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Chair

The Honourable Kevin Sorenson

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•(0845)

[English]

The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)): Good morning, everyone.

It's Tuesday, March 22, 2016, and this is meeting number six of the Standing Committee on Public Accounts.

I will mention to our committee this morning that we are televised, so I would encourage you to put your cellphones on vibrate or silence them or shut them off as a courtesy to those who are speaking and to those who are presenting here today.

Today, we are, as you know, considering chapter 5, “Canadian Armed Forces Housing”, of the fall 2015 report of the Auditor General of Canada.

Appearing before us today, we're pleased to have the Auditor General of Canada, Mr. Michael Ferguson. From the Office of the Auditor General, we also have Mr. Gordon Stock, principal. From the Department of National Defence, we have Bill Jones, senior associate deputy minister, and Jaime Pitfield, assistant deputy minister of infrastructure and environment. Also with us is Dominique Francoeur, chief executive officer, Canadian Forces Housing Agency, and Major-General Derek Joyce, deputy commander of military personnel command.

We have two opening statements this morning before we turn to questions from our committee. I would invite the Auditor General, who typically appears here as we do these studies, to give us his presentation.

Mr. Michael Ferguson (Auditor General of Canada, Office of the Auditor General of Canada): Mr. Chair, thank you for this opportunity to discuss chapter 5, “Canadian Armed Forces Housing”, from our 2015 fall report.

Joining me today is Gordon Stock, the principal responsible for the audit.

In our audit of Canadian Armed Forces housing, we examined whether National Defence and its Canadian Forces housing agency had managed military housing in a manner that supported housing requirements, that was consistent with government regulations and policies, and that was delivered in a cost-effective manner.

[Translation]

I should note that the work for this audit was largely completed in September 2015, and we have not updated our findings since then.

We found that the department had not determined who among members of the Canadian Armed Forces should be receiving housing, what form this housing should take, and where it should be located. We also found that National Defence did not comply with key aspects of its military housing policy. This policy states that National Defence can provide housing only in locations where there is an operational requirement, or where the private housing market cannot meet the needs of military members.

We found that National Defence did not consider whether the private market could meet the housing needs of Canadian Armed Forces members in some locations, although it had market analyses that showed members' needs could be met in some urban locations like Halifax and Valcartier.

[English]

We noted that National Defence policy requires that rental rates for its housing units be in line with market rates to ensure that occupants of military housing are treated equitably compared to members living in private market housing. National Defence policy also requires that affordability consideration should be implemented through compensation. This is consistent with government policy.

We found that to set rental rates, the department used appraisal value set by the Canada Mortgage and Housing Corporation until the corporation stopped providing this service in 2013. We noted that the department had market analysis that showed that rental rates for military housing in locations like Bagotville, Edmonton, and Winnipeg were below market rates. This gap could provide occupants with financial benefits that thus create inequities between military housing occupants and private housing occupants.

National Defence must also comply with the Queen's regulations and orders under the National Defence Act, which take precedence over National Defence policy. The regulations may require National Defence to limit the rent charged in order to make housing more affordable. National Defence policy is not consistent with these regulations.

•(0850)

[Translation]

We recommended that the department complete the review of its accommodation policy and clearly define its operational requirements for military housing.

Most of National Defence's housing units were built between 1948 and 1960 and therefore require regular investment to maintain them. We found that while the department had set a goal to modernize its housing portfolio, it had not developed plans that outline the work, time and resources required to meet its goal. It also did not have up-to-date information about the condition of housing units.

[English]

The agency spent about \$380 million on military housing between the 2012-13 and 2014-15 fiscal years without a plan to guide its spending and without accurate information about the condition of units. As a result, it cannot ensure that funds spent on housing units were used effectively on the highest priorities.

The Canadian Forces housing agency must use its rental revenues only for operations and maintenance. Capital funds received from the department are used for major renovations and new construction. We found that the timing of receipt of the capital funding did not always match the construction cycle. For example, in January 2015 it received \$6 million of capital funding, but had just two months left in the fiscal year to spend these funds. Receiving funds late in the fiscal year meant that work could be limited to such lower priority property improvements as building fences or installing sheds.

[Translation]

We recommended that National Defence develop adequate plans that identify the work, time and resources needed to meet the current and future housing needs of CAF members, and ensure that it uses resources dedicated to military housing effectively.

We are pleased to report that National Defence agreed with our recommendations and committed to take corrective action.

Mr. Chair, this concludes my opening remarks. We would be pleased to answer any questions the committee may have.

Thank you.

[English]

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

We'll now move to Mr. Jones, please.

[Translation]

Mr. Bill Jones (Senior Associate Deputy Minister, Department of National Defence): Good morning and thank you, Mr. Chair.

[English]

I also would like to thank the committee members for giving us the opportunity to be here today to discuss the Auditor General's recent report on military housing.

This is an important topic for us. It is about so much more than putting a roof over a soldier's head. It's about contributing to a better quality of life for the men and women who serve and defend our country, as well as their families. Before I address the Auditor General's specific findings, allow me to touch briefly on how we deliver this important program.

The Canadian Forces housing agency, or CFHA, operates more than 12,000 housing units in 25 locations across Canada. The majority of these units are single or semi-detached with some row

housing and a few other types, including apartments. At any given time, approximately 15% of the Canadian Armed Forces members are living in military housing. This can rise to almost 35% to 40% in some areas, mostly from the more junior ranks of the military. The agency regularly assesses the conditions of housing units and receives direct requests for services from the occupants.

In that, Mr. Chair, we are like any other landlord, but the agency goes beyond that, providing peace of mind to deployed members and their families with regular repair and maintenance and 24-hour emergency service. We've invested more than \$130 million this fiscal year alone in improvements, renovations, repairs, and maintenance. Mr. Chair, we strive to do the best that we can. We are always trying to do better.

It is in this spirit that we welcome the Auditor General's examination of our housing program as well as his suggestions on how we can deliver better results for our members. In that vein, I also want to thank the Auditor General and Mr. Stock for their very professional work.

The Auditor General made four specific recommendations in his report. I'll address each of them and then tell you how we're working to improve.

The first recommendation was that National Defence should complete the review of its military housing program and clearly define its operational requirements for military housing.

This review is already under way. It began in September 2015 and will conclude in the winter later this year or the early winter of 2017. We expect to issue a revised policy by the fall of 2018. Operational requirements refer to the unique realities of military service, which aren't always reflected in the policy that tries to treat all government employees the same way. Military members think about the same things we do when looking for a place to live, things like cost, style—and style refers to number of bedrooms, and so forth—neighbourhood, proximity to work or their spouse's work, and where they want their children to go to school. But unlike civilians, military members don't get to choose where they work; they are moved across the country based on military needs.

Picture two corporals, one serving in a rural area like Wainwright and the other serving in an urban area such as Halifax. They're doing the same job, but the member in Halifax has many more options to choose from when renting or buying a home. We provide additional options to our members where and when they're needed. We want to ensure our members are treated fairly and have sufficient access to adequate housing wherever they serve. But as the Auditor General noted, we need to illustrate these requirements more clearly in our policy and, Mr. Chair, we will.

The second recommendation was that once the policy review is completed, DND should develop adequate plans that identify the work, time, and resources needed to meet these. Once the new policy is completed, we will put in place a long-term plan that will identify the work, time, and resources needed to keep our housing portfolio in good condition.

• (0855)

Recommendation three was that the CFHA should regularly capture and update its condition assessment information to ensure that it is accurate and available to inform management decisions. The agency updated the system that holds this information in November 2015. This new system provides the agency with faster access to relevant information, which supports better planning and decision-making.

Recommendation four was that National Defence should ensure that it uses resources dedicated to military housing effectively. In particular, it should clarify operating costs and track the costs it expects to be covered by rental revenues. It should also allocate capital funds in a timely manner so that it can plan and use these resources adequately. On the first point, the department is tracking costs as recommended by the Auditor General. On the second point, we'll be providing the agency with confirmed capital funding at the beginning of each fiscal year, which will allow them to plan ahead.

In conclusion, Mr. Chair, it's my expectation that these measures will fully address the issues identified by the Auditor General in his report. We can do better, and we will.

We would be happy to take any questions from the committee.

Thank you, Mr. Chair.

The Chair: Thank you very much.

We'll move to our first round of questioning.

Ms. Mendès, you have seven minutes.

[*Translation*]

Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.): Thank you very much, Mr. Chair.

I thank all of you for being here today.

Mr. Ferguson's report concerns us. This concerns our troops, wherever they may be.

One question jumps out at me. In paragraph 5.21, Mr. Ferguson's report mentions that the military housing policy has been under review since 2009. Here you are referring to a review which began in September 2015.

First of all, why is there this disparity between the dates? Moreover, why will the revised policy only be ready in the fall of 2018?

• (0900)

[*English*]

Mr. Bill Jones: Mr. Chair, I'll ask Major-General Joyce to take this question, please.

MGen Derek Joyce (Deputy Commander, Military Personnel Command, Department of National Defence): Thank you for the question. It's a great question.

In fact, you're referring to a couple of different studies. In 2010 there was the Leigh Fisher report, a third party report that in essence looked at the requirements for military housing from a certain perspective. The perspective specifically was what do we need to support the lowest-earning members of the Canadian Armed Forces—the privates, corporals, officer cadets, and second lieutenants? The assessment looked at that demographic and then spread that across Canada, across all the wings and bases. The figure that was determined that would be appropriate was just over 5,000 units.

