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Chair

The Honourable Kevin Sorenson

Standing Committee on Public Accounts

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• (1530)

[English]

The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)): I call the meeting to order.

Good afternoon, colleagues and guests.

This is meeting 117 of the Standing Committee on Public Accounts on Monday, November 5, 2018. I would remind all that we are televised today, so we have a good number in the audience. If you would turn your cellphones or other devices to silent mode or vibrate, please, that would be greatly appreciated.

We are here in consideration of “Report 2—Disposing of Government Surplus Goods and Equipment”, of the 2018 Spring Reports of the Auditor General of Canada. We're honoured to have with us today a long list of witnesses.

From the Office of the Auditor General, we have Mr. Jerome Berthelette, Assistant Auditor General of Canada, and Martin Dompierre, principal; from the Department of Public Works and Government Services, Ms. Marie Lemay, deputy minister, and Nicholas Trudel, director general, specialized services sector, integrated services branch; from the Canada Revenue Agency, Mr. Bob Hamilton, commissioner of revenue and chief executive officer, and Kami Ramcharan, chief financial officer and assistant commissioner, finance and administration branch; from the Royal Canadian Mounted Police, Mr. Dennis Watters, chief financial and administrative officer; and from Shared Services Canada, Mr. Ron Parker, president, and Mr. Stéphane Cousineau, senior assistant deputy minister, corporate services.

Welcome.

If time permits, colleagues, we may go in camera at the end of this meeting, although I don't necessarily foresee it. I don't want to cut any questions short, as we have a number of departments here today, but if we do have time, we will go in camera.

Also, if we have more time than expected, we may look at the Phoenix report, but I'm not certain that we'll have time for that.

We will turn this over to you, Mr. Berthelette. We've seen you at many of these meetings. You've come and addressed us before. Welcome.

Mr. Jerome Berthelette (Assistant Auditor General, Office of the Auditor General): Thank you.

[Translation]

Mr. Chair, thank you for this opportunity to discuss our spring 2018 report on the disposal of government surplus goods and equipment. Joining me at the table is Martin Dompierre, the Principal who was responsible for the audit.

We completed our work on this audit in March 2018, and we have not audited actions taken by federal organizations since then.

All Government of Canada departments and agencies have movable assets, including vehicles, furniture, machinery, and other goods and equipment. When a federal organization no longer requires assets, it can dispose of these surplus assets by either transferring them to other departments or agencies, or by selling, donating, recycling, or scrapping them.

[English]

Under the Surplus Crown Assets Act, Public Services and Procurement Canada is responsible for the disposal of all surplus assets unless this authority has been given to another department or agency.

This audit focused on whether selected federal organizations disposed of surplus goods and equipment at the appropriate time and in a manner that maximized benefits. These benefits included selling assets for the best possible return, reusing or refurbishing assets that were still in good condition, donating assets to organizations that could benefit from them and disposing of assets in an environmentally sustainable way.

Overall, we found that the Government of Canada's accounting suggested that federal departments and agencies sold their surplus assets for less than two-thirds of the value estimated as the assets' remaining future benefit to the government.

On the basis of our analysis, we found that all federal organizations chose to sell surplus assets rather than extend their use by transferring them to other federal organizations. Efforts to transfer assets through GCTransfer accounted for just over 4% of total requests to sell or transfer assets during our audit period.

In addition, three of the four organizations we audited didn't always do costing analysis to justify their decisions to sell assets instead of choosing another disposal method. At these organizations, 65% of the files we tested didn't have costing analysis to justify the disposal method selected.

We also found that the Canada Revenue Agency had adopted practices to reuse its own assets. These practices resulted in savings of more than \$4.5 million over three years.

● (1535)

[Translation]

Finally, we found that Public Services and Procurement Canada (PSPC) was effective at selling the goods that it received through GCSurplus. However, we found that the department had little incentive to pursue other disposal methods because the department depended entirely on commissions from the sale of government assets to operate GCSurplus.

We are pleased to report that all four federal organizations agreed with our recommendations.

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. Berthelette.

We'll now move to the Department of Public Works and Government Services with Ms. Marie Lemay.

Ms. Marie Lemay (Deputy Minister, Department of Public Works and Government Services): Thank you very much, Mr. Chair. I want to thank you and the members of the committee for this opportunity to discuss the Auditor General's report on the disposal of surplus goods and equipment in the Government of Canada.

As you've said, I have with me at the table Nicholas Trudel, who is the director general of the specialized services sector. Also in the room with us is Marty Muldoon, who is our chief financial officer.

The focus of the audit that we're here to discuss was to determine whether federal organizations disposed of surplus goods and equipment at the appropriate time and in a manner that maximized benefits.

[Translation]

As to the scope of the Auditor General's report, three of the recommendations relate to the departmental disposal of surplus assets, which falls under the responsibility of each organization.

A fourth recommendation relates to a common service, the GCSurplus program, which is provided to government departments and agencies for the disposal of their surplus assets.

I will take a few moments to explain this common service provider role. If you have any questions later, Mr. Trudel and I will be able to make clarifications.

GCSurplus offers advice and guidance to departments on disposing of surplus assets. This includes offering solutions related to reusing, recycling and end-of-life disposal in an effort to reduce its physical, financial and environmental footprint.

[English]

GCSurplus also provides an online platform for the disposal of assets through sale to the public. Assets can be posted on gcsurplus.ca, which provides Canadians with a platform to view, bid on or buy surplus Government of Canada assets through a closed bidding process. It's a bit similar to Kijiji or eBay.

Users can bid on assets ranging from sleeping bags to office furniture to vehicles. The website is supported by 10 sales centres across Canada that house and distribute surplus assets.

With GCSurplus, we always strive to obtain the best value for the Crown. I would like to note that the Auditor General's report found that PSPC was effective at selling the goods through GCSurplus. In 2017-18, the website processed over 29,000 sales transactions, with approximately \$57 million in gross proceeds of sales.

Within the GCSurplus program, we also offer what's called GCTransfer, a platform for federal government materiel managers to advertise and transfer surplus assets from one department or agency to another. Through this online platform, all members of the federal public service can view assets available for transfer.

[Translation]

I would like to point out that the scope of GCSurplus is limited in a few respects. First, there are certain departments that are not required to dispose of their assets through PSPC. Some of those have been given the authority, either by legislation or under the Directive on Disposal of Surplus Materiel, to manage their own disposition efforts.

Second, departments are responsible for the life-cycle management of their assets, including their disposal. They are not compelled to use the disposal services provided by PSPC unless they dispose of their assets through sale. Departments can make their own decisions to donate surplus materiel, transfer it to another department, or simply scrap it.

● (1540)

[English]

Now I'll turn to the Auditor General's findings. I can tell you that my department has accepted in full the findings and recommendations of the Auditor General, and we have put forward an action plan to effectively address each recommendation.

As the department responsible for disposal decisions around our own assets, our action plan includes several measures.

PSPC will review its asset life-cycle processes to ensure the disposal of its own assets meets the criteria laid out by the Auditor General, and we pledge to do this in the most cost-effective manner.

We will undertake a review to identify mechanisms to donate surplus assets in a fair and transparent manner, and PSPC will implement a standardized process to document disposal decisions. We've committed to implementing this process no later than spring 2019.

Our action plan also includes enhancements to our role as a common service provider, in particular by expanding services under GCSurplus and by encouraging the donation and reuse of assets across government.

It's important to note, Mr. Chair, that PSPC is limited in its scope. As I mentioned earlier, departments are by and large free to do what they want with their surplus assets without involving the common service provider, GCSurplus.

In addition, we are bound by the Treasury Board policy on management of materiel and their directive on disposal of surplus materiel when it comes to the disposal of surplus materiel through donation or transfer. According to the directive's requirements, decisions related to donation or transfer are made by the department disposing of the surplus asset. Once a decision to donate is made by the department, that department is directly responsible for making that donation. GCSurplus currently plays no role in donating surplus goods on behalf of other departments.

That is why we've engaged with the Treasury Board Secretariat to explore how GCSurplus could assist departments and agencies with donations of surplus assets by matching them with suitable charitable and non-profit recipients. We're looking at possibly leveraging our existing platforms and processes to make it easier for departments and agencies to donate in an open, fair and transparent way.

