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Chair

Mr. Derek Lee

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• (1105)

[English]

The Chair (Mr. Derek Lee (Scarborough—Rouge River, Lib.)): Order, please.

I call the meeting to order. I see a quorum.

Colleagues, we're here in our first full meeting as a committee. I thank members for allowing us to proceed as quickly as we have following the organization of the committee.

We're pleased to have as witnesses today individuals from Public Works and Government Services Canada. The subject matter is the supplementary estimates (B), which have been presented to the House again. These estimates were and are for the fiscal year 2008-09. I believe they were presented to the House in the previous Parliament, and we have to deal with them as expeditiously and as carefully as we can.

Having said that, I'll just acknowledge the two witnesses.

We have Mr. Mike Hawkes, chief financial officer, Finance Branch, at Public Works, and Mr. John McBain, associate assistant deputy minister, Real Property Branch.

I would invite the witnesses, if they wish, to make a brief reference or presentation to the subject matter of the supplementary estimates in question here today.

Go ahead, Mr. Hawkes.

Mr. Mike Hawkes (Chief Financial Officer, Finance Branch, Department of Public Works and Government Services): Thank you, Mr. Chair.

Members of the committee, good morning. Bonjour.

My name is Mike Hawkes. I'm the chief financial officer at Public Works and Government Services Canada. I'm pleased to be here today with my colleague, John McBain, the associate assistant deputy minister of Real Property Branch, as part of your review of the supplementary estimates (B) that were tabled in the House on January 29, 2009.

This year's supplementary estimates request additional funds of \$111,794,000 for PWGSC. These are based on items previously approved by the Treasury Board. They include a planned increase of \$95.2 million in our operating vote and a planned increase of \$16.6 million in our capital vote.

As committee members may know, PWGSC accommodates more than 240,000 federal public servants across Canada, and a large part

of our estimates request is related to the real property portion of our organization.

The largest portion of the funds requested, approximately \$64 million, addresses an increased volume of office accommodation and inflationary pressures on non-discretionary expenditures for the real property program. The increased volume in this part of the request refers to changes in the office space inventory to accommodate the current population of federal public servants. This would include increased rental rates for leases being renewed, additional fit-up costs, and swing space, which is space temporarily required while current space is being renovated. The inflationary pressure on non-discretionary expenses would include building maintenance cost increases, utility price increases, and municipal property taxes, or their equivalent, increases.

Another approximately \$30 million is needed to address the additional cost of office accommodation required for additional staff planned to be hired by government departments and agencies. As well, \$3.3 million is required in our operating vote and \$9.9 million in our capital vote to manage and rehabilitate aging surplus engineering assets across the country. And \$6.9 million is requested for the reconstruction of the Laniel dam in the Témiscamingue region of Quebec.

There are additional smaller adjustments to the appropriations that account for the differences, but these are of a more technical nature, and I'd be pleased to provide additional details about those if you wish.

Mr. Chair, these are the major operating capital expenditures for which PWGSC is requesting additional funds. We'd be happy to answer your questions.

Thank you.

• (1110)

The Chair: Thank you very much.

I'll look to the Liberal Party, and Mr. McTeague, for an opening round of seven minutes.

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): Mr. Hawkes, thank you for this. I think we all appreciate the economy prior to, certainly, the past summer.

Part of the illustration of increased requests you've made here has to do with, among other things, utility costs. I'm wondering if, in your projections for the need for greater.... Perhaps this is not necessarily specific to what has happened and what your request will be, but given the changed nature of the economy and the nature of your contracts for the rental agreements you've acquired, can you give an average estimate of how long those new leases will be? And will we see a decrease, obviously, with the changing economic climate?

Mr. Mike Hawkes: I'll ask my colleague, John McBain, to address that for you.

Thank you.

Mr. John McBain (Associate Assistant Deputy Minister, Real Property Branch, Department of Public Works and Government Services): Thank you for the question.

We have in excess of 2,000 leases in place from coast to coast, for a variety of reasons, obviously, and they all have different expiring times. So we're renewing those over different periods of time. We are targeting longer lease periods to drive a better rate, and as a result, we tend to see better costs for our accommodation in that area.