When that figure was presented to the commanders of the army, navy, and air force, they reflected upon it and determined that it did not meet the operational requirements, which was not one of the underlying foundations of that initial study.

The approach we're taking right now, with the study that commenced last fall, is to look at a number of different factors. First off, we're taking a scientific approach. We have our defence scientists working on this, based on a number of agreed-upon principles. A foundation has been agreed upon by the army, navy, and air force on how to move forward with this. It includes such key foundational principles as operational readiness, succession planning, obligations to our foreign military who are actually working in Canada, and support to our ill and injured members who do require military housing. It will take some time to do this effectively and to do this with an evidence-based approach. That's why it's taken this period of time.

The Chair: Mr. Jones.

Mr. Bill Jones: Mr. Chair, perhaps I could add to General Joyce's comments.

At the Department of National Defence, the Minister of National Defence will soon be launching a consultation for a policy review for defence, and so forth. Included in that policy review will be perhaps implications for military housing. Therefore, we want to make sure those implications are included as well. In addition to the requirements for the evidence-based approach, we also have to take into account that there is this policy review taking place over the course of 2016.

The Chair: Mr. Lefebvre.

Mr. Paul Lefebvre (Sudbury, Lib.): Further to Mrs. Mendès' question, there was a report that came out in 2010, and we're now in 2016, and now, after the Auditor General's report in 2015, you say we have to look at this. That's a gap of five years. I'm not sure if I understood properly what happened within those five years as you guys were coming up with your plan. Obviously, you determined that it was an issue and you started to look into it, but where are the tangible results from those five years? What is that gap for?

MGen Derek Joyce: The army, navy, and air force, as they looked at the figures of the Leigh Fisher report, determined, as I mentioned, that this was not satisfactory, and so we came out within the department with an agreed-upon figure of just over 12,000 units.

There is a gap, and to be quite frank with you, the gap was essentially caused by a couple of things. The policy is held within the director general of morale and welfare services, and specifically, the director of military family services. That is the organization that develops the policy.

That organization during this period was dealing with some fairly significant issues relating to support to our military family members. Particularly at the tail end of Afghanistan, there was a lot of work by that organization to improve the services for our military families in the wake of the end of the war in Afghanistan. That's where much of the focus was put by that organization.

To be quite frank, there were sufficient military housing units across the country for the most part on most bases, and so the urgency wasn't necessarily there. The focus of that organization was thus put towards the policies and programs of supporting our families and members transitioning as well.

• (0905)

Mr. Paul Lefebvre: If I understand properly, given that the resources were tapped to focus on families during that period of time, support for housing was not a priority or was less prioritized than support.

Would you agree with me then, given that there was no plan, that if a strategic plan had been put in place and it had been known that certain resources were allocated to families that had certain needs—if there had been a proper plan in the first place for housing—the military would have been able to follow the plan and provide the support during those five years, and then we wouldn't be talking about it in 2016?

MGen Derek Joyce: You're absolutely correct.

The Leigh Fisher report was intended to do that. Unfortunately, the end result of that study was not deemed to be acceptable for operational support reasons for our members.

The Chair: Thank you. Your time is up, but we'll get you on the next round.

I will now move over to the opposition, to Monsieur Godin.

You have seven minutes.

[*Translation*]

Mr. Joël Godin (Portneuf—Jacques-Cartier, CPC): Thank you, Mr. Chair.

I thank the witnesses for appearing before the committee this morning.

We are here to put questions to the representatives of government institutions concerning the proper management of public funds. Upon reading the Auditor General's report, I have some questions and I would like you to reassure me.

In fact, we are talking about housing. In the report, we see that you have about 12,000 housing units in 25 cities. In paragraph 5.27 of the report, I see that in 2010, you hired a group of consultants, and they felt that you needed 5,800 units to meet your needs effectively. Paragraph 5.28 of the report states that "senior military officials did not agree with the report's conclusion."

There is a report which some people do not accept, and it says here that you need 11,858 units in 25 locations. The Auditor General found that no specific methodology was used to arrive at that figure.

Could you simply explain all this to us, and tell us what the process was, and what the real needs are for National Defence housing?

[*English*]

MGen Derek Joyce: I would be happy to take that as well, sir, if you're okay with that.

As the commanders of the army, navy, and air force at the time assessed that the figure of 5,000 plus the 5,800 units from the Leigh Fisher report was not meeting their operational needs, what in fact my organization did was reach out to the commanders of the bases and wings across Canada and consult with them for the first time on what their actual operational needs were.

That's how the figure was developed, through the bottom-up assessment of their local needs by the base and wing commanders for their operational requirements.

[*Translation*]

Mr. Joël Godin: You said a bit earlier that you are like a landlord. You have to be aware of the needs and know the properties. Going by what you said and what I read in the reports, you do not seem to be in control of the situation. In the private sector, you have to know what products are available and you have to manage things carefully. You also have to make the best use of taxpayers' money. Can you confirm today that you are in control of the management of housing for our military who, may I say in passing, deserve this service? I think we have to be grateful for the work they do, but we need to know the cost of things.

[*English*]

Mr. Bill Jones: Chair, let me try to answer.

There are two parts to the question, I would propose. The first is, do we have an appropriate policy that sets forth how many units we should have, what are the operational requirements, and who in the military should be getting housing, and so forth? That exercise is under way. From that perspective, Chair, we need to do a better job and define that policy, which will provide the road map that I suggest the member is thinking about.

The other perspective is in terms of not the policy but the property management aspect. The Auditor General, in addition to policy issues, has talked about some of what I'll call property management issues. There we need to do a better job of collecting information on the condition of the housing, and so forth, a better job of providing a work plan to address the condition, and also a better job of providing funding more up front so the housing agency can do a better job. That work is under way as well.

I would suggest that from a policy point of view, we have to do a better job from the property management point of view. We are making strides and doing a much better job.

● (0910)

[Translation]

Mr. Joël Godin: Thank you.

In his report the Auditor General noted that National Defence did not have an adequate plan in place to manage housing. You gave us to understand that you are working on this. Do you think that the Canadian Forces Housing Agency would be in a better position to meet the current and future needs of members?

[English]

Mr. Bill Jones: From my perspective, I think the short answer is yes. Work is under way to improve things, but with your permission, Chair, I'll ask the head of the agency to provide a few brief comments.

[Translation]

Ms. Dominique Francoeur (Chief Executive Officer, Canadian Forces Housing Agency, Department of National Defence): Thank you, Mr. Jones.

Mr. Chair, I can assure you that the agency has plans in this regard. We agree with the Auditor General's recommendations on what needs to be improved. We are going to ensure that we meet the future needs of the agency through a detailed plan and with all of the necessary resources.

I want to point out that we do meet current needs. Over the past four or five years, we invested a lot of money throughout this portfolio. The lack of adequate planning that was mentioned concerned future needs. That issue will be settled as soon as we have defined our operational needs. We will adjust our plans accordingly.

Currently, the agency is developing specific plans for each of its sites, plans that include the condition of each house. We are aware of the condition of each of the dwellings. Our system has just been completely updated. And so we have no doubts about the information we have on each home and on what needs to be done. This plan will be adjusted in future so as to reflect new operational needs.

[English]

The Chair: Thank you, Mr. Godin.

We'll now move to Mr. Christopherson, please, for seven minutes.

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

Thank you, all, for attending today. We appreciate it very much.

I have to say when this first came out, my first thought was the poor previous government couldn't buy helicopters and they couldn't buy jets, and it turns out they couldn't even buy houses. I was very distressed to see that after so many years, decades into centuries of having a Canadian Armed Forces, something as basic as where our soldiers live is not a highly tuned, accurate, pretty ongoing, run-of-the-mill procedure and policy, and a top priority. Yet one doesn't get that sense looking at all of this. I have to tell you it's very disappointing.

I suspect there is a lot more attention paid to maintaining tanks and equipment than there seems to be around providing proper and adequate housing for our service personnel.

When I look at the Auditor General's quotes, this is not small stuff. This is pretty damning. The Auditor General said in his report:

Overall, we found that the Department of National Defence and the Canadian Armed Forces...did not comply with key aspects of its military housing policy. We found that National Defence did not clearly define its operational requirements for military housing.

This seems strange because operational requirements is an area in which they would have great perfection, you would think. "We also found that, at some locations, it did not consider how the private housing market could meet" some of the needs, and that goes on in great detail. Again, that doesn't sound like such great, deep original policy thought—duh—what's already out there might be available. No, this is pretty common-sense stuff.

I will read the response from Mr. Jones: "It's why our housing program is about so much more than putting a roof over a soldier's head. It's about contributing to a better quality of life for the men and women who serve and defend our country, as well as their families." It's absolutely true, but at this stage, it's a lot of bromides. That should be the starting point, not the answer to why we have these problems.

Before I get into any minutia, and I'm probably not going to have a whole lot of time and I accept that, but I'd like to hear once again some kind of a snapshot explanation for the Canadian people of how the hell we got into such a mess in something that is so fundamental to our armed forces, who are the actual citizens who put on the uniform every day. How did we get here?

● (0915)

Mr. Bill Jones: Chair, and to the member, thank you for the question.