[Translation]

To this end, GCSurplus is leading a test of a proof of concept to see if we can find a new method of disposing of assets that contributes to the Government of Canada's broad social goals—helping under-represented communities and groups that face social inequities, as well as groups that promote environmental responsibility.

In June 2018, the first donation case was launched in the National Capital Region, in collaboration with the RCMP, who had approximately 400 first aid kits for donation. Feedback and lessons learned from this case will help inform a proof of concept. It will be evaluated for one year to establish overall service requirements for a potential pilot strategy.

In addition, the department has also agreed to conduct an analysis of all types of assets by class to determine whether they can be transferred for donation or reuse.

We will also engage with the material management community to increase awareness and encourage the use of the GCTransfer tool. Collectively, we expect these actions to be completed by spring 2020.

[English]

I want this committee to know that my department takes great pride in our stewardship of public funds, and our responsibility to efficiently dispose of surplus assets is part of that. I can assure you that we are fully committed to meeting the recommendations of the Auditor General while respecting our current policy, and we believe that we have a sound action plan to make it happen.

That said, Nicholas and I are happy to answer any questions you may have regarding the actions that I've laid out here today and how we intend to go through them.

Thank you.

The Chair: Thank you very much, Ms. Lemay.

We'll now turn to Mr. Bob Hamilton, commissioner of revenue and chief executive officer of the Canada Revenue Agency.

Welcome, sir.

Mr. Bob Hamilton (Commissioner of Revenue and Chief Executive Officer, Canada Revenue Agency): Thank you very much, Mr. Chair, and thanks to the committee for giving me the opportunity to appear before you today in my capacity as commissioner of revenue and chief executive officer of the CRA.

With me is Kami Ramcharan, who is the CFO and assistant commissioner of the finance and administration branch at the agency.

[Translation]

We are pleased to appear before you today to discuss the findings, as they relate to the CRA, of the Office of the Auditor General's spring 2018 report which assessed the disposal of Crown assets.

As a matter of process, the CRA seeks to extend the use of its Crown assets before it considers replacing or disposing of them. This approach is good for the environment and ensures sound management of public funds.

• (1545)

[English]

Once CRA assets are no longer required but are still in good working order, the CRA initially offers the assets for reuse within the agency or, where practical, offers them for transfer to other federal departments and agencies prior to considering other methods of disposal.

For example, the CRA routinely donates surplus IT equipment, including computers, to programs such as Computers for Schools and the CRA's own community volunteer income tax program.

As noted in the report, while the CRA is not subject to the Treasury Board policy, the agency manages its disposal of assets in compliance with internal policies and directives that are similar to Treasury Board policies. This is made possible by the CRA Act, which gives the CRA full authority over all matters relating to general administrative policy, including the management of its resources, services, property, personnel and contracts.

Mr. Chair, the CRA welcomed the Auditor General's positive assessment regarding the CRA's reuse and refurbishment of its surplus assets. As you heard earlier, the Auditor General's report also found that over the fiscal years 2014 to 2017, the CRA's practices resulted in savings of more than \$4.5 million compared to the cost of buying new furniture.

In addition, the report provided four recommendations to maximize benefits when disposing of Crown assets, one of which refers to the CRA: to review our internal processes to facilitate the donation of surplus assets. We feel that's a good suggestion, and we will undertake this review.

The CRA welcomes the opportunity to work in partnership with other organizations to create a government-wide approach that would facilitate an efficient, fair and transparent donation process.

This concludes my formal remarks. I welcome any questions the committee may have about the CRA's disposal practices.

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

We will now move to the Royal Canadian Mounted Police and Mr. Dennis Watters, chief financial and administrative officer.

Mr. Dennis Watters (Chief Financial and Administrative Officer, Royal Canadian Mounted Police): Good afternoon, Mr. Chair and honourable members of the committee. Thank you for inviting the RCMP to speak to you today in view of “Report 2—Disposing of Government Surplus Goods and Equipment”, of the spring 2018 reports of the Auditor General of Canada.

I am joined today by my colleague Nathalie Guilbault, our director of materiel and movable assets, to help answer specific questions you may have on the RCMP's action plan relating to the report.

[*Translation*]

The RCMP agrees with the recommendations of the Auditor General and is working to implement an action plan that addresses the three recommendations related to our organization.

As with the other federal departments, the RCMP is responsible for adhering to the TBS Policy on Management of Materiel, which states that disposal of surplus materiel assets is concluded as effectively as possible, as soon as possible after they become surplus to the requirements of program delivery, and in a manner that obtains highest net value for the Crown.

[*English*]

The RCMP will take this—that is, the best value for the Crown—as the overarching criterion as it moves forward in addressing the audit recommendations relating to the RCMP.

I will now summarize the Auditor General's recommendations and the RCMP's action plan.

The first recommendation is that the RCMP review the asset life-cycle processes, including procurement, to facilitate and encourage the transfer and reuse of assets.

The RCMP will address this recommendation in its entirety by December 31, 2019, with a number of expected outcomes. There will be a complete review of asset life-cycle processes. A finalized disposal guidance document will be provided to those with delegated financial signing authority for disposal of materiel assets, encouraging the use of GCTransfer across the RCMP prior to GCSurplus where feasible. Options for solutions for the reuse of internal RCMP assets will be examined and implemented where deemed feasible and cost-effective.

The second recommendation is that the RCMP should review internal processes to facilitate the donation of surplus assets.

Again, the RCMP will address this recommendation in its entirety by December of 2019, with a number of expected outcomes. Internal processes will be reviewed relating to the donation of surplus assets. Discussions will continue with the Treasury Board Secretariat regarding the directives pertaining to the donation of surplus materiel. Public Services and Procurement Canada is working on an initiative intended to facilitate the donation of surplus assets in an

open and transparent manner. The RCMP has been engaged with PSPC in supporting this initiative with a proof of concept. Should it become successful, a pilot is anticipated for 2019-20.

The third recommendation is that the RCMP should keep sufficient documentation to justify the disposal methods they selected. The RCMP should consider standardizing their forms to ensure consistency, and consider all factors when making disposal decisions, such as disposal cost, asset value and environmental impact. Again, the RCMP will address this recommendation in its entirety by December 31, 2019, with a number of expected outcomes. We'll develop a disposal form for the RCMP that allows for the documentation of disposal decisions while strengthening the approval process. We'll implement an electronic approval system that aligns with the delegated financial signing authorities and allows for performance measuring and reporting.

● (1550)

[*Translation*]

The RCMP is confident that the expected outcomes of the action plan will address the recommendations of the Office of the Auditor General. The RCMP will ensure internal processes are reviewed and will encourage all methods of disposal including transfers, reuse, and will facilitate donations. The RCMP will ensure that all factors are considered when making disposal decisions in an effort to dispose of surplus goods and equipment in a manner that maximizes benefits to the Crown.

Thank you for the opportunity to speak to you today. My colleague Nathalie Guilbault and I look forward to answering your questions.

[*English*]

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

Last but certainly not least, we will move to Mr. Ron Parker, president of Shared Services Canada.

Go ahead, Mr. Parker.

Mr. Ron Parker (President, Shared Services Canada): Thank you, Mr. Chair.

I too am pleased to be before you today on this Auditor General's report. I'm accompanied by Stéphane Cousineau, Shared Services Canada's senior assistant deputy minister.

As members of this committee know, SSC was created in 2011 with an ambitious and unprecedented mandate to modernize the Government of Canada's IT infrastructure. We deliver email, data centre, network, and workplace technology services to departments and agencies to support the delivery of government programs and services.

[*Translation*]

Our organization is mandated with completing the largest public sector merger in Canadian history.

There have been some challenges, but we have made real progress in enabling digital services to Canadians.

The best way to sum up this progress is by looking at our customer satisfaction survey results.

[English]

Those results have consistently been on an upward trend since the first survey three years ago. Everyone at SSC takes pride in these results. They reflect the tremendous determination of our employees to serve our customers with quality services.

To build on this momentum, we have welcomed a number of new faces. Last year alone, over 1,200 employees joined our department. This was an important milestone for our organization. It demonstrated that we are becoming an employer of choice for people who are looking to build their careers.