Hon. Dan McTeague: Mr. McBain, I'm just wondering, if you were looking for longer-term leases, whether you could give us an illustration of the percentage of the 2,000 leases you have that you may have had to renew this year that would have occasioned this rather large increase.

Mr. John McBain: I can't provide you with a specific number, but I'd be willing to come back to the committee with the actual numbers of the renewals this specific year. We have leases in place that range from five to eight to twenty-five years, so there is quite a range, and there is a series of them rolling over every year.

Hon. Dan McTeague: Given the increase you are seeking, were these anticipated? Is this something that you could have foreseen and that you have taken into consideration for future contract lease negotiations?

Mr. John McBain: In terms of the requirements for our accommodation and our portfolio, we conduct an annual event with our colleagues at Treasury Board to look at the increases that come through. It's built into the lease agreements we have as are our own operating costs for the crown-owned buildings.

Mr. Mike Hawkes: Mr. Chair, the inflationary pressure increases that we are seeking in supplementary estimates are in fact related to fiscal year 2007-08. In the past we were required to justify all of those increases negotiated with Treasury Board. We had to determine an affordable amount for the increases to be funded and then seek it, so it was in fact related to lease increases that had already taken place.

Hon. Dan McTeague: I'll credit this one to our fine researchers here.

The estimates provide funding for the "estimated costs of office accommodation requirements provided to government departments and agencies".

Given that funding is being requested under the supplementary estimates for this term, is it reasonable to assume that the increases to office accommodation requirements are unexpected again?

Mr. Mike Hawkes: They are expected. They are planned and, as I said, in terms of our inflationary increases, they are based upon the expenses that we incurred in the previous years and on what we expect the impact will be in many years in the future. So they are reflecting true and actual costs.

Hon. Dan McTeague: I have a question on real property and assets. Do you envision a decline in the value of the real assets that you own, which you use? Is there any question as to how they will be disposed of over the next couple of months? Are you in consultation regarding the amount of revenue you could anticipate generating through these sales?

Mr. John McBain: In terms of the crown-owned portfolio, we are regularly looking at our options in terms of acquisitions and disposals. We don't have specific plans for disposals other than for assets that are no longer pertinent to our requirement. For the short term there is no change in how we look at our portfolio. We retain assets to meet program needs.

• (1115)

Hon. Dan McTeague: Public Works has a number of holdings across Canada, some in part of my former riding, including the former or future Pickering airport. I appreciate there was a time when there was a suggestion that in order to meet a certain particular financial goal one would sell surplus lands.

I'm wondering if there has been an audit or at least some accounting for the real value of your entire volume of property ownership and whether there has been any discussion or anything put forward as to a valuation, given current economic circumstances, and if you could provide the committee with that information.

The Chair: I would just like to intervene to say that the subject matter of the meeting today is the supplementary estimates and that the witnesses have appeared on quite short notice. So, colleagues, we should not expect that the witnesses would have automatic answers to questions asked outside the frame of reference today. If the witnesses do have a response that suits, that is fine, and if a subsequent answer to the question could be provided, that would be appreciated.

I'll let the member continue with his questioning.

Hon. Dan McTeague: Thank you, Chair. That's why I put the proviso at the end. I appreciate that.

Mr. John McBain: We haven't, to my knowledge, conducted a recent audit of our entire portfolio per se. We do look at the valuation of the portfolio on a regular basis, and we look at our holdings in terms of our specific needs and the decision points—the analysis on the options of whether we continue to retain, invest, dispose or seek an alternate way of looking at how we will manage that portfolio.

I would be pleased to provide the committee with information we have in that regard.

Hon. Dan McTeague: Thank you, Chair.

The Chair: Thank you.

We'll go to Madame Bourgeois.

[Translation]

Ms. Diane Bourgeois (Terrebonne—Blainville, BQ): Thank you, Mr. Chairman.

Good morning, gentlemen. It's a pleasure to have you here this morning. I'm going to try to stick to Mr. Hawkes' introduction.

Mr. Hawkes, I see you focus on the real property issue in your preamble. My impression is that this is what takes up the most funding in these supplementary estimates.