As I said at the outset in my opening statement, we agree with the Auditor General's finding. I stated very clearly we have to do a better job and we intend to do that, Chair, and that's the approach we're taking. We have to look at it from a policy point of view in terms of what our operational requirements are, as well as we're approving the day-to-day management of this portfolio. That's what we intend to do. We will do better.

Mr. David Christopherson: That's it. I hear you, and I don't want to be unfair. Again, if this was something new and you'd done your best and it didn't quite work and now you're going to improve it, I would have a lot more comfort just accepting what you're saying. But that's not the case. This seems to be quite chronic, and what bothers me is that it's on the human side. I'd rather hear that you're losing track of counting bullets than I would that you've lost track in providing decent and affordable housing for our soldiers, because remember, it's not just them, it's their families too. This should be a bigger priority, and it sounds like it's just a lot of rhetoric.

For instance, sir, again it's on your comments this morning. In recommendation two, the Auditor General said once the policy review is completed, DND "should develop adequate plans that identify the work, time, and resources needed to meet these requirements." Your answer, sir, was, "Once the new policy is completed, we will put in place a long-term plan that will identify the work, time, and resources needed to keep our housing portfolio in good condition."

How is that any different from the other commitments that have been made all these times before? How, sir, is this any different, and what assurance do we have this time that you actually mean it?

Mr. Bill Jones: Mr. Chair, again I thank the member for the question.

The issue is that we need to do a better job to define our requirements, the number of units we need, the type of units, the location, and so forth. Once we have that information, once the policy has been set, then we will be able to put in place a more appropriate and specific management plan. Having said that, Mr. Chair, while that process is under way, we are doing the best we can with the resources we have to keep that portfolio in the best shape that we can.

Mr. David Christopherson: Thank you.

You mentioned "with the resources we have". Is that to suggest resources may be an issue here?

Mr. Bill Jones: Mr. Chair, I thank the member for his question.

As we indicated, we spent \$130 million in this fiscal year alone to maintain the military housing portfolio. We're doing the best we can to deal with that portfolio.

Mr. David Christopherson: I appreciate that. You throw out \$130 million, and that's a big number, but in terms of what the need is, it doesn't really mean anything. If it's only half what the need is, it's a small number. I hear what you're saying, but what I'm not hearing, Mr. Chair, is something that gives me and those who have heard these promises before the assurance that it will be different this time. I'm not hearing a single thing that I suspect was different the last time they went around, and I'm looking for that this time. I want to hear some kind of a commitment above and beyond, "We didn't do as well as we should have, and we know we have to do better planning, and promise to do better." We've been there before. That's how we got here. I want to hear something more than that.

● (0920)

Mr. Bill Jones: Mr. Chair, again thank you to the member.

What I would say is that the management action plans that we've laid out in response to the Auditor General's report are more detailed than what I indicated in my opening statement. We stand by those, given the timelines, and so forth. That's point one. Point two is I'm sure there will be appropriate follow-up and timely follow-ups by the Auditor General and his folks.

In addition, I have asked our internal audit folks to keep a careful eye on this particular file as well so that, while I understand that words can sometimes ring hollow, I think there will be appropriate follow-up. Finally, as we go through the defence policy review, I think that the issue will also be there because a prominent priority of the minister certainly has been how the members are looked after.

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

We'll now move to Ms. Shanahan, please, for seven minutes.

Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.): Thank you, Mr. Chair.

Thank you, everyone, for being here this morning.

I too was going to get into the property management aspect, because there's just so many things, among others, that shout out from the page. The fact is that so few units, fewer than 1,000 units, were actually updated, renovated, or whatever over a period of what looked like close to 10 years. I may be corrected on that, but I saw that. When I look at a stock of 12,000 units, with an average lifespan of 10 to 15 years, that's clearly inadequate.

The resources should be there, because if you're charging market rates, then the rental income should cover repairs. The whole capital spending coming in too late for the construction site.... These are easy things, relatively speaking, to repair, but what I'm really hearing is a classic case of mission drift, and I think that's the root of the problem.

When I hear that housing was being given to support veterans of the Afghanistan war and their families, essentially it's veterans housing. Of course, we are moved in that direction, but I want to get to the root of the purpose of this military housing. Originally, it was to meet the needs of performing actual military tasks, because they need to be on base to complete their tasks. If you need to provide housing where there is none, such as in a remote area, you need to provide that housing. You need to provide financial support to members in need. Maybe that is a reason, and that needs to be incorporated. Here this morning is the first time I've really heard about that.

If it's to provide a benefit to military members who just happen to be in the right place at the right time, and we're talking about an actual taxable benefit, I'd like to hear from the Auditor General if there's a risk that members are going to be reassessed on below-market rental rates for x number of years—I've seen that happen in other corporate housing situations—then we've really got ourselves into a mess. I would like to have some comments on this. Has that really been addressed? The purpose of the agency in providing the housing is not to make money, but it's not to lose money, and it is to provide effective housing. So what's it going to be?

Mr. Bill Jones: Mr. Chair, through you to the member, thank you for the question.

There are a number of issues in the question. Very briefly, in order to answer many of these questions, we need to get that clear policy statement, which will define our operational requirements and the needs from a military perspective. That is what we are working on, and that will hopefully answer many of the members' questions. Unfortunately, we are not there yet.

In terms of compensation versus subsidized housing, as the Auditor General has noted, government policy is clear: members should not be subsidized in their housing allowances or with below-market rates. If there are issues in terms of dealing with that, it should be through their compensation package, which I believe is similar to what other public servants have. At a very high level, that is basically the policy.

In terms of some of the property management issues, Mr. Chair, with your permission, maybe Ms. Francoeur could answer briefly.

● (0925)

Ms. Dominique Francoeur: Thank you, Mr. Chair.

You had a question about the resources, in your first comment. Indeed, the agency collects the rent, and we are self-sufficient in all the operations of the agency across the 25 locations, including what we call the life cycle, minor repairs and so on.

Where the department funds us or helps us is with the recapitalization of the portfolio, or capital investment. That is where the department figures into it. As was noted before, the portfolio is very old, and it needs more than just life cycle. We have invested a lot of money in the last five years. The department was able to provide us with a lot of capital funding, to a point where the condition of the houses has improved significantly.

Mrs. Brenda Shanahan: Correct me if I am wrong, but you must have some valuable real estate. Can you buy and sell real estate?

Ms. Dominique Francoeur: No, I don't, at this point.

In terms of the future, though, when we say we will develop a plan.... Let me put it into perspective. When the agency was created in 1996, the idea was to manage the portfolio on a national basis. Before, each base and each wing managed a portfolio. Now, with the creation of the agency, it is being managed nationally. When we got the portfolio, we had 22,000 units. We are now down to 12,000 units.

Another good perspective for the committee, if I may, is the fact that we serve 15% of the military population. The rest of the members live in the economy, so they find housing in the economy. The rationalization plan we developed was our effort to make sure we would go down to rightsizing the portfolio. Those efforts are continuing. Then, with the revised operational requirements and the new policy, we will be able to continue on the rationalization path and adjust wherever we need to adjust.

To answer your question, part of how we meet the operational requirements will be an assessment locally, base by base, or regionally if it makes sense, of the best way to serve the members at a given place, given the operational requirements. All the scenarios will be looked at.

The Chair: Thank you very much.

We'll now move to Mr. Godin, and then we will come back.

[*Translation*]

Mr. Joël Godin: Thank you, Mr. Chair.

Mr. Jones, you were saying that you tried to do your best with available means. You also mentioned that you invested \$130 million. Everyone has a lot of good intentions, but I think that the housing file has to be managed more rigorously. What is missing that would enable you to have a vision, a plan, a strategy and an objective?

Perhaps I am repeating myself, but I get the impression that you are not in control of the situation. I am sure your intentions are good, but as my colleague was saying previously, what we are hearing today is identical to what we heard the last time you were here. Things seem to get postponed indefinitely. Everyone has good intentions, but I don't see any improvements in this file.

● (0930)

Mr. Bill Jones: Thank you for the question.

[*English*]

I apologize if I repeat myself.

It is important to understand that we are striving to put forth a clear, understandable policy that will define the military operational requirements upon which we can base the military housing program. It is well under way, as General Joyce has said.

In parallel, I can assure you we are working to improve the property management of the military housing portfolio. We have detailed specific action plans that address the Auditor General's report, including the provision of more funding up front, so that we can better plan while providing and using a better information system that has been populated with better conditions in the housing portfolio, and so forth. Many of these things are under way.

At the end of the day, we will see whether we've done what we've said we've done with a follow-up from the Auditor General, or in our own internal audit where we will do follow-ups on this as well.

[*Translation*]

Mr. Joël Godin: You are preparing a plan and developing policies, that's fine, but I want to talk to you about a specific situation.

I am from the Quebec region. In one neighbourhood there are what are commonly known as barracks. They have been empty for several years. Will a decision be made about that? Are you going to wait for an Auditor General's report before these properties are soundly managed?

The land and the barracks have some value, but astronomical sums were invested in the Valcartier military base to update cadet camps in order to house Syrian refugees. Do you know how many Syrians are currently housed in these barracks? Not a single one.

I have questions about how this money was spent. You said earlier that you are like a private landlord, but what measures do you intend to take to manage your housing portfolios properly? Today, I do not think they are being managed properly. I do not feel reassured about this.