Our mandate also received a very significant boost in budget 2018. It provided over \$2 billion to SSC over six years to ensure that the Government of Canada is properly resourced to address evolving IT needs and opportunities and can properly and proactively address cybersecurity threats. This investment represents a renewal and a reset for SSC. In particular, budget investments are helping us undertake a thorough review of our asset base so that we can better manage the infrastructure we have and identify critical needs, including the disposal of those assets. This will ensure effective and efficient management of existing government IT assets, from their identification to their maintenance to their disposal.

It may sound straightforward, but when SSC was set up, there was no comprehensive database cataloguing the assets the department inherited from 42 other departments in over 8,000 locations across Canada and the world. As such, one of our ongoing challenges has been to make sense of this very complex environment. Not only the asset base but also how those assets are connected to each other is a big question. As I said, we're making good progress.

I'd like to turn now to the recommendations from the report, which we have accepted. I'm pleased to note that we have taken action in response and have implemented all of the recommendations. We also continue to work with our stakeholders to ensure that all processes are being followed.

• (1555)

[Translation]

Allow me to provide a few updates on the three recommendations that apply to us.

Recommendation 40 noted that Shared Services Canada should review its asset life-cycle processes to facilitate and encourage the transfer and reuse of assets.

[English]

In response, we are defining the full life cycle of materiel management, including the development of a more robust materiel management operating model. This will result in a singular view of asset management across the department's service lines that will include security and logistical requirements, performance metrics and disposal strategies. It will also allow us to continue leveraging the Computers for Schools program for Android and iPhone devices.

The recommendation in paragraph 2.41 noted that SSC should review its internal processes to facilitate the donation of assets. In

response, we put in place an approved standard for materiel transfer and donation. It outlines the process and parameters that cost centre managers must follow for surplus materiel and equipment. In response to the recommendation, we will also continue to monitor and assess the standard and look for opportunities for improvement.

Finally, the recommendation in paragraph 2.53 notes that SSC should keep sufficient information to justify its disposal methods. In addition, the organization should standardize forms and consider cost, value and environmental impact.

In response, Mr. Chair, we updated our processes, practices and tools as part of efforts to keep sufficient documentation to justify the disposal of assets. Today, all of our managers have to use the new template that requires justification of the disposal decision. As well, we undertook communications and engagement activities to raise awareness among stakeholders and get their feedback and participation in the new approach.

Mr. Chair, as it continues to implement these decisions and actions, SSC will collaborate closely with its partners to ensure that the disposal of surplus assets is conducted in an efficient, cost-effective and responsible manner.

Thank you, Mr. Chair. This concludes my opening statement. Mr. Cousineau and I are happy to take your questions.

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

We'll now move into the first round of questioning.

Monsieur Massé, you have seven minutes.

[Translation]

Mr. Rémi Massé (Avignon—La Mitis—Matane—Matapédia, Lib.): Thank you, Mr. Chair.

First, I would like to thank all the witnesses who are here with us. We are very pleased that you are participating in the committee's work. I also thank your respective teams who helped you prepare for this meeting.

Mr. Chair, if I may, I would like to come back to the opening statement by Mr. Berthelette from the Office of the Auditor General, from which I will read an excerpt:

On the basis of our analysis, we found that all federal organizations chose to sell surplus assets rather than to extend their use by transferring them to other federal organizations. Efforts to transfer assets through GCTransfer accounted for just over 4% of total requests to sell or transfer assets during our audit period.

Ms. Lemay also mentioned in her opening remarks that "GCSurplus offers advice and guidance to departments on disposing of surplus assets."

My first question is for you, Ms. Lemay.

Does your department provide advice to departments so that they use GCSurplus more than GCTransfer?

• (1600)

Ms. Marie Lemay: It is up to the departments to decide whether they want to sell, transfer, donate or recycle their assets.

In our new approach, we are clearly promoting the transfer, but of course, it is up to the departments. As the official from the Office of the Auditor General pointed out, the profits from sales go to the departments, but in the case of transfers, there are no profits.

Mr. Trudel is in charge of the program and can give you more details.

Mr. Nicholas Trudel (Director General, Specialized Services Sector, Integrated Services Branch, Department of Public Works and Government Services): We promote transfers first, before sales. The transfer percentage is low because one department has to need a surplus asset from another department. Most departments make full use of their assets before disposing of them, so they are very used. Often, to reduce their costs and to have more modern equipment, departments consider purchasing new equipment, not reusing an asset that is at the end of its useful life.

Mr. Rémi Massé: Thank you.

My next question is for Ms. Lemay again.

Are departments solely responsible for determining the final use of their assets? If not, is a central agency responsible for developing major policies or guidelines in this area?

Ms. Marie Lemay: Actually, we're all subject to the Treasury Board directive.

Where there is some latitude is in the area of donations. The current Treasury Board policy doesn't allow PSPC or GCSurplus to make donations on behalf of departments. The departments are the ones who must deal with it directly.

We are trying to see if there is any openness on the part of Treasury Board. We are in the process of testing, and there will be a pilot project. We started with the RCMP, in fact, with PSPC's assets. We are currently examining the possibility of promoting donation. We will need Treasury Board's support for that, but there seems to be some openness on this. We hope that this can work.

Mr. Rémi Massé: Thank you. I appreciate your answer because I sort of had the same opinion.

As MPs, we manage offices in our respective ridings. We are trying to use the services to make donations, particularly for technological tools or computers that have reached their expiry dates. I must admit that it is quite difficult to make a donation, although the needs are great in a region like ours, where people's economic situation is quite difficult. I'm glad to hear what you're telling us.

Do you think the Treasury Board Secretariat should modernize its policy or directives to facilitate the work of PSPC and the departments it serves?

Ms. Marie Lemay: We are working with the Treasury Board right now. The first step is to see if there is a need for this and how donations, organizations and different departments can be matched. There seems to be a desire and need in this regard. I'm convinced that if this is positive, the Treasury Board will help us to make this change.

Mr. Rémi Massé: That's great.

I'll now turn to the representatives from the Canada Revenue Agency.

The representative of the Office of the Auditor General mentioned that the agency had adopted certain practices to reuse its own assets. It seems to be working well, since it has saved the agency \$4.5 million, if memory serves. I know that the agency isn't subject to the Treasury Board's policy.

Mr. Hamilton, could you explain what allowed the agency to reuse its assets in another way?

•(1605)

Mr. Bob Hamilton: Thank you for the question.

Our situation is a little different from that of other departments. We have more power over the direct sale of our assets than other departments. The agency has imposed a moratorium on its desks and chairs, among other things. The agency's policy is to transfer used assets from one office to another for reuse. As you mentioned, this measure has been a success and saved a lot of money. Our power is a little different from that of other departments.

[English]

The Chair: Thanks, Mr. Massé. Your time is up.

We'll now move to Mr. Kelly.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you. I'll continue with the CRA.

If I understood it correctly, the CRA offers equipment to other departments of the federal government through GCTransfer. Do you also participate for acquisition purposes with that program?

Mr. Bob Hamilton: As mentioned, we have some unique authorities. We have more authority to buy and sell than a normal department does. In this case, in the example we were just referring to, we actually had a policy of forcing ourselves to reuse furniture within the agency. There was a moratorium on buying new furniture. You had to reuse first. That results because of the authority that we have, but also because of a policy that we put in place.

Also, on a broader scale, we can donate equipment to schools, and we have our own community volunteer program and can provide surplus IT equipment to them.

Mr. Pat Kelly: Thank you.

On the \$4.5 million in savings identified by the Auditor General, is that basically all a function of just making do with older furniture? Is the furniture piece really the key here?

Mr. Bob Hamilton: I would ask Kami if she wants to break that down, but certainly the furniture and equipment we have within the office was what the policy was targeted at, and that, as I understand it, was the main source of those benefits.

Kami, I don't know if you want to elaborate on that point.

Ms. Kami Ramcharan (Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch, Canada Revenue Agency): Sure. We were able to use an acknowledgement of our furniture, filing cabinets, chairs and those types of things. That's what we based our savings on. We had the moratorium, so if you were looking to buy a new desk or a new chair, we wanted to make sure if we had that—

Mr. Pat Kelly: Will this result in a postponed catch-up, or do you think that this is sustainable?

Ms. Kami Ramcharan: No, it is sustainable.

We looked at our savings over three years, and each year we had savings by virtue of doing that.

Mr. Pat Kelly: Okay, I might ask Ms. Lemay to comment then on the broader government.

If the CRA can make do with not replacing its furniture as quickly and save several million dollars, why isn't the rest of the government adopting that approach?