Mr. McBain, you said earlier that more than 2,000 leases were expiring and that you needed additional funding. However, I thought that, when the federal government leased a property, it established special agreements on the amount of rent it had to pay. I thought it could get special privileges or special favours since, at the federal level, the agreements are for the very long term.

[English]

Mr. John McBain: Mr. Chair, in a point of correction, if I may, we have 2,000 leases in place, all expiring at different periods, so they're not all coming up. They will over time. As I said, some might run 25 years.

In terms of the lease agreements themselves, we pay a fixed amount for the rent, which is stipulated in the lease. There are other aspects of the lease that are conveyed to us as a pass-through cost in terms of utilities, electrical, and what we pay in municipal taxes. As those increase or change over time, we seek to have those funds conveyed to us through estimates such as these.

[Translation]

Ms. Diane Bourgeois: Pardon me, but the municipal tax can't triple or quadruple. Can the agreement you reached concerning the cost of a lease vary so much that it would be impossible to predict the amounts that would be necessary in five or 10 years, for example?

[English]

Mr. John McBain: In terms of the cost for the space itself, we can predict, because that's specified in the terms of the lease, but there are additional costs associated with occupying the space that do increase. We are forced to adjust and react to them. When you multiply that by the number of places we have, it does come up to a large amount.

• (1120)

[Translation]

Ms. Diane Bourgeois: If it's not necessarily the increase in the cost per square foot that represents a significant difference, can you tell me what is? Is it maintenance, for example?

[English]

Mr. John McBain: The difference refers not to the cost of the space itself, but to the cost of utilities, so that would include water, sewage, electrical and heat, and that varies. It would include the cost of other aspects of maintaining a large piece of inventory. For example, when we have to move tenants out of one location to another, we conduct a competitive process. When another landlord is successful and we move the people, there are costs in those moves. That's what's built into this total amount.

[Translation]

Ms. Diane Bourgeois: In terms of the management of public buildings, when you have more than 2,000 properties to your credit, you have to follow a planning process in which, where a lease has to

be renewed in two or five years, you can anticipate—and I believe this is the case—an increase in taxes, the cost of water, garbage collection, and so on.

You told us earlier that you didn't have the figures with you. I'm going to play the devil's advocate and ask you whether it's possible that you didn't plan for a substantial increase in leasing costs?

[English]

Mr. Mike Hawkes: If I could, I'll answer that question, Mr. Chair.

We do plan for them. In our ongoing base for the department's real estate funding, we project out, as long as the leases are in our inventory, what the costs will be on an annual basis. At the time we enter into the lease, we determine by our own estimation what we expect those costs to be in order to be able to make the investment decision in the first place.

What we're doing in the supplementary estimates process is simply seeking the cash when the changes arise. It's already predicted in our investment decisions and our portfolio management decisions.

[Translation]

Ms. Diane Bourgeois: I know, but these are enormous costs that you didn't plan for, since you've just asked us for additional funding.

[English]

Mr. Mike Hawkes: No, on our base real estate inventory we spend almost \$2.5 billion a year. This is \$64 million of increased difference. It's a percentage that reflects what's happening in the economy today.

[Translation]

Ms. Diane Bourgeois: All right.

In closing, can you explain to me what the Laniel Dam reconstruction is?

[English]

Mr. John McBain: This is the replacement of a dam on the northern part of the Ottawa River. It had three sluice gates that we determined to be inadequate to handle potential flow in the spring runoff. So it's been the complete reconstruction of that dam. This is part of an agreement we have with the Province of Quebec to transfer the dam, ultimately, to their authority and control. The funds in this supplementary estimate are to allow us to continue and to complete that work, to tear down, effectively, and completely reconstruct the dam.

[Translation]

Ms. Diane Bourgeois: Very good.

Thank you, Mr. Chairman.

The Chair: Mr. Roy, you have 45 seconds.

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): Thank you, Mr. Chairman.

There is something I don't understand in your presentation, Mr. Hawkes. You say, among other things: "The increased volume in this part of the request refers to changes in the office space inventory to accommodate the current population of federal public servants. This would include increased rental rates for leases being renewed [...]"