Could you answer my question concerning the Valcartier base barracks that were upgraded? The barracks that are a few kilometres from those may be unusable, but if that is the case, let's demolish them and do something else with that land.

[English]

Mr. Bill Jones: With respect to the monies that were expended to prepare for the Syrian refugees under that program, those monies did in fact upgrade some of the facilities there and will be used by the military down the road. In that sense they are useful. No Syrian refugees, you're quite correct, were placed there. Nevertheless, those expenditures were pulled forward in advance of that particular program.

On the Department of National Defence side, we didn't know at the forefront whether we would have Syrian refugees there or not, but we had to prepare for them and that's what we did.

In terms of investing in barracks, I'll ask Dominique or Jaime to talk about that.

The Chair: The time is pretty well up, so it has to be a really quick answer.

• (0935)

Mr. Jaime Pitfield (Assistant Deputy Minister, Infrastructure and Environment, Department of National Defence): The investment in terms of the barracks is there and it will be used for the troops. That's infrastructure that National Defence needs on an ongoing basis. It won't be wasted. That money was spent in case of something, but over the long-term that will be used.

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

Mr. Arya.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

Mr. Jones, you said that you have invested \$130 million. This sounds good, but it's just an absolute number. It does not reflect whether that's adequate.

In paragraph 5.39 of his report, the Auditor General found that the Canadian Forces housing agency "was working under constraints that limited its ability to spend its funds effectively on military housing". I would like to know more about that. What are the constraints under which the agency was operating?

Mr. Bill Jones: Chair, I'll ask Ms. Francoeur to respond, if that's okay.

The Chair: Ms. Francoeur.

Ms. Dominique Francoeur: Mr. Chair, the constraint the Auditor General is referring to is the fact that in regard to the money we get from the rent we collect, as I said before, we pay for all of the operations with that money. These are the operations at the site level and also the full operation, including the life cycle. It's a rule that the rent we collect is one collar of money, and it limits me. I cannot use that money to do major recapitalization of the portfolio. That's where the department gives me that money. That's one constraint.

The other constraint, which is also being rectified with recommendation four, is the fact that sometimes the department did not give me the whole amount at the beginning of the fiscal year. I got money later, two months into the fiscal year. That also implied

that I was reactivating some of the work. I always have a long list of projects ready to go in case I get the money. That constraint will be eliminated by the fact that the department will now give me the money ahead of time.

Mr. Jaime Pitfield: If I could add to that, Mr. Chair, in business planning this year, National Defence approved a budget ongoing for the agency of \$25 million next year, in vote 5, which is capital funds, \$45 million in the second year, and \$45 million in the third year. The Auditor General's request that the department consider a more stable form of funding has been put in place.

Mr. Chandra Arya: Mr. Chair, the Auditor General also found that the agency "proposed to undertake work estimated at \$1.95 billion" to modernize the portfolio. However, according to the Auditor General, the agency officials told him "National Defence did not support this large investment because of competing priorities and, therefore, funding and the proposed plan were not approved".

I would like to hear the comments on that.

Mr. Jaime Pitfield: If I could answer that as well, Mr. Chair, there are many priorities at National Defence. There are many on the military side and then many in terms of supporting the military.

These are big numbers. The \$1.8 billion is the value of the portfolio. If we were to recapitalize everything, that's what the cost would be. That's not affordable at this point, so the approach that National Defence has taken is that we are stepping up what we invest from a capital point of view, and we've actually moved the condition of the portfolio. We've improved it by 3% over the last several years. That trend will continue, given the capital monies that are programmed.

Mr. Chandra Arya: You mentioned, sir, that many of the housing units were built between 1948 and 1960. You've said that you improved the conditions by 3%. Is that what you mentioned?

Mr. Jaime Pitfield: Yes.

Mr. Chandra Arya: Do you feel that is adequate?

Mr. Jaime Pitfield: Go ahead, Ms. Francoeur.

Ms. Dominique Francoeur: Mr. Chair, we have a way to assess the condition of every single asset. The way that we look at housing is based on industry standards. It's on a scale from one to five. Right now, 87% of the portfolio, of the 12,000 units, is considered to be average or above average, which means "like new". That's an increase of 3%. It's a direct result of the last four or five years of investment that we put into the portfolio.

• (0940)

Mr. Chandra Arya: But average is still not good.

Ms. Dominique Francoeur: No, average is good.

Mr. Chandra Arya: Many of them must be below average too.

Ms. Dominique Francoeur: No, sorry. Average is good. “Average” means that the components of the houses are working in a satisfactory manner. Average is good. It could mean that the roof may need a life-cycle update, but it is still performing.

The rest, the 13%, are houses that are targeted for disposal or that may be vacant because they are due for major repairs.

The Chair: Thank you.

I'm going to use my prerogative to jump in here, Mr. Godin, for one moment.

I'm wondering if someone from the department could explain the part of our Auditor General's speech today in which he talked about receiving the \$6 million late in the fiscal year. We've heard today that for improvements, for renovations, for fixer-uppers, you've spent \$130 million in the last fiscal year. Is that correct?

Ms. Dominique Francoeur: That's a combination of capital investment and life cycle.

The Chair: All right, but my question is this: The money flows through DND; the agency then makes application or has a budget with DND, and it comes with the money, \$6 million, in January. How much had been spent on some of those improvements previously in that fiscal year?

Ms. Dominique Francoeur: That was 2014-15. The department gave me \$43 million in capital, in addition to the money that I spent on life cycle, and the last \$6 million was in January of that year.

The Chair: I just want to get a clearer picture of this. Are you then going to the department and saying, “Listen, we need more resources”? Are you constantly saying to DND that you need more resources for housing, and you're being put off?

Ms. Dominique Francoeur: I can tell you that at the beginning of that year, I knew I was going to receive \$18.5 million, and I received it at the beginning of April. Then that year I received another \$18.5 million later in June, and then the \$6 million in January, so that's based on—

The Chair: Previous to that, did you know the \$6 million was coming in January?

Ms. Dominique Francoeur: I suspected that it would come.

The Chair: Were there small projects you could use that \$6 million for?

Ms. Dominique Francoeur: Definitely. I said before, and I'll make it clearer, that in the fall for the upcoming fiscal year, we develop a full plan based on the money we will potentially receive. For the money we're sure to receive as of the first of April, we develop a plan based on the condition of the assets and based on a priority system. We draw a line, and we always have some projects that we will be able to do if the money comes through. That's why we are sometimes able to do projects that might not have been our first priority but that are nevertheless very important.

The Chair: Is there ever a time when you lapse money?

Ms. Dominique Francoeur: Not anymore. I would say that prior to 2009, sometimes we would. The agency, as it matured, got a lot better at planning and at knowing what investment was required for each of the assets. But prior to developing the appropriate plan after the full creation of the agency, we developed a rationalization plan, a

life-cycle, asset management plan, and so on. After that we were able to make sure that all the rent revenue was spent on the housing, to improve the condition of the assets, and after that also as we got better at planning and spending the money, we didn't lapse anymore, and then also the department was able to fund us with capital—

• (0945)

The Chair: Are you happy with that process of different allocations throughout the year as you need them?

Ms. Dominique Francoeur: I will be a lot happier now knowing ahead of time what I'm going to get, because I will be able to do, for instance, better planning, based on economies of scale. If I know at the beginning of the year exactly what my funding will be, the contracts will reflect the fact that this is the money I am going to spend at such and such a site. As it is now, the department has agreed to doing that, so it will be a lot better for us.

The Chair: Thank you.

We'll now move back to Ms. Zahid.

Mrs. Salma Zahid (Scarborough Centre, Lib.): Thank you, Chair.

Paragraph 5.51 of the AG's report said that software problems contributed to a lack of ready information on the conditions of the housing stock. Paragraph 5.54 also stated that the system has been transitioned to a new platform.

Was this project run internally or externally?

Ms. Dominique Francoeur: Internally.

Mrs. Salma Zahid: Was Shared Services involved?

Ms. Dominique Francoeur: No.

We have an enterprise resource system. This is our records system. We've had it since the beginning of the agency. That system required a major upgrade, as is normally the case. For the upgrade we dealt with the private sector. We did the upgrade using internal resources as well. That happened in the fall of 2014. We had that system, but the condition assessment was in a separate database. The intent with the new system, the stronger upgraded system, was to bring that under one single system. In the fall of 2015, we brought in the condition assessment by implementing in the new system what we call the condition module of that new system. Now we have all the information under the one single system. This was done in accordance with our plan and was completed in November 2015. We've now made sure that all the employees at the site level, as well as at head office, have been trained to use effectively the new system.

Mrs. Salma Zahid: Will you be going on to Shared Services?

Ms. Dominique Francoeur: No.

Mrs. Salma Zahid: To what extent is on-base barracks housing available to single members to reduce pressure on the housing stock for the families and couples?

Ms. Dominique Francoeur: It depends at which site, depending on the demographics of the population. Our policy says that we allocate houses based on first-come, first-served, including single members. We serve single members as well, but we're not going to allocate them a big house, obviously. The system is that we serve the members who are knocking at our door for a house, so, depending on the location, we may serve a good portion of the single members by allocating them the smaller houses.

