meet that requirement. Through our office of small and medium enterprises we do a lot of outreach work to small and medium-sized enterprises so that they understand how to do business with the Government of Canada.

The volume is on the value. The 70% is the value of non-military procurement.

A lot of small and medium-sized enterprises actually service all of our departments through their own ability to purchase, and we set up what we can in terms of instruments, contract frameworks, standing offers, or supply arrangements in which essentially we pre-negotiate rates with different organizations and then our client departments are able to access those at those rates. It tends to be, in large measure, small and medium-sized enterprises that benefit from that.

**Mr. Bernard Trottier:** You mentioned that one of the measures is the new procurement platform called Buyandsell.gc.ca. I know there are other things like the use of fairness monitors and the procurement ombudsman. Can you talk about the collective set of initiatives the government has in place to help achieve that target?

• (1015)

**Mr. Pablo Sobrino:** Thank you for that question, Mr. Chair.

First of all, I'll speak to Buyandsell.gc.ca. That has become the Government of Canada site for all small and medium-sized businesses, and actually all businesses, to see how to do procurement with the Government of Canada.

We have a lot of information on there to guide anyone through the system so they understand what we're buying and what kind of business is already being done with the Government of Canada. That then allows small and medium-sized enterprises to actually build partnerships with others that already have business with us. We have a lot of contract information on there that people can explore to identify the kind of business we do. Business intelligence is what we're providing: the guidance to work with the department. The procurement ombudsman is there to resolve disputes that small and medium-sized enterprises may have with us and to help adjudicate or manage those things.

The office of small and medium enterprises of course manages the Buyandsell website and does all this outreach. Again, we have five regional offices and one here in the national capital area that are constantly working with small and medium-sized enterprises. In fact, whenever someone approaches me or approaches our minister's office with a concern around being able to do business with us, the office of small and medium enterprises actually reaches out to them and helps them identify that.

For instance, one of the very heightened levels of interest right now is with the defence procurement strategy. There are many small businesses that see opportunities in that space, so we have been across the country with a targeted effort to speak to communities, and in small communities, not just the main centres. We've been in Sudbury. We've been down east in a number of communities in the Maritimes. It is that kind of outreach we do to give that benefit.

[*Translation*]

**The Chair:** Thank you. That is all the time we have for today.

Let me thank our witnesses for joining us today and for their informed answers.

We are going to suspend the meeting for a few minutes so that the members of the committee can discuss future business in camera.

My thanks once again to our witnesses for being here and for their time.

[*Proceedings continue in camera*]

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