Ms. Marie Lemay: I'll tell you that from a PSPC perspective, we actually are very interested in learning from the CRA and looking at how we can develop our own system within the department's system. We're going to be seeing if there are opportunities there, and then other colleagues, I'm sure, will be interested in doing the same thing.

Mr. Pat Kelly: It sounds pretty straightforward. It sounds like they just said that they didn't need to buy a bunch of new filing cabinets, that the old ones worked just fine.

Ms. Marie Lemay: Yes. In our case, I know, the reality is that we keep the furniture for a fairly long time, but we do need to look into it. We'll look at anything that can make us better.

Mr. Pat Kelly: Thank you.

Talk to me a little bit about security with regard to the disposal of electronic equipment.

Just today, in talking to some staff on Parliament Hill, I heard an anecdotal story about boxes of Blackberrys being disposed of with active SIM cards still in them. This level of carelessness, I guess... This is the story that has circulated around the Hill. What steps are taken to make sure that something like that doesn't happen?

Maybe I'll get the CRA also to comment, because it has its own procedures. All government information is sensitive, but perhaps the CRA's is even more so than some.

Could you comment on security?

• (1610)

Mr. Bob Hamilton: Do you want me to go first?

Mr. Pat Kelly: Sure, if you'd like to.

Mr. Bob Hamilton: I can start. From the CRA perspective, I would say that, first and foremost, we work very closely with Ron and his team at Shared Services Canada in terms of the security on devices and what we have to do.

We, obviously, take every precaution to protect taxpayers' information. Because of section 241, it's the number one job in the CRA to do everything we can to protect that information.

I would say that overall the government has very strict policies on ensuring the security of information, and I would say that at the CRA, if anything, we try to be a bit stronger than that, just because of that elemental sensitivity of taxpayers' specific information.

Overall, I would say that what we do is very similar to what other departments and agencies within government do.

Mr. Pat Kelly: Then you have 100% confidence in your ability to manage the disposal of equipment with sensitive material on it.

Mr. Bob Hamilton: Yes.

Mr. Pat Kelly: I have a couple of moments left. Maybe I'll have both Mr. Watters and Ms. Lemay comment as well on the security aspect of the disposal of equipment.

Ms. Marie Lemay: If you don't mind, I think that Ron Parker or Nicholas would be really well positioned to answer.

Mr. Pat Kelly: Okay.

Go ahead.

Mr. Ron Parker: Sure.

There are guidelines as to the proper procedures to follow with respect to the disposal of those assets.

In terms of the specifics, Stéphane, do you have those handy?

Mr. Stéphane Cousineau (Senior Assistant Deputy Minister, Corporate Services, Shared Services Canada): Unfortunately, I don't, but having been a CIO in four different departments, I will confirm that, yes, there is a specific process that must be followed in terms of the procedure for destruction of, for example, Blackberrys, but also other devices.

The Chair: Would you mind getting that to our committee at a later date, please?

Mr. Ron Parker: Absolutely.

The Chair: Thank you.

Were we finished on that, Ms. Lemay or Mr. Watters?

Mr. Dennis Watters: Especially when it's for the disposal of some electronic information, be it computers, Blackberrys or whatever, I agree that there are processes to follow to make sure that the information there is not made accessible to the public, and we—

Mr. Pat Kelly: I just have a moment left.

I'll ask Mr. Berthelette to comment.

Were you satisfied with your findings around the security for the destruction of sensitive equipment?

Mr. Martin Dompierre (Principal, Office of the Auditor General): When we did our visit of sites, specifically the RCMP, we were informed that when they return computers from their vehicles, the hard drives are disposed of or shredded. There's a process that exists specifically for the disposal.

Did we test? Did we look at that specifically? No, but we were informed that there's a process that exists for the disposal of IT equipment through a—

Mr. Pat Kelly: Those procedures were not part of the scope of your study.

Mr. Martin Dompierre: No.

The Chair: Thank you, Mr. Kelly.

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

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

Thanks to all of you for your attendance today.

We have a report that is not necessarily good, but it's not horrible.

On page 2 at paragraph 2.10, we see the focus of the audit: "This audit focused on whether selected federal organizations disposed of surplus goods and equipment at the appropriate time in a manner that maximized benefits." The conclusion is in paragraph 2.62 on page 13: "We concluded that the selected federal organizations did not always dispose of surplus goods and equipment in a manner that maximized benefits."

It's a fail, but given what we've seen recently, I have to say that it's not the end of the world.

As for what really stands out, Mr. Hamilton, you should hope this meeting goes on forever, because the Canada Revenue Agency is looking great through this whole thing. I want to raise that because I think it's really important. Most deputies at one time or another have had a difficult time here at this committee. You in particular recently went through the meat-grinder on issues that still get referred to in terms of major problems at the Canada Revenue Agency, which I hope you're working diligently to rectify.

I think it's always fair and important for this committee to also go out of its way to give credit when an agency and a department has done well and has done things right. You're the gold star pupil in this one, Mr. Hamilton. I can't emphasize enough how positive this is for your organization. I would strongly recommend, whether it was you or other key people who made this happen, to tell yourself to keep going down that road and that you go out of your way to find out why that worked. What was the incentive that made it work?

I find it interesting and passing strange that the agency that did the best was the agency that didn't have help from Treasury Board. Everybody that had help from Treasury Board didn't do very well here. CRA, which did it on their own, did a great job. I wanted to point this out because it stood out. Even in the recommendations, it jumped out at me, and normally that stuff is meant to say what it's supposed to say. However, I thought it was very intriguing.

The response of the Canada Revenue Agency—and they were the only ones that I saw that took a government-wide perspective—was a simple sentence, but I thought it said a lot. I'm quoting the Canada Revenue Agency responding to the Auditor General's report: "However, a broader, integrated horizontal approach across government would facilitate an efficient, fair, and transparent donation process for both the donor departments and agencies and the receiving organizations."

Again, that tells me that they've thought this through. They've done a great job within their own organization. When the AG asked what could be done better, they were the ones who cast their eyes up

a little further and looked across the horizon and said, "You know, if we started to do some of these things across the whole government, we could do a lot better."

Again, I was one of those that came down on CRA on some of those reports, and I think rightly so, but I also want to rightly give all kinds of praise and credit to you, Mr. Hamilton, and to the CRA on this file. You've done an exceptional job. Believe it or not, you're now the standard that everybody else has to get to, so kudos to you.

I'm not going to have a lot of time left, but I wanted to say two things.

One, the big disappointment in here for me was data. At paragraph 2.63, the Auditor General says in conclusion, "We were unable to conclude on whether the selected federal organizations disposed of surplus goods and equipment at the appropriate time because organizations did not maintain sufficient documentation."

Really? After all these years of our saying that this is a priority and the Auditor General saying that this is a priority, we now find that when the Auditor General goes in, they can't even do the audit because they don't even have sufficient numbers to work with. Like, come on. I don't know when the deputies and these departments are going to start getting with it on data. It's not that difficult, yet it's something that keeps falling and falling. I for one am going to continue to press on this issue, and I'm sure our colleagues will too. We committed that this was a priority for this committee in this Parliament, and so far, across the board, most entities are failing horribly.

● (1615)

It's time to get your act together. That's the big rant on this one. That just jumped right out at me.

If I have the time, Madame Lemay, I also want to note that you received some credit. The AG said that GCSurplus did a good job, and they did, and you were right to point that out. Kudos to them.

The question I have is on the CRA. What it did best was finding the donations, but when I look at the rules around GCSurplus, I see that they're based on commission and profit. You mentioned that already. Is there something there we need to change so that the entity gets a financial credit?

Since they're already set up to receive commissions when they sell, is there some way you or the AG can think of that we could credit them with dollar value to create the incentive, so that GCSurplus would want, where it can, to make transfers?

Right now it appears to me that if they go with a transfer, they run the risk of losing a potential sale. They need that money because they're profit-oriented.

That would be my one question in terms of how we could improve things going forward.

Ms. Marie Lemay: Thank you for that question. I totally agree with you that we do need to look at that.

If you don't mind, I would like Nicholas to tell you a bit about what we're doing on that front on the donations. There's a proof of concept that's being done, so maybe he—

● (1620)

Mr. Nicholas Trudel: Thank you.