Mrs. Salma Zahid: It seems that the funding mechanisms for the Canadian Forces housing agency, both in terms of the constraints on its use of the rental revenues and its allocation of the capital funds from the Department of National Defence, are constraining the agency's ability to modernize the housing portfolio. I know you have outlined some changes you are undertaking within your framework. Do you feel this is sufficient to provide the needed flexibility?

Ms. Dominique Francoeur: It will greatly help, yes.

Mrs. Salma Zahid: Do you think any other legislative or budget changes should be considered to give you more....

Ms. Dominique Francoeur: Flexibility?

Mrs. Salma Zahid: Yes.

Ms. Dominique Francoeur: The agency operates within the department, so I follow all the same regulations, the same procurement rules, and the Financial Administration Act and Treasury Board policies when they apply, and so on. Operating within that, within the department, is fine. I have also a little bit more flexibility than other organizations in terms of the level of authority for contracting and that kind of thing. That offers me a little bit of flexibility as well to benefit from economies of scale, such as having larger contracts, and so on.

There might be different models or different things that could offer more flexibility, but that would be part of our assessment when we come up with the policy and the requirements. When we develop service options and things like that, we will explore other alternatives.

• (0950)

Mr. Jaime Pitfield: If I could add, Mr. Chair, we need the requirements to develop the plan going forward. This is the plan that we're talking about. We need to consult with the private sector to see how the private sector can help, what new ways of doing things are out there in the marketplace, and how, using the private sector as our partner, it can alleviate pressure on the budgets.

The Chair: Thank you very much. Those are good questions.

We'll move to Mr. Christopherson, please.

Mr. David Christopherson: Thank you, Chair. I believe I only have a few minutes in this last round.

I have a couple of minor things to start and then one relatively substantive question.

Under your action plan, I'm just curious, under "Expected Final Completion Date" it says, "will require a Treasury Board submission; hence a 2018 vice 2017 deliverable."

I don't know that expression. Is that a typo? What does that expression mean, "hence a 2018 vice 2017 deliverable"?

MGen Derek Joyce: It's a good question, sir.

That is simply a clarification. When the initial assessment was done, we did not anticipate the requirement to go for ministerial approval and require a Treasury Board submission. We've reassessed our timeline. We are now looking at a fall 2018 final policy.

Mr. David Christopherson: Just help me understand that expression, "hence a 2018 vice 2017 deliverable".

MGen Derek Joyce: You can read it as "rather than".

Mr. David Christopherson: So it's "rather than"; good stuff. I've never run across that before. I learn something every day. Thanks.

I have another quick question. On the next page over, it says, "National Defence will have a long-term residential housing accommodation plan in place one year after it produces a revised accommodation policy (Fall of 2019)."

Is that the fall of 2019 for the completion of the policy, and then a year, or is it the completion of the policy leading to implementation in 2019? I wasn't clear on it.

Mr. Bill Jones: The policy comes first and the property management plan comes second. Hopefully by the fall of 2019, at the latest, we'll have all the *i*'s dotted and *l*'s crossed for the property management plan. We can do some of that in tandem, so hopefully it's before that for the property management day-to-day plan.

Mr. David Christopherson: Thank you.

I have one last question, if I can, Chair.

Under the conclusion, Mr. Auditor General, you state that you concluded that National Defence did not have adequate plans to support the current and future needs of military housing and that because of constraints, it could not spend its funds effectively to modernize the portfolio.

There have been other questions around this. You know we've dealt with this many times with defence budget issues in terms of managing the budgets year over year. Are you satisfied, sir, with the response you've received to that concern?

Mr. Michael Ferguson: In terms of the funding, what we've heard today is that the agency has done what it can do within the constraints. If the department is committing to provide the agency with more certainty about the capital funding they will get, I think that's an important step so that the agency can spend the money better on the priorities.

One thing that was mentioned a couple of times, though, was this idea of trying to put together that overall long-term plan. We mentioned in the report that the agency had come forward with a 25-year plan that would cost \$1.9 billion to bring the whole portfolio up to a certain level. I think there needs to be some consideration in this plan that the department is going to put together about looking at that portfolio from a long-term perspective, so that it's not just how much capital funding there will be next year or over the next couple of years. It's tying back to the operational plan, tying back to the day-to-day property management plan, and asking what's the end state of that whole portfolio? How do you manage that portfolio? From a budget point of view, what type of budget do you need over, say, that 25-year cycle?

I think all of that needs to be part of this plan.

• (0955)

Mr. David Christopherson: Very good. Thank you, sir.

Thank you, Chair.

The Chair: Thank you.

We will now move back to Ms. Mendès.

[Translation]

Mrs. Alexandra Mendès: Thank you very much, Mr. Chair.

My question is for Ms. Francoeur.

The 2013 report of the ombudsman, Mr. Daigle, described the extremely stressful conditions in military housing and the impact this had on families. He talked about humidity, mold, frozen pipes and all sorts of defects and flaws in the homes. You are telling us that the current state of the housing portfolio is somewhere between average and good. Is that because you took the ombudsman's complaints into account? Is it because you did what needed to be done to make the homes habitable?

Ms. Dominique Francoeur: Indeed, thanks to the investments made over the last few years, the condition of military housing units has improved greatly. In fact, 87% of the portfolio is now deemed to be average or above average. This is the direct result of the investments.

Mrs. Alexandra Mendès: Is this due to the ombudsman's report?

Ms. Dominique Francoeur: It is not necessarily due to the ombudsman's report, because we already had plans to invest in order to improve the portfolio. It had begun...

Mrs. Alexandra Mendès: Why did it have to reach that point?

Ms. Dominique Francoeur: Pardon?

Mrs. Alexandra Mendès: Why did things have to reach that stage?

Ms. Dominique Francoeur: Before the creation of the agency, that portfolio had been seriously neglected. As I explained earlier, the units were managed individually by each base and each squadron.

Mrs. Alexandra Mendès: I understand that, Ms. Francoeur, but your agency was created in 1996 and we are talking about 2013.

Ms. Dominique Francoeur: That's true, but we started investing and improving the portfolio in 2004. It takes a long time to reach an acceptable level. We can't change everything overnight.

There is also the fact that we can't do major interior renovations when the houses are occupied. That is difficult. However, we can work on the outside. That is what we did and that work is ongoing. We are continuing to invest in order to ensure that we no longer have these problems, as you pointed out, whether we are talking about mold or other things. Things are not perfect yet. We are not finished. We are continuing to work on this.

[English]

The Chair: Monsieur Lefebvre.

Mr. Paul Lefebvre: On a go-forward basis, you are coming up with your operational requirement policy review. That's what's going on right now, correct? By 2017 we should be getting a report from you.

Could you give us the pillars? You said it's well under way, that things are coming along well. Could you give us a sense of what we should be expecting? I believe this committee will be asking for that plan once it is issued to make sure you are held to account. Could you give us an idea of what that plan looks like?

Mr. Bill Jones: Chair, and member, thank you for the question.

There are two areas to look at. One is the policy framework. That will describe the number of military housing units we'll need, the types of units, the location, and that type of thing, in order to meet military operations, and so forth. That should be completed by next winter, 2017. Second, once we have the requirements for the program, the property management plan, if I can call it that, should be completed within the following year. Hopefully, we'll be able to do some of the property management stuff in tandem with the policy review.

Mr. Paul Lefebvre: We have Madame Francoeur telling us that you have a good control of inventory, that you know what you have, that you know the state of houses down the road; the roofing, the internal plumbing, everything's under control. But you're telling me now that you're also coming up with another plan. I'm not sure I understand correctly.

• (1000)

Mr. Bill Jones: Again, it's the policy. We need to know from the military how many houses they need, what types, what location.

Mr. Paul Lefebvre: On a go-forward basis.

Mr. Bill Jones: On a go-forward basis. That is being put together.

Mr. Paul Lefebvre: So we know what we have now. We have complete control.... Again, I'll turn to the Auditor General for that.

Mr. Bill Jones: Right.

Mr. Paul Lefebvre: In your report you touch upon inventory controls. Maybe Mr. Stock or Mr. Ferguson wants to talk about whether the inventory controls are adequate.

Would you both agree with that?

Mr. Michael Ferguson: At the time we did the audit, as mentioned in paragraph 5.51, we essentially could not get access to the information in the system about the condition of the housing units. We've been told that since we did that work, the system and the information have been updated and they have captured that type of information. That's not something we audited. At the time we did the audit, we weren't able to get access to sufficient information.

If the agency has now got in place a system that will keep track of the condition of the units, that's a good thing. One thing I would like to mention, though, is we've seen—and this isn't a criticism per se of the agency or the department, but this is something that we've seen in a lot of audits—that many times when new systems are put in place and we come along later and we do an audit, we find that the data that are put in aren't very good.

I would encourage the agency to make sure that not only do they have this new system and not only have they populated the data in the system at the beginning of the system, but also that they have a good quality management process in place to make sure the information they are maintaining in that system is of sufficient quality and can be used to manage the program adequately.

The Chair: Thank you very much. We're way over our time.

Mr. Godin.

[*Translation*]

Mr. Joël Godin: Thank you, Mr. Chair.

I want to go back to what the witnesses said earlier.

Mr. Jones, you spoke to me about the Valcartier military base barracks which were upgraded to welcome Syrian refugees. You said that that was not a bad thing because military personnel will be able to use them. Is that proper management of the public purse?