I don't see the connection between the increase in the number of offices and the increase in rental rates. Perhaps the translation isn't good. You can't say that the increase in the number of offices is due to an increase in rental rates. That's impossible.

[English]

Mr. Mike Hawkes: That's true. It's not just increased rental rates. It's talking about the increased volume of maintenance costs, the increased volume of hydro being used, the increased volume of the different utilities as a result of perhaps the change in use of the space by the tenants. It's the volume of the operation and maintenance costs needed to keep this inventory in the shape it's in. As it gets older it requires more maintenance. So it's not just the volume, meaning the number of square metres of space; it's the volume of dollars required to keep that space at its current level of standard.

• (1125)

The Chair: Okay, and none of this, I suppose, was a surprise, was it? Was this a surprise to the department?

Mr. Mike Hawkes: No, none of it is a surprise. As I said earlier in my remarks, this in fact refers to costs that we've already incurred in the inventory. We're required to give evidence that the costs in fact are increasing.

The Chair: Thank you.

[Translation]

Mr. Gourde, you have seven minutes.

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you, Mr. Chairman.

I'd like to thank our witnesses for coming this morning. In the supplementary estimates to the department's estimates, there is a budget item concerning inflationary pressures on non-discretionary expenses for the Real Property program.

Can our witnesses give us an explanation of that item?

[English]

Mr. John McBain: In terms of the pressures we face with the program, we have both our lease costs and the operating costs. I'd like to underline that these increases apply to both our leases and our crown-owned inventory. So we have increases that incur to both things we own and things we lease. The nature of those is such that with the agreement we have with the private sector for leases, costs are passed through to us, which increase, or we incur them as the custodian, as the crown owns these buildings. There are increases we can predict but cannot finalize until the actual percentages come to us from either the utilities or private sector providers. So in that respect, that's what we are seeking to address here.

As well, a significant portion of the amount we're asking for relates to acquiring additional space for new program requirements.

[Translation]

Mr. Jacques Gourde: Again in the supplementary estimates, you mention that it's necessary to fund additional office space.

Can you tell committee members which departments or agencies need additional office space?

[English]

Mr. John McBain: I could indicate that there's a multitude of departments that have obtained increases in their programs. The top five that I would highlight in these estimates include Health Canada, the Canadian Food Inspection Agency, Canada Revenue Agency, Public Safety and Emergency Preparedness Canada, and Citizenship and Immigration Canada.

[Translation]

Mr. Jacques Gourde: When major repairs have to be made to certain offices or properties that belong to us, the government has to move public servants to other premises. Does that result in additional expenses in the supplementary estimates?

[English]

Mr. John McBain: Yes, Mr. Chair, it does. What we call the quasi-statutory increases include an amount for what my colleague referred to as "swing space". This is space we acquire to move tenants into while major work is done, and then we move them back into their original space after the major repairs have been completed.

[Translation]

Mr. Jacques Gourde: Reference is made in the supplementary estimates to the need to fund the management and rehabilitation of aging surplus engineering assets.

Can you give committee members a few examples of the aging surplus engineering assets that will be rehabilitated? Where are those assets located, and on what basis do you choose the aging surplus engineering assets that should be rehabilitated?

[English]

Mr. John McBain: In terms of surplus engineering assets, Mr. Chair, there are 22 significant engineering assets that remain in the inventory of Public Works and Government Services Canada. These include bridges; dams; the Alaska Highway, for example; the Esquimalt Graving Dock. These are significant engineering works that we remain accountable for. When we look at those kinds of assets, we need to first of all assess their condition, look at them from a portfolio point of view, and then proceed with the work to maintain them in good operating condition, and also enable the crown to look at possible divestiture.

So in response to the question, what we'd be looking at would be improvements, for example, to the south jetty of the Esquimalt Graving Dock, repairs to the Alaska Highway, work that we plan to undertake on the Chaudière Crossing. These are the kinds of things we would take for structural repairs, investigations and analysis, and longer-term recapitalization.

• (1130)

[Translation]

Mr. Jacques Gourde: Mr. Chairman, how much time do I have left?

The Chair: You have two minutes left.