Possibly there's a disincentive to transfer, and I acknowledge that.

We've started to work with the RCMP on a first proof of concept on how we would donate. We started with a set of 400 first aid kits that could no longer be used because of partial expiry. We issued call letters, transparently, to charitable organizations, to try to find out who was interested.

The purpose of that was for us to figure out how we might do this—figure out the policies, the incentives, and how we should set up a program. In that first stage, which we anticipate finishing by the end of this fiscal year, by March, we hope to have a better idea of how this program might work.

Then we'll go to a pilot phase. We'll try to look at how we implement it at an institutional level. Just because it works on a handful of transactions doesn't mean that it will be a good program design.

That's where we'll start to look at what it costs us to make a donation: Is this marginal to our business and not really a big deal, or is this much more of a burden and we need to think about it differently?

If the results of the pilot show that it's warranted, we'll look at making it more of a permanent program.

The Chair: Thank you very much.

We're still on the first round.

Mr. Arya, you have seven minutes.

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

I too want to place on the record my appreciation of the CRA's performance in this context. The last time Mr. Hamilton was here, we were quite hard on the quality of the service provided by call centre agents. It's very rare that we see reports like this at this table.

Going to Shared Services, Mr. Parker, you mentioned 1,200 new employees. How many people do you have? It looks as though a big empire is getting built there.

Mr. Ron Parker: We now have about 6,400 employees.

Mr. Chandra Arya: How diverse is the employee force?

Mr. Ron Parker: With regard to diversity in the different groups examined, we're below on a number of the groups.

We are above on visible minorities, about equal on the aboriginal side—

Mr. Chandra Arya: You can send the exact numbers later. Thank you.

Mr. Ron Parker: I can send you the report.

Mr. Chandra Arya: Yes.

One of the things that the AG always refers to is the factors you use to measure the success of what you're doing.

Do you have something? You did mention the customer satisfaction survey results. Is that publicly accessible? What were the questions that you asked?

Mr. Ron Parker: Of course. It's publicly available.

As I mentioned, it's gone up consecutively for the last three years.

Mr. Chandra Arya: Are there any other measures you have in place to measure the success of what you are doing?

Mr. Ron Parker: We have established service expectations for all of the service clients we have. We have benchmarks now against the performance criteria, which will be reported through our departmental results to Parliament.

Mr. Chandra Arya: Now, with 6,400 employees, with an additional \$2 billion being invested in your department, as I said, you have an ambitious and unprecedented mandate to modernize the Government of Canada.

Trust me when I say I am scared to find out what will come out of it, especially with our experience with regard to Phoenix.

Mr. Ron Parker: What will come of it is better service to Canadians. I think that's the bottom line in terms of security and durability of the IT services they receive.

We already have established three enterprise data centres. We are in the process of equipping one in Montreal. We have new contracts for the provision of cloud services. We have improved cellular services. There is a wide range of—

Mr. Chandra Arya: There must be a method for the deputy minister of Public—

Is Shared Services part of your department, Ms. Lemay?

Ms. Marie Lemay: No, but we report to the same minister.

Mr. Ron Parker: We report to the same minister, but it's a separate department.

Mr. Chandra Arya: Okay, that's fine.

When we started three years ago, I think you came here. We were quite concerned at that time with the way things were going. If I recall, I mentioned in that meeting the things I heard from my constituents who were federal service employees, especially about the IT sector. At that time there was a complaint that the federal unions were not being adequately consulted. We have unions like PIPS, whose members are quite active in your organization. Are you in touch with the unions? Are you in consultation with them?

● (1625)

Mr. Ron Parker: Mr. Chair, we meet regularly with the unions, about once every three months. The whole management team participates in those meetings, and on any series of initiatives, a number protocols are followed to bring in the views of the unions and to provide for their participation.

Mr. Chandra Arya: Mr. Chair, I would like to ask Ms. Lemay something.

I just went to gcsurplus.ca to see what things are available for sale. One thing that popped up was a 2018 Chrysler with just around 2,700 kilometres being sold with a reserve price of \$25,600. I don't know the reason for the sale. Obviously we are taking a loss on this, but I am sure that many government departments are in the process of buying similar cars. Why is that one being sold? Why doesn't some other government department get it transferred?

Ms. Marie Lemay: Before I let Nicholas answer, I just want to remind you that we do not set the prices. The departments bring in the value.

Anyway, Nicholas, maybe you have more details on that specific one.

Mr. Nicholas Trudel: That particular vehicle I couldn't speak to, but I could speak to the sale of nearly new vehicles, which does happen. There are a number of reasons that these sales might occur. A typical example would be that Transport Canada has test vehicles, to test for emissions and road safety and so on. That testing involves mounting equipment within the vehicles and putting some mileage on them.

The question of what is the cheapest way to do this has been asked and re-asked, and for about 20 years the cheapest option has been to purchase the vehicle, use it to conduct the tests, and then resell it.

Mr. Chandra Arya: Why couldn't it be used by other departments that are planning to buy new vehicles?

Mr. Nicholas Trudel: Not all vehicles meet the requirements of their programs. There are specific vehicles that they buy for specific purposes.

Mr. Chandra Arya: I'm talking about a general car, a 2018 Chrysler. All the specifications are there. I can bet that in the next 12 months, several other departments will probably buy exactly the same model.

Mr. Nicholas Trudel: I couldn't say.

Mr. Chandra Arya: What type of surplus assets should be transferred and sold? Are there any sort of criteria?

Mr. Nicholas Trudel: Assets are intended to have a positive net worth, so it's not a garbage bin. The assets sent to us are intended for sale and should have a positive net worth. They should be safe for sale, so we don't handle firearms or—

Mr. Chandra Arya: No, what I'm trying to get at is that lots of chairs are being sold. There is a refrigerator being sold. If they are in good usable condition, why not have some other department use them? Why have they been put up for sale?

Mr. Nicholas Trudel: We do a fair amount of promotion of the transfer program, and with the Auditor General's results, we have pledged to redouble those efforts.

Moreover, the Government of Canada is a very large enterprise across the entire country, and there is a large cost in holding and storing end-of-life assets in the hopes that some other department might use them. We have a very lean organization. We don't have massive stocks of inventory. Our purpose is to receive and dispose,

and we try to do that in as timely a manner as possible so that we don't end up in the storage business.

The Chair: Thank you very much.

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

Hon. Rob Nicholson (Niagara Falls, CPC): Thank you very much. Thank you to all our witnesses today for your presentations. They were all very insightful and very helpful to this committee.

Ms. Lemay, you talked about the disposal of assets. One thing you said in your opening remarks was that we always strive to obtain the best value for the crown. I think maybe you heard Monsieur Berthelette's comments that very often these things are sold at less than two-thirds of their value. What do you think the reason is for that? Can you give us any insight on that? Do people expect that if they're buying it off the government, they're going to get a bargain, perhaps, or are there just not enough people aware of the site to go on it and check things out?

Ms. Marie Lemay: Again, if you don't mind, I'll turn it over to Nicholas. He has the daily experience with this. Maybe you have some insight on this area, Nicholas.

Mr. Nicholas Trudel: First off, there's a difference between the accounting value and the market value of what's purchased. We get 100,000, 90,000 site visits every month, and we have nearly 100,000 registered users. We believe we have a liquid market. When we post an asset, we feel that's a fair opportunity for it to receive value. As in any other auction, we know there will be a difference between what it was purchased for, its book value, and the market value. Those are all different things, but we feel we are getting a good value. I think the auditor's report acknowledged that.

• (1630)

Hon. Rob Nicholson: Monsieur Berthelette, perhaps you could comment on that, or Monsieur Dompierre. Is it that they're just getting two-thirds of the book value of it? I can appreciate that goods depreciate in value. Are they getting the market value, do you think?

Mr. Martin Dompierre: When we conducted our audit, we looked at 50 files per department. As has been pointed out, it is the responsibility of the department to do the assessment of the method it's going to be using to dispose. It does a costing of the value of the asset, and if it reaches a point that to sell an asset is more costly than the return, then it has to find another way of disposing of it. Other ways would be a transfer, a donation or recycling. It's the responsibility of the department to make that assessment.

As part of our audit we looked at these files and noticed that they were missing the information required to come up with a decision on which method is the best to use. That's why we have limited observations on the maximization of the benefit, because files were missing that information.