Since the refugees did not settle in Valcartier, the objective of that expense was not met, but you are saying that that is all right because the money was simply used to improve the barracks, and this will allow military personnel to have better infrastructure.

As I see it, money was spent, and whether the expenditure was judicious or not, the goal was not met. You are saying that that is okay because military personnel will be able to benefit from it, but is that sound public management?

[*English*]

Mr. Bill Jones: Thank you, Mr. Chair, and to the member, thank you for the question.

As indicated previously, we did not know that Syrian refugees would not be temporarily located at bases and wings. That only transpired after the fact, when the government was able to find lodging in the private sector, and so forth. We didn't know before the fact. We put in place a program to provide it as a backstop, and we appropriately renovated as best we could. We think that much of those funds will be used for the benefit of troops and cadets, and so forth going forward. In that sense, the money is not lost.

[*Translation*]

Mr. Joël Godin: Today, everyone's objective is to optimize the use of public funds so as to increase effectiveness in the housing portfolio. We want to see the best possible use of the money that is invested.

If you were in front of a genie who had a magic wand, what tools would you ask for in order to be more effective?

[*English*]

Mr. Bill Jones: Mr. Chair, the member's question is a great one.

The number one issue, which I would like to make clear, is as the Auditor General specified in his report exactly what the military requirements are for the military housing program. Once we have that clear, then we can prepare and manage the portfolio appropriately.

• (1005)

[*Translation*]

Mr. Joël Godin: Since we have been housing military personnel for many years, I am wondering why the decision to keep a housing registry was only made now. Why wait for an auditor general's report to react and implement a plan to improve effectiveness?

I think that you have a daily responsibility for maximizing the effectiveness of your operations. And consequently I wonder why a plan and measures were not put in place earlier.

[*English*]

Mr. Bill Jones: Chair, responding to the member again, thank you. That's a great question.

As I've indicated, we did not have a clear plan. We need to have that clear plan. We need to set forth what the exact requirements are, the location for military housing, and so forth. Things have changed over the years. The issue of defence is much different from what it was five, ten, or fifteen years ago. There is a policy review ongoing, or certainly the consultation will soon be launched. There are many things that have changed. We need to have that clear policy and know the military requirements for this program to be appropriately managed.

I agree, then, with the member, Chair.

[*Translation*]

Mr. Joël Godin: A lot of things have changed, but the housing and rhythm of military lives have not changed much over the past years. You say that you are starting consultations, but the fact is that the agency was created in 1996. I find this an extremely long reaction time, and that is why we are wondering about public expenditures. Canadian citizens want to see professional government agencies manage the money that is sent to Ottawa properly.

I wonder why that was not done sooner. That is the question I am asking you.

[*English*]

Mr. Bill Jones: Again, Chair, I think it was done previously. It wasn't done as well as it could have been done. It wasn't clear. There was not clear direction as to how many units we need at Valcartier, how many at Petawawa, and so forth, and what types of units, or as to how the military has changed.

That's what we're working on. Again, I can only reiterate that I agree with the Auditor General and I agree with the member. We need to do a better and clearer job of knowing exactly what are the policy and military requirements.

The Chair: Mr. Christopherson, we're going to give you five minutes.

We've gone back to the order of the first round. Then following Mr. Christopherson, we'll go to Mr. Harvey and Ms. Arya.

Mr. David Christopherson: Thank you.

I'd like to follow up on the questioning of my colleague Monsieur Godin.

To me, that's still the heart of the accountability piece. Obviously, at the end of the day, going forward is the priority, but in order to do that, you have to understand where you've been.

I share Monsieur Godin's concerns. If this were brand new, I would hear your argument: we need to have a master plan, we need to know what we need, and then we'll decide what components of the various housing provisions will meet that need. That all makes a lot of sense. But we've been doing this for—what?—more than 100 years. You said that the last time you didn't quite get it right.... I'm sorry, I didn't write down your exact words, but they were to the effect that you didn't quite get it right, or it wasn't acted on. How was that? How could that be?

Again, you said that things have changed. I agree with my colleague. You still go to sleep in a bed at night; you still get up; you have a washroom; you have a kitchen. There are basic needs. How did that change? I'm still not satisfied that there has been proper accountability as to how we got here on a subject like this, when the answer you're giving is one that a committee such as this should have heard 100 years ago. Then, as things go on, you revise it, you tweak it, and you improve it. But to come in and say you're going to look at a master plan doesn't explain why the last one failed.... All you have said is that it wasn't sufficient.

Why did it fail? Where did it fail?

• (1010)

Mr. Bill Jones: Chair, and to the member, again thank you for the question.

I would remind the committee that 85% of members of the military live off base, if I can put it like that, not in military housing. The military housing program represents approximately 15% of military personnel. Many of them, as I—

Mr. David Christopherson: Sir, excuse me. Isn't it fair to say that you have an obligation to make sure there is adequate housing, whether it's provided by you directly or whether it's out in the market? It just doesn't cut it to tell me that for 85% of them...you make it sound as though you're not responsible for them.

Mr. Bill Jones: Absolutely, Chair. Again to the member, thank you.

The point I was going to make is that over the last 50 years or more, we have moved.... More members were originally housed on base. That has changed over the years for a number of reasons. It has changed because of the preference of some members; it has changed because of a government policy, and so forth. Many things have changed over the last number of years. Those are some of the issues we need to look at going forward.

Currently we are looking at revising what the defence of Canada will look like. That is the new policy review currently taking place. It will have implications for bases and wings across this country. In turn, it will have implications for whether we house more or fewer members on bases and wings.

We are in the process of a dramatic change here in terms of how we defend Canada, if I can put it that way. That's my opinion. These

things have to be sorted out so that we can put in place an effective property management plan.

Mr. David Christopherson: Fair enough. I asked for change, and I understand that, so we're getting somewhere.

I don't have a lot of time. Let me just ask you this. Do you have a number that reflects any personnel and/or their families who are in crisis, meaning that they're in inadequate housing right now and it is recognized that they need to be moved? Do we have anything acute like that?

Mr. Bill Jones: I'm not aware of that statistic, and so forth.

Mr. David Christopherson: Now that this has been made public, if there are cases, you're going to hear about them now, and I hope we would too.

MGen Derek Joyce: On that note, sir, we do have a very robust family support program within the Canadian Armed Forces. We have a family resource centre on each and every base and wing. We have hotlines and emergency lines. We have a very robust chain of command as well that takes care of our people and our families. So if there are cases out there, the expectation is that they would be quickly identified and then resources would be put towards supporting that family and that member.

Mr. David Christopherson: That's what I was hoping to hear, and I appreciate that.

I have one last thing. With the time I have left, Chair, I would ask the Auditor General a question.

Is there anything else, sir, that you want to bring before us that you haven't had a chance to enunciate or to respond to on any of the questions we've been asking?

Mr. Michael Ferguson: Mr. Chair, I would simply reiterate the things that we identified in the report that need to be rectified. I think we have heard a serious undertaking on the part of the department to deal with this. Of course, as we've heard, there are some fairly long-term time frames here: 2018, 2019, and moving forward.

What's important is to make sure that the commitment and the engagement that we've heard today from the department are at the institutional level rather than just being commitments and feelings of the individuals here. As we get into 2019 and then actually into implementation, before we can see what this plan is and how it's going to be implemented, that will be beyond my term as Auditor General. It may be beyond the term of some of the people sitting at the table today. Really, what's important is to make sure the organizations have institutionalized this, to make sure that the commitment is a commitment that exists, not because some people in the bureaucracy right now are committed to it, but because the organization is committed to it.

• (1015)

The Chair: Thank you, sir.

We will now move to Mr. Harvey.

Mr. T.J. Harvey (Tobique—Mactaquac, Lib.): Thank you, Mr. Chair.

My question piggybacks on the comments that Mr. Ferguson just made regarding the accountability of the process going forward, and specifically in terms of information being updated.

You talked about updating the information around the inventory and the upgrades that are being done to the inventory on an ongoing basis and how the system has been refreshed and updated. But as Mr. Ferguson said, a lot of times every pillar within government moves at such a pace, and audits...that it's hard to get continuance because people are always changing by the time things come around again.

With regard to the inventory and that ever-changing flow, how does that process look on a go-forward basis? How are you ensuring that the information is being updated, or how are you planning to ensure that the information is being updated? Is that on a quarterly basis? Is it twice a year or yearly? How does that process look? That's what I would like to know.

Ms. Dominique Francoeur: Thank you, Mr. Chair.

One point I'd like to clarify is that prior to the system upgrade, it's not that we didn't have condition assessment data, but it was done locally through a database, so the information existed. Some of the observations, though, were that at different sites, the information was not necessarily put into the system in a timely way during posting, and that kind of thing. Now, by having it done centrally with the right training for everybody, we're sure that the information will be input properly and will be consistent everywhere across the 25 sites. On top of that, we are also monitoring it. There is an oversight that will be done on a semi-annual basis, I think.

Also, every time a project is done—for instance, we just changed 25 furnaces—the information will be input into the system right away so we have a clear picture of all the conditions of every single house. There will be oversight on a more regular basis, which was not necessarily the case before. It was done every three years but now it will be done more regularly.

