



Directive on Disposal of Surplus Materiel

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Published by Treasury Board of Canada, Secretariat
90 Elgin, Ottawa, Ontario, K1A 0R5, Canada

Catalogue Number: BT39-5/2006E-PDF
ISBN: 978-0-660-09630-8

This document is available on the Government of Canada website, Canada.ca

This document is available in alternative formats upon request.

Aussi offert en français sous le titre : Directive sur l'aliénation du matériel en surplus

Directive on Disposal of Surplus Materiel

1. Effective date

This directive takes effect on November 1, 2006.

2. Application

This directive applies to all departments as defined in section 2 of the [Financial Administration Act](#), with the exception of paragraph 2(c) thereof, unless specific acts or regulations override it.

This directive does not apply to the disposal of intellectual property, records, information, financial assets, or seized or confiscated property.

3. Context

The Treasury Board [Policy on Management of Materiel](#) provides direction for the management of departmental materiel assets throughout their life cycle, and, with regard to disposal, requires that deputy heads ensure that:

"The 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, in a manner that obtains highest net value for the Crown, and in compliance with the Treasury Board [Directive on Disposal of Surplus Materiel](#)."

This directive sets out additional and more specific requirements that departments must meet during the disposal phase of the life cycle of their materiel assets. This directive is issued pursuant to the [Financial Administration Act](#), subsections 7(1), 9(2) and 62, and the [Surplus Crown Assets Act](#), subsection 3(1)(b).

4. Directive requirements

4.1 Departments must offer right of first refusal of all surplus personal computers, laptops, servers, monitors, keyboards, mice, printers, modems, hubs, network cards, hard drives, etc., to the Industry Canada Computers for Schools Program.

4.2 Departments must place all surplus books in Canada in the care or custody of the Librarian and Archivist of Canada.

4.3 Whenever practicable, departments must make surplus materiel assets available, whether gratuitously, at book value, or at market value, to other federal departments and agencies before disposing of them outside the federal domain.

4.4 When the estimated total costs (including the costs to the Crown Assets Distribution Directorate and Crown Asset Distribution Centres operated by Public Works and Government Services Canada [PWGSC]) of a disposal are likely to exceed the proceeds of sale, departments must consider and select one of the following cost minimizing options:

- a. gratuitous transfer of the surplus asset to another federal organization or to organizations in other levels of government in Canada, including First Nations, or to other national governments, treaty organizations of which Canada is a member, or the United Nations;
- b. donation of the surplus asset to a recognized charitable or non-profit organization;
- c. conversion of the surplus asset to waste in an environmentally sustainable manner; and
- d. other means of disposal, including sale through Crown Assets Distribution, but the latter only when gratuitous transfer, donation, conversion to waste or other means of disposal is not practical, feasible or economical.

4.5 When trading in surplus assets for which procurement through a standing offer is not mandatory, departments must:

- a. ensure that trade-ins are transacted as an integral part of the contracts for replacement assets;
- b. use the fair market value of the assets as the basis of contract negotiation; and
- c. ensure that the value of the trade-in is accounted for as the proceeds of disposal.

4.6 When the sale of valuable (market value exceeds disposal cost) surplus materiel assets at less than market value or to a limited market will serve the public interest more than sale to the public at market value, departments must ensure that the terms of each such disposal are approved by the minister through whom the department reports to Parliament.

4.7 When the donation of valuable (market value exceeds disposal cost) surplus materiel assets to designated recipients will serve the public interest more than sale to the public at market value, departments must ensure that the donation is authorized in writing by the minister through whom the department reports to Parliament. Departments must make these donations directly, i.e., not through PWGSC.

4.8 When selling surplus materiel assets in Canada, departments must:

- a. use remarketing standing offers or other contractual arrangements whenever these have put in place by PWGSC;
- b. for direct sales conducted under departmental authorities (granted either by legislation or by the Treasury Board), ensure that

- as broad and as transparent an opportunity as possible is made available to Canadians to purchase surplus assets; and
- c. otherwise (unless a disposal site is too remote for PWGSC to effectively manage the sale) use the disposal services of the Crown Assets Distribution Directorate or one of the Crown Assets Distribution Centres operated by PWGSC in Canada.

4.9 When selling surplus materiel assets at sites in Canada too remote for PWGSC to effectively manage sales and at sites outside Canada, departments are authorized to sell their surplus materiel assets directly.

4.10 When spending the proceeds of disposal, departments must:

- a. ensure that, to the maximum possible extent, proceeds are spent in the fiscal year in which they are recorded. Should proceeds be recorded too late in a fiscal year to be spent in that same year, they may be carried forward to the next fiscal year, after which time any unused spending authority will lapse; and
- b. ensure that proceeds are used only for disposal, operating and capital expenditures and are not used for transfer payments.

4.11 Departments must maintain auditable records of the costing analyses that were used to justify disposal decisions.

4.12 Departments must have a delegation instrument in place that clearly sets out departmental authorities and accountabilities for the disposal of surplus moveable materiel assets.

4.13 PWGSC must endeavour on an ongoing basis to optimize the roles of the private sector and the non-federal public sector in Canada in the disposal of surplus materiel assets.

4.14 When selling or putting arrangements in place to sell surplus materiel assets on behalf of departments, PWGSC must ensure that as broad and as transparent an opportunity as possible is made available to Canadians to purchase these assets.

5. Responsibilities of other government organizations

Note: This section is meant to inform departments of other significant players in the disposal of surplus materiel assets. In and of itself, it does not confer an authority.

5.1 PWGSC is responsible under the [Surplus Crown Assets Act](#) for disposal of all surplus materiel assets for which authority has not been given either by legislation or by the Treasury Board to another department.

PWGSC is also responsible for the provision of strategic, procedural, and technical advice on the disposal of surplus materiel.

5.2 Industry Canada is responsible for the management of federal equipment contributions to the Computers for Schools Program.

6. References

Legislation

- [Financial Administration Act](#)
- [Surplus Crown Assets Act](#)

Related Treasury Board policy instruments

- [Policy on Management of Materiel](#)
- [Directive on Controlled Goods](#)

7. Enquiries

Please direct enquiries about this policy instrument to the organizational unit in your department responsible for this subject matter. For interpretation of this policy instrument, the responsible organizational unit should contact: [TBS Public Enquiries](#).