Hon. Rob Nicholson: I guess that's one point my colleague Mr. Christopherson was making—the lack of information. Indeed one recommendation with respect to donations, some of the background material, said that 84% of federal organizations rarely or never donate assets. I'm surprised that this is a new idea now, the idea of donating these things, or recycling them, as you heard CRA was doing at the time. What's been the problem? What do you think has been the holdup?

Ms. Marie Lemay: I will just give you my department's approach.

I think it's clear from the audit that we didn't document as much as we should have. As for saying that there was no process, we didn't document it well enough and we will make sure that we do so in the future. We're reviewing the process for doing that. We're actually going to be looking at making sure that we really document how the decision is made.

Regarding the assets sold in the period that covered the audit, there were 2,000 items, I believe. For us that was a book value of \$42,000. For PSPC it really was not a lot. We actually got, I believe, \$600,000. We actually got a lot more than our book value.

As to our internal process, we're going to make it more rigorous. When it comes to donation, the challenge is partly finding the time to make sure that you do a fair and equitable donation process. That's what we're trying to do with the service provider side of things.

I'm wearing two hats here. From the service-provider side, we're looking at how we could set up a system that will make it easier for departments, that will be a fair and equitable process, and that will allow for the donation to happen. We have to find the right way to make this fair and equitable. That's why we're doing these proofs of concept. We're going to do a pilot. We're working with Treasury Board. We believe there's an opportunity, but it's not easy right now for departments to go down that route and do it in a fair and equitable way.

Hon. Rob Nicholson: Is it possible that there might be a liability if there is some problem with the product? Do you think that is part of the hesitation that's taken place over the years?

Ms. Marie Lemay: Yes, I would say that's part of it. Those are all the different elements that we're trying to assess through this two-step process before we recommend a program. Maybe we can't donate all the different asset types. That's what we're trying to see. Does it work better in a specific category? How can we make it easier, but with the proper rigour, while making sure that it's fair, open and transparent?

Hon. Rob Nicholson: The idea of recycling or reusing office equipment or other assets is something else that makes a lot of sense. It would be pretty straightforward to—

Ms. Marie Lemay: Yes. There's internal reuse, which I think you've heard CRA did with success. I think other departments are doing that, but not in as documented a way and not as rigorously as CRA.

Then there's the transfer between departments. That's the platform from a service provider, which we'll have to promote even more. Maybe it's a question of the categories of assets we can find, and

really putting some emphasis to make sure there's a transfer. We have to spend a little bit more time on this.

• (1635)

The Chair: Thank you very much.

We'll now move to Mr. Chen, please, for the second round of five minutes.

Mr. Shaun Chen (Scarborough North, Lib.): Thank you, Mr. Chair. I want to thank all the guests who are before our committee today for providing their testimony.

My first question is to the Auditor General's office. Exhibit 2.2 on page 7 of the AG's report gives a summary of the number of items that were requested to be transferred or sold per federal organization. The numbers are all over the map.

I know that CRA operates under different policies that they developed because they're not subject to the Surplus Crown Assets Act. With respect to the other departments, you see Shared Services Canada at a ratio of one to three, for example. For every item they transfer, three are sold. In contrast, if you look at the RCMP, for every item they transfer, 133 items are sold. For every item Public Services and Procurement Canada transfers, 24 are sold.

Can the AG shed light on this discrepancy? Is it simply the culmination of individual actions within those departments? Is there any factor that relates to the type of assets and whether they are more easily sold or transferred than others, or are we dealing with comparable or similar items when we track these assets?

Mr. Martin Dompierre: Basically, the table was constructed with data coming from GCSurplus and GCTransfer. We wouldn't be in a position to provide information about what specific type of assets they are and if they relate to others. We requested each organization that was audited to come up with specific data on their transfers and the surplus assets that they sold. Finally, we did a comparison of that with the government as a whole.

I wouldn't be in a position to give you further information on the types of assets that were sold or transferred, or the trends among the given departments.

Mr. Shaun Chen: Generally speaking, these items would be chairs, tables, desks, computers and items of that nature.

Mr. Martin Dompierre: It could be chairs, as you say, or or boats, cars, vehicles, or any types of assets that the government has acquired to conduct its activities.

Mr. Shaun Chen: Fair enough.

I want to echo the comments made by a number of the committee members today and say congratulations to the CRA. What a wonderful job. As Mr. Christopherson said, there's a gold star here for you.

What I found really encouraging was what they had done, how they had done it, and the results that came out of those efforts. The AG's report specifically says, under paragraph 2.36, the following:

In July 2014, the Canada Revenue Agency introduced a moratorium that limited the purchasing of new office furniture. Before purchases could be approved, buyers had to show that the asset transfer website did not offer anything that served their needs. The Agency expected to save approximately \$2.3 million over three years through this initiative. Instead, the Agency saved more than \$4.5 million over three years.

That is a wonderful example.

Ms. Lemay talked earlier about wanting to learn from CRA, and I have a question for each of the departments. I'm looking for just a simple yes or no. Have you put a moratorium on the purchase of new furniture, especially after seeing the results of this audit? The AG has clearly demonstrated that there is a wide discrepancy across departments and that there are assets that could be reused. Have any of the departments here before us put a moratorium on the purchase of new furniture or equipment in light of these findings so that we can better make use of the assets the government departments do hold?

• (1640)

Ms. Marie Lemay: I can tell you that we have not yet, but we are looking into it.

Mr. Shaun Chen: Okay.

Can the RCMP comment?

Mr. Dennis Watters: As mentioned, we will be looking at our life-cycle asset management and how we go about it. Anything that could help us be more efficient with our resources we will definitely look into. If that's one of the avenues we have to take, we will seriously consider it.

Mr. Ron Parker: SSC has not. We are still in the process of pulling together all of the employees who were transferred to us. We're therefore putting together hubs across Canada of particular groupings of employees and developing that office space.

Mr. Shaun Chen: I just want to note what the AG said very clearly in paragraph 2.37 with respect to the CRA's practice: "In our view, this was a good practice that could be applied to other federal [departments]." I believe the answers are all here. You have a model example through which we can learn, across all departments, to better use or reuse usable items and assets.

The Chair: Thank you, Mr. Chen.

Before I go to Mr. Kelly, I would like to wade into this a little bit.

I am actually fascinated with government surplus. I can remember, as a kid, hanging out at an auction ring where government surplus was sold. My parents would be frustrated and upset because I'd come home with this pile of junk, usually, at the end of the sale, but I loved it. I don't think you use the auction sale much now.

You say that you use Kijiji, Ms. Lemay. There is no dispersing of government surplus through mini-auctions, is there?

Ms. Marie Lemay: I'll turn it over to Nicholas, if you don't mind.

Mr. Nicholas Trudel: Generally, no; we use the gcsurplus.ca website, not Kijiji. It's similar to Kijiji, but it's not Kijiji.

The in-person auctions don't occur for the federal government. A decade or more ago, people would come to a site and make closed-envelope bids in blind bidding. That's how it used to be done.

The program has advanced enormously since then. A warehouse or a doorway auction may get a few dozen participants. I mentioned the traffic earlier; we have nearly 100,000 site visits. That makes us more confident that we have a fair opportunity for everyone to participate.

The Chair: Except that you could sit with that warehouse full for months.

Mr. Nicholas Trudel: No, we turn our inventory over quickly. We had 29,000 transactions last year. These are busy places. Assets come in and out quite quickly.

The Chair: At an auction sale, things in the auction ring are gone in one day. There are multiple people there at the time. They typically get caught up in the passion of the auctioneer and the bidding and buying.

To go back to Mr. Arya's comment about the 2018 Chrysler, it sounds like a minister's car, almost, or a deputy's. They maybe didn't like it. Are you allowed as employees to bid on those?

Mr. Nicholas Trudel: No, there are conflict of interest guidelines, so I myself have never purchased anything, and the closer one is to the operation of GCSurplus, the more one is restricted.

Also, the folks who handle the assets, who physically deal with them, aren't involved in determining the winning bid and so on. They don't have visibility of any of the bids. We've got that segregation of responsibilities to combat exactly that type of problem.

The Chair: Mr. Christopherson and others talked about the values of some of these items. The net book value of all vehicles, machinery and equipment disposed of in that year was \$67 million. The government received approximately \$42 million in proceeds from the disposal of those assets, so there's quite a discrepancy there in actual value.