Mr. Chandra Arya: Mr. Chair, I would like to refer to paragraphs 5.32 and 5.33 regarding the private housing market. The Auditor General noted that when National Defence approved military housing requirements of about 12,000 units, he had not considered how the private housing market could have met the needs of Canadian Armed Forces members. He also showed that the private housing market analyses performed in Halifax and Valcartier could have generally met the members' needs.

I would like to have a comment on that please.

Ms. Dominique Francoeur: Our agency, in part of our planning, conducts some market analysis. This is part of our regular business. At the time of these particular two studies, we were in the middle of assessing whether there would be other options to deliver the program itself, just the overall program.

At that time, we didn't consult per se in terms of.... You cannot just transfer some 600 families, let's say in Valcartier, by suddenly saying that we are closing the site, and then send these 600 families into the economy. We cannot do that without really consulting the private sector. That's part of the next phase. We will do that. We will use the market studies that are recent for doing that which is part of various scenarios to meet the operational requirements at each base.

Over the years, we've divested several sites. When I said we went from 22,000 to 12,000 houses, we've closed Vancouver, Moncton, Pleasantville, Shannon Park, Ste-Foy—we're in the process of doing that—Calgary, Griesbach in Edmonton—

• (1020)

Mr. Chandra Arya: Do you foresee any further reduction in the number of units you manage?

Ms. Dominique Francoeur: It will depend on the operational requirements. The adjustment that we continue to do right now is based also on the vacancy. We look at that and if there are surplus units that are not worth investing in, we continue to do that. For the future, it will depend on operational requirements.

The Chair: Thank you very much.

I would like to ask a few questions. Mr. Godin gave me the opportunity to do that.

What is the vacancy rate right now?

Mr. Christopherson asked, in regard to the kind of smoking gun, if you will, about people who are living in poor conditions. On the other side of that, do we have a high vacancy rate right now? What is the vacancy rate?

Ms. Dominique Francoeur: It depends on the site.

The Chair: Let's say basically overall. In the report somewhere I read that you can bank on a 15% vacancy rate only because of renovations, fixing up, and repairs.

Ms. Dominique Francoeur: I probably have between 1,000 and 1,200 houses out of the 12,000 houses.

The Chair: How many of them would be in the private sector?

Ms. Dominique Francoeur: None.

The Chair: None?

Ms. Dominique Francoeur: This is just crown housing. The 12,000 units are managed by our crown housing.

The Chair: But do we have right now housing out there owned by the private—

Ms. Dominique Francoeur: No.

The Chair: All right.

You're trying, though, to understand what the housing is valued at based on the free market, based on the private sector. Is that correct?

Ms. Dominique Francoeur: Based on the economy, that's right, the private sector market in close proximity to whatever base.

The Chair: So we're at 12,000. Why the big difference between the Leigh Fisher report? He comes out with this report saying 5,800; the brass in the military go crazy, and no, no, we need 12,000.

Was it a poor job directing those who were doing the study on exactly what was needed? It seems that it was such a massive difference.

MGen Derek Joyce: Thank you for the question.

I think that you hit on it there. One of the key issues, I believe, is that the underlying principles that were used in the Leigh Fisher report were not socialized, were not completely agreed to by the commanders of the army, navy, and air force. The actual study itself was not as scientifically rigorous as we're undertaking right now. As a result of that, when the report was presented to the commanders, there was a significant amount of hesitation, of concern, that we'd be reducing the portfolio too much. As a result of that we went out, as I mentioned, and consulted with the grassroots, with the base commanders of the army, navy, air force, and wing commanders to determine what their operational need is.

This time around, we're taking a rigorous scientific approach to it. We have agreed-upon principles that I referred to earlier so that we have a solid framework to move forward with the army, navy, and air force so that, when we come out of it, we're going to have a recommendation that we can develop a portfolio based on operational requirements, based on our succession planning needs, and based on other obligations we have to foreign militaries and to our ill and injured members. When we have this framework that we can move forward on, we're going to have a much better product, and a product that's going to instill confidence in the commanders of the army, navy, and air force that we're going to be able to take care of the families that we need to.

The Chair: Part of the mandate of this committee is to make sure that the department, the bureaucrats, or whoever else there is delivering on the policy objectives are doing that. Our Auditor General stated it today. These are long range. I am thankful to the deputy minister who sent us a detailed action plan on the Auditor General's report, but it seems to me that some of these are so far down the road. As a committee what we're mandated to do is make sure that there is follow-through. That's why you're here today. If we were to ask you back here in six months... I don't know if there would be any reason to ask you back in six months because the first report strategy is going to be the winter of 2016 into 2017, and then, depending on that, there's another one. It's going up to 2019. You're confident that it's going forward now, but the dates are so far in advance.

What are the benchmarks along the way that we can follow up on and say, "Okay, yes, they appeared before committee. They were there with the Auditor General. They gave us an action plan, but they basically said that they can't really do anything until they see that plan in spring of 2017"? There must be some way, though, that we can determine whether you're reaching certain short-term goals before then.

• (1025)

Mr. Bill Jones: Chair, thank you, and it's a great question.

I think, as we've tried to explain there—and I'll reverse the order this time—in terms of the property management issues and so forth, many of those changes are in place, such as the new information management system. I take the good advice from the Auditor General. Now we have to make sure that what we've populated that information management system with is good information, and so forth. We need to work on that. So perhaps in a year's time you could ask us, "Well, how is the information management system? Have you been able to rely on the information? How do you know it's good information, and so forth?" That's one issue.

In terms of the policy, in terms of in a year's time, will you be able to look at us and ask, "Well, have you been getting more funding upfront at the beginning of the year and that's allowed you to plan better? Tell me how you've been allowed to plan better, and so forth". Those are some of the constraints the Auditor General is talking about. But in terms of the policy, I think in a year's time you'll be able to say, "You're on your way to that policy. Have you got the military operational requirements? Can you talk about those?" I think a member mentioned what are the pillars of this policy. It may not go through all of the government processes, and so forth, but at least you could try to give us some of the pillars or some of the main parts of that policy.

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

We'll now move back to Ms. Shanahan.

Mrs. Brenda Shanahan: Thank you very much, Mr. Chair.

I'd like to ask now about the people, the tenants themselves, who they are and how they're chosen. It was mentioned that they come knocking at the door, and yet there's an operational requirement, so there must be some kind of criteria before people can apply for housing.

To make full disclosure, I lived in institutional housing myself, in a completely different operation, but I saw quite a few things, including behaviour that was not always consistent with the goals of the housing program, and that's human nature. If you have solved your housing problem in a way that's satisfying to you, why would you want to move? People tend to nest somewhere and to stay put.

The second thing around that is that I worked on a military base, at Saint-Jean-sur-Richelieu, for six months—actually doing financial education—in 2007-08. It was an honour and a privilege to be there. We were providing education to recruits and to officers. But let me tell you, even though it was not my role to counsel people financially, it became a huge concern and a huge need. It was clear that members had financial problems and were heavily in debt. Supporting a housing need would clearly go a long way towards helping that.

That's what I want to get to a little bit more: the personal aspect. I'm not for or against, but it goes to this pillar. Are the Canadian Forces in the business of providing social housing? That's a big thing, and if it is what's happening, then it needs to be properly provided for.

I want to ask a couple of technical questions. Is it intended to be temporary housing? If so, what is the turnover of tenants? What kinds of arrangements do they have with the agency? How are the market rental rates assessed, if indeed they are?

Again I would like to ask Mr. Ferguson to respond to that risk of a taxable benefit blowback, which could be serious for people who are already in financial difficulty.

• (1030)

The Chair: I think there are two questions, one maybe for Ms. Francoeur and then the other for the Auditor General, from what I understood, Ms. Shanahan.

Go ahead.

Ms. Dominique Francoeur: Thank you, Mr. Chair.

The first question was about the people and how they are selected. They are not selected. This is strictly their choice. They have the option to go live in the economy, as we say, in the private sector, or to come and ask for a house from the agency locally. That's strictly their choice.

In terms of your technical question about how the rent is assessed, up to 2013, the rents were assessed by CMHC. That's not just for DND. It was the appraisal by the official appraiser, if you like, for all crown housing, including the houses owned by the RCMP, or Parks Canada, and so on. There was a whole process for how to assess them. We were working with CMHC identifying benchmarks on some typical houses and adjusting the rest of the portfolio. The rent was established that way, compared with the local market. That was the basis of assessing all the housing. It has to be in accordance with the market rate and according to policy.

Since 2013, when CMHC decided not to provide appraisal services anymore, we've been applying, starting with the values that CMHC provided at the time, the latest. We are now applying the consumer price index, which is the escalation factor that we use. We apply it across all the sites, and other departments are doing the same thing as an interim measure until we are told by Treasury Board—it's a Treasury Board policy—

Mrs. Brenda Shanahan: These rental rates would be applied to people who are already in the units, so it's like a rental board type of thing.

Ms. Dominique Francoeur: Yes.

Mrs. Brenda Shanahan: What is the turnover? Do people ever leave?

Ms. Dominique Francoeur: In housing? Yes. Military families move around.

Mrs. Brenda Shanahan: Okay, that's the operational thing. I get that.