Mr. Jacques Gourde: Ms. Bourgeois spoke at length about the Laniel Dam, where we will be proceeding with reconstruction work in the order of \$6.9 million. You said that the dam might be transferred to the Province of Quebec. Will that transfer be made in the near future? Will it be transferred after the repairs? Will we be delivering a dam in good condition? Can you give us more details on this matter?

[English]

Mr. John McBain: Yes. There are three dams involved in this transfer—the Kipawa, the Des Quinze, and the Laniel dams. The Kipawa and Des Quinze are in a condition and state that the province has accepted. Once the work is complete, which is scheduled for December 2009, the transfer to the province will be able to be completed. This will transfer the dams in terms of property, and the custodianship will be that of the province, but it also includes a certain amount of funds to be transferred to the province for the continued operation of the dams.

[Translation]

Mr. Jacques Gourde: Thank you, Mr. Chairman.

[English]

The Chair: Thank you, colleagues. We're completing our rounds well within the limit.

Mr. Martin.

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Mr. Chair.

Thanks to the witnesses for being here.

I'm especially grateful to the ADM for real property for being here. We've been trying for a number of years to find out more details about the business case—the reason and logic behind selling off our assets and then leasing them back for 25 years. No one will ever table a business case that says this is a good idea. Now you're coming to us asking for \$111 million, partly so you can pay rent for buildings that you've just sold.

I asked the Auditor General to investigate this most recent deal, where you sold off buildings that you'd just spent tens of millions of dollars renovating at what could be fire sale prices—nobody will tell us what they got. There's the Harry Hays building, the Joseph Sheppard Building in Toronto, the Thomas D'Arcy McGee Building here, and the Skyline complex here. You didn't divest yourselves of those buildings because they were surplus or because you didn't need them any more; you leased them back from this developer with a 25-year lease. We don't know if that was a good deal or not, or if it was just some neo-conservative ideology that you were directed to do. I'm glad to have you here so we can finally ask some questions.

What was the logic behind selling off our public assets, part of our heritage, our collectively owned property, to balance the budget? How much of this will be going to pay rent in all those buildings you just sold?

Second, the finance minister has booked \$2 billion worth of asset sales that he hasn't even sold yet, in part of this budget. What else is on the chopping block? What else are you going to sell of our publicly owned buildings, in keeping with this policy trend of sell it

all and lease it back, no matter if you have to come back to committees like this and beg for more money to keep paying more and more rent?

Some of us think this is the biggest corporate giveaway since the drug patent laws were extended. The private sector is just wringing their hands waiting to get their hands on these properties. You're not selling off the dogs; you're selling off the crown jewels half the time. These are buildings you just put tens of millions of dollars into renovating, and now you're selling them in the worst possible climate for commercial real estate in recent history, and leasing them back at sweetheart deals. Where is the business case, and where is the reason and logic behind that policy?

● (1135)

Mr. John McBain: I would like to emphasize to the committee that sale-leaseback is but one tool we use in managing an extensive portfolio of accommodations.

Mr. Pat Martin: It seems to be getting more and more frequent.

Mr. John McBain: Since we sold those seven assets we've also bought others. We look at the business case to meet our particular need for accommodations. We own and are required to accommodate the Government of Canada from coast to coast to coast. Those market conditions vary—like the situation in Moncton compared to Edmonton and Toronto.

Mr. Pat Martin: But the minister put 40 buildings up on the chopping block and sold only nine of the good ones, right?

Mr. John McBain: There were seven.

Mr. Pat Martin: They were seven of the good ones, but nobody wanted the dogs so we're stuck with them. They wanted the good ones.

The Chair: Mr. Martin, try to allow the witness to complete the answer.

Mr. Pat Martin: I don't think Larco developments would have bought those buildings if it hadn't been profitable to buy them, pay all the operating costs, and lease them back to the government. That means we're paying rent we never used to pay before, for buildings we used to own, at a rate higher than the cost of operating them. Otherwise there'd be no profit margin. They're not doing this out of generosity.

Mr. John McBain: Obviously there need to be benefits to both parties for the business case to be solid.

Mr. Pat Martin: What's our benefit?

Mr. John McBain: With those seven buildings, we know that the federal government will require a presence in those locations for the long term, which is why we entered into a 25-year deal.