In furniture, the book value was \$82 million, and proceeds were \$50 million. Again, that's a massive loss. Is there a chance that our book value is way out of line with what used furniture is worth? I know that in many businesses, you may want to depreciate certain assets quickly. Are we just maybe not putting the proper book value on things?

• (1645)

Mr. Nicholas Trudel: I can't really speak to the accounting. I can speak to the sale process, and I'm pretty confident that we're getting market value for the assets. I can't really speak to book value. I don't know the accounting practices in the different departments.

The Chair: All right.

Mr. Kelly is next.

Mr. Pat Kelly: Thank you, Mr. Chair.

That leads to exactly the line of questioning that I had intended to get into, and this is the question of accounting practice.

Yes, we all understand that for any given item, you have a book value, and the market value will be determined, I guess, when you put the item up for sale. The market value will be whatever somebody is prepared to pay for it, but on aggregate, across \$60 million worth of items, thousands of items, you ought to have a correct or close to a correct number for value. If the value that we are getting at the end sale is the real value, the market value, and the book value is 50% more than what we're selling for, if we're selling for two-thirds of what is on the books, that's a problem.

Does the Auditor General's office have concerns about accounting methods?

Mr. Martin Dompierre: As part of the audit, when we talk in paragraph 2.30 about the book value, those are the public accounts figures. Basically, we looked at specifically excluding assets that are controlled goods of National Defence and other movable assets, and the assets that are at play here are purchased for less than \$10,000, so it's not necessarily going to be showing furniture in these figures. I just wanted to put that out there in terms of providing context.

We did not specifically look at how each organization was specifically amortizing their assets to see if they were applying the right technique of amortization of their assets. We did not look at that specifically as part of the audit.

Mr. Pat Kelly: Do you think you'll need to, given the discrepancy between what's on the books and what the Crown is getting for these items?

Mr. Martin Dompierre: Maybe I should have specified that we have no specific concerns with respect to that. We are trying to depict here the whole of government in terms of what the net book value is and specifically the sale of these assets.

Mr. Pat Kelly: But I think Canadians would see that if the books say there is one value, and on the disposal of these items we're getting a different number that is only two-thirds of what's on the books, one of those numbers has a problem. We are either shortchanging the Crown in disposal of assets, or across the board, perhaps, we're mis-recording or misrepresenting the value of what's there. I think we need to address one of these two, and I suspect it's on the other side, on the disposal side.

Mr. Jerome Berthelette: Mr. Chair, in paragraph 2.30, right at the end, in the second-last sentence, we say, "These estimates suggest that federal organizations disposed of assets that still had benefits and could have been used by other federal organizations."

When you take the book value and you look at what it sold for, what it suggests is that there is still good life left in those assets, and that good life could have been used within other departments across government.

Mr. Pat Kelly: That, to me, suggests two problems. One is that departments of the federal government are not using items to their full lifespan. Even if a particular department doesn't have need for that item, it should be made available to another department. In the event that the sale of an item is deemed to be the most sensible way to go about disposal and there's no other department that would need that particular item, we ought to be getting the actual value of that item. If we are getting the actual market price for these items, then they're not being recorded correctly right now. I suspect it's the other way around, but I'm probably out of time, so I'll leave it at that.

The Chair: We'll definitely come back to you.

Mr. Massé is next.

•(1650)

[*Translation*]

Mr. Rémi Massé: Thank you, Mr. Chair.

My question is for Ms. Lemay or Mr. Trudel.

Mr. Trudel mentioned earlier, in response to questions he was asked, that the GCSurplus website had received about 100,000 views and 29,000 transactions, if I remember correctly.

Mr. Trudel, could you tell us about the number of people who are registered with GCSurplus? I ask because I am also interested in this kind of system. Since I like cars, I look at the many vehicles that GCSurplus offers. A few years ago, I wanted to buy a beautiful Prius that had a battery problem. I thought it might be interesting. However, the price asked was particularly high compared to what I wanted to pay. In some cases, I think the government is getting a good return on its investments. I also remember that, to register, I had to provide my credit card number and that, despite my experience with this type of transaction, I found the process relatively complex.

Could you tell me about how many people are registered with GCSurplus in order to use the service?

Mr. Nicholas Trudel: It's close to 100,000 people. Actually, I believe the number is 94,000.

Mr. Rémi Massé: Which category would you place these people in? Are they primarily companies that sell vehicles, or are they users, in general?

Mr. Nicholas Trudel: The vast majority of people visit the site for personal use because, like you, they want to buy goods. Still, a number of people do so with the intention of buying, reselling or using these goods for commercial purposes. About a quarter of users report having a commercial interest.

Mr. Rémi Massé: Okay.

Earlier, some colleagues asked you questions about the challenge of generating enough funds through GCSurplus to carry out your duties. I don't remember any mention of supporting you any further. I'm thinking in particular of modernizing your systems to make them more up-to-date. As I mentioned earlier, the site would benefit from an update.

Could you tell us how the government could support you further?

Mr. Nicholas Trudel: At the start of the next fiscal year, we want to introduce some features that would allow us to post the sale and, I hope, improve our financial results. This would include improving the transparency of auction sales, so that people can see the price that is winning.

Mr. Rémi Massé: Are the funds you have available during the fiscal year going to allow you to modernize the site, or do you have another strategy to get the necessary funds?

Mr. Nicholas Trudel: The program is fully funded by cost-based commissions. Our program is effective enough to allow us to make reinvestments, and we are very cautious about the funds we have.

Commissions are overseen by the Treasury Board. So you can't just write a cheque. However, we have some flexibility in the administration of the program. Thanks mainly to the efficiency of the latter, we will be able to reinvest in the modernization of the computer systems we need.

Mr. Rémi Massé: Thank you.

Mr. Chair, if I may, I have another question for Ms. Lemay or Mr. Trudel.

My memory is failing me. Year in, year out, what is your budget for GC Surplus? What are the organization's revenues as compared to its expenses, roughly speaking?

Mr. Nicholas Trudel: For the fiscal year that just ended. GCSurplus sold roughly \$60 million in products, and the program's operating costs were just under \$12 million.

• (1655)

Mr. Rémi Massé: Okay.

So the revenues generated from your sales covered your costs. You have no choice but to balance your budget, essentially, and to cover your costs. Is that correct?

Mr. Nicholas Trudel: Yes. The difference between sales and commissions, which is roughly \$50 million, is either returned to the departments that owned the assets or, in very rare cases, paid directly to the receiver general.

Mr. Rémi Massé: I have one last question on a completely unrelated topic.

Ms. Lemay, you said that you and the RCMP were looking at a kind of validation in principle of the ways donations are made. I see in your notes, however, that you also want to work with underrepresented groups and communities that might face social inequalities, for example. As I said at the outset, it would obviously be very worthwhile to help those groups or community organizations in remote regions such as ours. Can you briefly explain what you intend to do to provide greater support to those communities and organizations?

Ms. Marie Lemay: Yes, phases 1 and 2, which are the validation in principle and the first pilot project respectively, will help us determine that.

As you can well imagine, some thought and analysis are needed in order to be fair and transparent in offering those assets to organizations. That is why we can see, starting with very specific projects and very specific assets, whether there is really a way to launch and operate a long-term, transparent program.

That is what Mr. Trudel and his team are doing right now with the RCMP. There are also a few other programs, including the PSPC program. In fact, we also decided to launch a pilot project to dispose of our assets with the help of another part of our organization.

[English]

The Chair: Thank you very much.

We'll now go to Mr. Christopherson.

Mr. David Christopherson: Thank you, Chair. I have only five minutes, so I'll try to keep it tight.

The first thing I want to do is underscore Mr. Chen's excellent question on the moratorium. The AG identified that it was the moratorium that seemed to be the key to CRA's success in this regard. He asked for some comments back. They weren't all straightforward, and I get that—a moratorium's not always the complete answer—but the AG is suggesting it made a big difference.

I'm just asking colleagues that I think we should ask all the entities here to provide a more comprehensive answer, in writing, to us about the issue of the moratorium, as well as Treasury Board, because, again, CRA is outside their plans. If we're going to make some changes based on what CRA did, the way for them to be most effective is to do it at the Treasury Board level, which then applies across the board to all the ministries.

It was an excellent question, Mr. Chen, and I'm really glad you brought that out.