Ms. Dominique Francoeur: To give you a number, we turn over about 3,500 families a year out of 12,000. There's a lot of movement every year. Some people, though, have longer postings than others, so they may stay longer, but it could be two or three years. They may decide to move when the economy.... Again, it's totally their choice. If they have longer postings, they may decide to buy a house as opposed to renting. That's an option for them. Or they may decide to rent in the economy as well, depending on their particular circumstances.

The Chair: Thank you.

It's back to our Auditor General. We're out of time on that question, but we'll....

Mr. Michael Ferguson: I'll just start by saying that before I became a civil servant and joined the civil service in the province of New Brunswick, early in my career I worked in the private sector in an accounting firm. One of the reasons I changed careers was that I wasn't very good at income tax.

Some hon. members: Oh, oh!

Mr. Michael Ferguson: To the question that you asked, it wasn't something we specifically looked at. Certainly there is always a risk

when an employer is providing a benefit to an employee that there could be a taxable benefit, but I couldn't give you an opinion on whether there's an issue here or not, because as you well know, the Income Tax Act is quite complex, and you would have to go through all of that. It wasn't part of what we looked at in the audit, and I really wouldn't be able to give you an opinion on it.

The Chair: We'll go back to Ms. Zahid. She had a question. Questions are being answered as we go here, so we're down to the last questions.

Mrs. Salma Zahid: I have one good question.

As per paragraph 5.54, the OAG recommended that the agency "should regularly capture and update its condition assessment information to ensure it is accurate and available to inform decisions." Perhaps the Auditor General could share with the committee some examples of information used by the agency that, in his opinion, was not reliable.

• (1035)

Mr. Michael Ferguson: Again, I think it goes to what we mentioned particularly in paragraph 5.51, where we say that they use information from a national database to set priorities for their annual spending plan, but at that time, the information was not always reliable. The agency told us that the information wasn't regularly updated as required, and that the information had not been updated since October 2014 because of software concerns. When we were in doing the audit, it was difficult to find that type of information, and the information didn't exist at that time in the database.

We've since heard today that they've made changes and put in place a system. In terms of problems with the accuracy, it was simply that we were trying to get access to that information through the national database, and it wasn't available at the time we did the audit.

Mrs. Salma Zahid: Are you satisfied with the department updating that information annually, or do you think you would need biannual or quarterly updates on the information?

Mr. Michael Ferguson: It's the type of information that, with the way information systems work today, you would expect the information would be updated as it becomes available.

Again, there are a few aspects to maintaining information in this type of a database. One is making sure that at the moment the information is captured, it is captured and available to be used, and it's easily accessible once it has been captured. Again, as I mentioned earlier, another aspect is also to make sure there's a quality control system in place to make sure that as information is being captured, it is accurately entered, and you don't have conflicting information or you're not entering things like, for example, a furnace that was added to a particular unit, but you've put in the wrong unit, and it was actually added to a different unit. How do you make sure you have quality control over the data? I think that's the other aspect that would be important here.

Mrs. Salma Zahid: Thank you.

The Chair: We'll now go to Mr. Lefebvre.

[*Translation*]

Mr. Paul Lefebvre: Thank you, Mr. Chair.

I want to follow up on the chair's comments regarding the time you will need to develop your plan. We are talking about 2017 and 2019 before we see a more concrete plan we could follow.

I would like to ask the Auditor General whether other departments take years to develop concrete plans, and whether this is normal?

Mr. Michael Ferguson: Often, it is difficult to prepare a complete plan. So it is not surprising to hear that it will take a certain time to prepare a complete plan. I have no comments to make on the time needed to complete such a plan.

Mr. Paul Lefebvre: I will now address the representatives of the Department of National Defence.

Who is working on this plan at this time? The time required to develop it is important. Why will it take so long?

[English]

MGen Derek Joyce: The best way to respond to your question is to say that it's actually a two-pronged plan. We have two phases and they can be somewhat concurrent, but the reality is that step one is we need to identify what the operational need. The first step in that initial phase, in fact, is doing a scientific assessment based on the pillars in the foundation that I discussed earlier. The second step is to actually draft the policy. Drafting the policy takes time, to be frank, and we're going to have to go to the Treasury Board, and that also takes time.

Once we have the policy in place, we can hand it over to CFHA, which can then put its real estate plan into effect.

Ms. Dominique Francoeur: I'd like to add to this.

[Translation]

We work in parallel. It is not as though I were waiting for this with my arms crossed. We will certainly work in parallel, except that we must have an approved policy that reflects the direction the government wants to take.

Mr. Paul Lefebvre: We are starting from square one. There is no policy at this time.

• (1040)

Ms. Dominique Francoeur: There is one.

Mr. Paul Lefebvre: Why will it take a year to review it?

Ms. Dominique Francoeur: It has to be reviewed, and the changes may be quite substantive given the operational needs.

Mr. Paul Lefebvre: What is the process...

Ms. Dominique Francoeur: There is an internal consultation.

Mr. Paul Lefebvre: And where are you on that? What is going on? Who is working on this plan?

Ms. Dominique Francoeur: The chiefs of military personnel of the three sectors, the army, the navy and the air force are the ones who are determining the needs. As for the plan to meet operational needs, my assistant deputy minister Mr. Pitfield, the agency and I will develop it.

We are going to work on parallel tracks, but of course there will also be a lot of consultation. We have to wait and see what direction the government will take on this. Before holding consultations, we have to know if we are meeting the government's needs. There will

be a new defence policy and the Minister of National Defence will have to take it into account and consult his colleagues.

[English]

The Chair: Thank you, Mr. Lefebvre.

Mrs. Mendès.

Mrs. Alexandra Mendès: Thank you, Mr. Chair.

If the government is defining a new defence policy, and I imagine that's what you're referring to, are we talking about number of personnel or are we talking about operations? What are we talking about?

Mr. Bill Jones: We're talking about all of the above. The minister will launch the consultation process in the very near future to outline all of those issues and others in terms of what a new defence policy for Canada should look like.

Mrs. Alexandra Mendès: What is the current number of active military personnel? Do you know?

MGen Derek Joyce: We currently have approximately 66,000 regular force members in the Canadian Armed Forces.

Mrs. Alexandra Mendès: Sixty-six thousand—

MGen Derek Joyce: Regular.

Mrs. Alexandra Mendès: —and only 12,000 units are managed by yourselves, managed by National Defence. Is that it?

MGen Derek Joyce: That's correct.

Mrs. Alexandra Mendès: Is all the other housing in the private market?

Ms. Dominique Francoeur: In the private sector; they live in the private sector.

Mrs. Alexandra Mendès: Or abroad, if they're stationed abroad.

Ms. Dominique Francoeur: Yes.

Mrs. Alexandra Mendès: What about the bases abroad? Are they managed by the agency too?

Ms. Dominique Francoeur: No.

Mrs. Alexandra Mendès: Are they managed locally?

MGen Derek Joyce: In fact, from my own experience, I did a posting in the United Kingdom and they had a system that was quite similar to what we have set up here. There's no relationship between CFHA and that organization. Every country that we're posted to as military members, if they have military housing in the area, they will have a similar or slightly different type of military support.

Mrs. Alexandra Mendès: I'm talking about Canadian bases abroad.

MGen Derek Joyce: Canadian bases abroad?

Mrs. Alexandra Mendès: We don't have many left, I don't think. There was Germany—

MGen Derek Joyce: I don't believe we have any Canadian housing abroad.

Mrs. Alexandra Mendès: Not in Germany?

MGen Derek Joyce: No.

Mrs. Alexandra Mendès: So there's none left abroad. Okay.

I guess that's it for me.

The Chair: Thank you.

To piggyback on the last question, with the new strategy being brought out by the Minister of National Defence and the department, do you foresee in any way that this will stall any of what we've talked about this morning?

Mr. Bill Jones: Chair, that's an interesting question. I would answer it by saying, no, I think it will help to bring more clarity to the needs of this important program. Therefore, if anything, it could help accelerate and raise the priority of this.

The Chair: In the detailed action plan for the Auditor General's report recommendations, National Defence responded that it will compile a reconciliation at the end of every fiscal year that will report housing rental revenues received and expenditures incurred within National Defence related to and in support of military housing operations. In addition, National Defence will approve capital funding to the agency through resource allocation decisions made as a result of the departmental three-year integrated business planning cycle.

Where exactly will National Defence report this? Will this be reported to Parliament? What role will Parliament have? Is this in some internal report? What is the methodology here of reporting?

• (1045)

Ms. Dominique Francoeur: There are two aspects to this recommendation.

The first one is capturing all the expenditures related to housing. Just so you know, as an agency I have to publish an annual report. In there I have financial statements that are published. This has been in place since the beginning of the agency.

In terms of the expenditures that are outside of CFHA, such as PILT, payment in lieu of taxes, this information is also captured. It will be made available.

The Chair: It's public.

Ms. Dominique Francoeur: It is.

The Chair: It's provided to Parliament, then.

Ms. Dominique Francoeur: Yes, it is.

In terms of business planning, which is the second part of that recommendation, as Mr. Pitfield said before, the department now has approved funding through the business cycle. The regular business cycle process has approved funding for the next three years for the agency.

The Chair: All right.

Thank you very much for appearing before us today. We look forward to some very positive developments in the strategies, I guess, to secure good use of taxpayers' dollars as well as to make sure that some of these deficiencies are recognized and dealt with.

Again, thank you for being here today.

The meeting is now adjourned.

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