Second, Chair, at the risk of getting close to the line and hearing you say that I'm out of order, I'm going to skate up against it. There's a current article out on the National Post website about the fact that there were 631 new cars bought for the G7 conference at a price of \$23 million, and that most of them have very low kilometres—around 1,000 kilometres or less for some—and they're all put on sale at major discounts. It's an active file right now.

I don't have the time to hear the answer and then respond, but I would ask if the RCMP has anything to say about why we would go out and buy so many brand new cars, only to turn around and sell them all right afterwards. Was there no other way to do this? It's just a clear waste of millions of dollars.

To the AG, is there maybe something to look at going forward, Jerome? Motorcades are going to be needed in the future. I've been in them. We've all been in them when we travel. They're going to come up again. We belong to a lot of international organizations, to our credit and to our health—G7, G20, the Commonwealth, OSCE, and on and on. These are going to happen over and over. Surely to goodness we don't go out and buy hundreds of vehicles all over again every time we do this. We shouldn't have to start from square one.

Is there maybe something there that we can look at to avoid this situation? I understand more than most people that there are security issues, but still there's kind of a common sense issue here. As my friend Jack Layton used to say, this just doesn't pass the smell test.

Third, to the Auditor General, you didn't mention this, so I'm assuming it's not a problem. One of our witnesses did comment that you didn't find any backroom cahoots going on. I mean, when there's value to be had and money to be made, there's always the risk that people are making deals on the inside. You didn't mention it, so if you get a chance when you respond, you could just say no, that you had none of those concerns. I did hear some good answers, but I'd like to hear it from you that you were satisfied that there's no "silly bugger" stuff going on here.

Last, I believe there was a reference in the Auditor General's report, Madam Lemay, to GCSurplus and their inability to do long-term investments because of the way they're structured. If you get a chance, could you comment on that and give any suggestions for improvement you might have? That would be appreciated.

Thanks, Chair.

• (1700)

The Chair: There were a number of questions there. We are working on a little draft statement here, and we're hoping that you will be able to provide us some thoughts on that moratorium, but we'll read that a little later on.

Where do we start?

Mr. Dompierre or Mr. Berthelette, I think there was a question on perception of...I don't know. "Corruption" is a tough word, but there was a perception of insider deals. Was there any evidence of those? That was Mr. Christopherson's question.

Mr. Jerome Berthelette: Mr. Chair, the audit team had no concerns.

Mr. David Christopherson: Very good. I'm glad to hear it.

The Chair: Mr. Watters, go ahead, please.

Mr. Dennis Watters: Initially, when the G7 was coming about, we had to do some preplanning way ahead. At that time, for the G7 there was a lot of uncertainty about what dignitaries and what countries would be coming and how many would be part of the delegations that would be coming over to Canada.

We prepared a business case that compared the costs of leasing these vehicles versus buying them, and the business case concluded that it would be in the Crown's best interests to buy and then sell. We did do a business case for that.

Also, at the risk of repeating myself, at the onset it's very hard to say how many people are coming and how many vehicles you are going to need. I agree with you that it's a lot of vehicles, but the risk tolerance for those events, as you know, is pretty much zero. This is why. We worked with the security unit at the RCMP, and they were there to determine what the needs for the event were going to be. For sure we were not going to need all these cars once the event was finished. That's why, at the end of the event, instead of keeping the vehicles and doing nothing—we must be able to afford them as well—the decision was made to dispose of those vehicles.

Mr. David Christopherson: I don't have time to respond, or I would.

The Chair: Go ahead, Mr. Christopherson.

Mr. David Christopherson: Thanks.

The problem with that is you didn't look at any other options. Thinking off the top of my head, are there not any major dealerships that would love to get credit for providing the cars, and they do just that?

I believe one of the motorcades I was in had Audis, and they were beautiful vehicles. I asked, "Where did you get all these Audis?" They had cut a deal with the Audi manufacturer and they took the credit for it. They gave them the vehicles, they were used, and then they got them back. For them, the loss of the dollars was worth it.

Is there not any other agency in government that could make use of a vehicle like that?

Again, I hear you did the business case of lease and purchase, but one of the things we're talking about here is reusing and reallocating to other parts of government. I didn't hear you suggest that was looked at in the business plan, sir. That's one of the issues we're focusing on here today. That needs to be done more. It would seem to me that vehicles would be an asset that could be utilized across the country, because Lord knows we must own enough vehicles in the Canadian government.

Mr. Dennis Watters: I agree with you in the sense that we need... As part of our recommendation, we'll be looking at how we do our life cycle of assets. Like many other government departments, as the Auditor General highlighted, we don't spend enough time looking at the possibilities of transfers across government.

Mr. David Christopherson: Specifically in the case of motorcades, it seems to me there could be a template you could look at, and it starts with what you do about vehicles. You'd have thought this through ahead of time. It seems to me that you're starting all over again, reinventing the wheel each time, and I think we could do better. That's my point.

The Chair: Thank you, Mr. Christopherson.

Now we'll go back to Mr. Kelly and Mr. Nicholson on a split.

Go ahead, Mr. Nicholson.

Hon. Rob Nicholson: I have just one question here, Mr. Chair.

The more people go on these websites to bid on these things, the better off we all are in the sense that it would perhaps drive prices.

What is being done to advertise that? I appreciate you have 100,000 people, but in a country of well over 30 million people.... We see quite a few government ads for different things. Do any of them ever mention that people might be interested in purchasing equipment from the government and might go on one of these websites?

• (1705)

Mr. Nicholas Trudel: We use social media. There are some tweets. There is some limited promotion of sales through government channels. We don't purchase advertising.

Hon. Rob Nicholson: Do you think it might not be a bad investment to increase that at some point?

Mr. Nicholas Trudel: Just recently we conducted public opinion research about both the user and the non-user community. It's been published. We're using it to inform decision-making. We haven't done it until now, and we would be very careful about using taxpayer funding or raising our commission rates to pay for advertising. We haven't completed the work yet to decide whether to do that.

Hon. Rob Nicholson: I received a postcard a few weeks ago about cannabis in this country, and that came from the Government of Canada. Revenue Canada sends out things on a regular basis. There are advertisements. It seems to me that even just a small advertisement to people might dramatically increase the number of people who go onto that site.

That's just a thought.

Thank you.

The Chair: Thank you, Mr. Nicholson.

Mr. Massé, you're next.

[*Translation*]

Mr. Rémi Massé: Thank you, Mr. Chair.

I have a question for the people from the Office of the Auditor General.

Further to your recommendations, various topics have been discussed at this meeting. We have talked about expanding the donation of assets or facilitating their transfer to other departments.

You have heard our reactions. Before the meeting is over, are there any aspects we have not raised that you think warrant special attention from our committee? Do you have any other recommendations?

Mr. Martin Dompierre: You have covered the topic by focusing more on the potential transfer of assets. The federal government often sells assets right now, whereas you have talked a lot about transferring assets today. The other aspect is the donation system, and I think that is included in our recommendations. I think the committee has covered the key aspects that we chose to report to Parliament.

Mr. Rémi Massé: Do you also share the view of some people that, given the results of the work begun by PSPC and other departments, Treasury Board should consider modernizing or updating its policy?

Mr. Martin Dompierre: I completely agree that that would move things forward and enable the departments to use other existing tools. It is a logical step in the right direction to achieving that purpose.

Mr. Rémi Massé: Perfect.

That's all, Mr. Chair.

[*English*]

The Chair: Thank you, Mr. Massé.

I don't see any other questions, so I will thank each one of you for being here. It's good to have so many departments here, and our AG's office as well.

In the course of this meeting, perhaps there were questions or requests that were given that we would encourage you to respond to by sending in answers, updated information, or anything that our committee could use as we write a report on this meeting today.

I mentioned in regard to getting feedback from you on the moratorium that we may end up going a different route whereby we simply draft a letter and send it to Treasury Board or send it to the different departments. We would then request you to come back after we did some thinking on how we wanted to word that.

Thank you for being here. We wish you all the best as you work toward giving good value to Canadian taxpayers for the goods and assets that we dispose of.

Committee members, I would ask you to stay. We're going suspend and go in camera, so I encourage our guests to leave as soon as possible. We have some committee business that we have to discuss. It shouldn't take more than five minutes.

[*Proceedings continue in camera*]

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