Mr. Pat Martin: But why did you sell them?

Mr. John McBain: We are also looking at a continued augmentation in operating costs and recapitalization of those buildings over the long term. On the intent, the approach, and the success of the sale-lease factors, we have transferred—

Mr. Pat Martin: You don't have to recapitalize something you own, sir.

The Chair: Mr. Martin, please, I have to ask you again.

Mr. Pat Martin: I have seven minutes only for an issue that we've been waiting on for a long time.

The Chair: I know that. Your first question took two and a half minutes. If the witness doesn't want to continue the answer, that's okay, but when a member cuts off a witness in mid-sentence, the witness sometimes doesn't get a chance to complete it. So I'm asking you to allow the witness to complete some of these answers before you continue. I'm happy to give you extra time in an appropriate way.

Mr. John McBain: Thank you, Mr. Chair. I'll cut my answer short to answer that as effectively as I can in the short period.

The concept is that we transfer the risk, because there is recapitalization required. You are required to replace roof, mechanical, electrical systems in the life of a building. We transfer that obligation to the private sector. What the crown gets in return is cost certainty over 25 years and efficiency in the delivery of those projects by the private sector.

Would we do it for our entire portfolio? No. Were the conditions right at that particular point in time when the sale was conducted? Yes, they were. Are they now? We could debate that. We would want to test the market. But we will continue to employ a range of solutions to meet our needs, which will include crown-owned, lease, and such options and vehicles as sale-leaseback.

Mr. Pat Martin: Thank you.

What buildings are next? What buildings do you think will make up this \$2 billion that the Minister of Finance thinks he's going to harvest out of your property portfolio?

Mr. John McBain: We haven't had discussions per se. We don't have a next tranche planned, for example, along the lines of sale-leaseback. We will dispose of surplus properties when they are no longer required for our program needs, in accordance with the directions and policy of government in terms of disposal of assets. We will always seek to get fair market value for those properties.

Mr. Pat Martin: You seek to; do you think, in your honest, professional opinion, it is going to save the taxpayer money, the sale of these seven buildings? Or would we have been better off...?

My point is that Larco is going to have to fix the roof too, so they're going to fix the roof and still charge you. They'll pass the cost on to the taxpayer, plus their profit of 10% or 20% or whatever it is. Why can't we just keep the building, fix the windows as needed, and still own it?

The United Kingdom doesn't allow it. They don't sell the property. They lease them for 99 years maximum, and it reverts back to the crown.

We don't just get rid of them.

Mr. John McBain: In the sale-leaseback?

Mr. Pat Martin: Yes.

Mr. John McBain: No, those are 25-year leases. At the end, we have no obligation to stay there beyond the 25 years.

• (1140)

Mr. Pat Martin: Yes, but you don't own the building anymore, either. They keep them.

Mr. John McBain: Correct.

Mr. Pat Martin: If you don't want the operating costs, is there not a way you could contract out the building management and the building maintenance, pay a premium, and still own the building at the end of the day?

Mr. John McBain: We do that with the majority of our other assets through another contractual arrangement we have in place. But in this case, the benefit we see is the cost, certainly, over that extremely long period of time of 25 years and in the identification of risk in terms of the delivery of those major aspects of owning the building, accepting and recognizing the benefits of private sector delivery.

Mr. Pat Martin: Well, I'm in favour of public sector delivery as well. You shouldn't have to come to the committee asking for more money if you've just sold seven buildings for \$1.4 billion. Where's all that money gone? Where's the saving to us if we have to spend more so you can sell off our property and then rent it back at a higher rate of pay?

It doesn't make any sense to me. I don't buy it.

The Chair: Thank you, Mr. Martin.

I want you to know that there was, to use the words of the witnesses, some "swing time" on your round there.

I'll go to Ms. Hall Findlay for the next round, which is five minutes.

Ms. Martha Hall Findlay (Willowdale, Lib.): Thank you, Mr. Chair.

Thank you very much to the two witnesses for coming on such short notice. I recognize that some of these questions are.... I mean, it's our obligation to hold the government to account, but I recognize some of the challenges in dealing with departmental questions as opposed to questions on political pronouncements. I'm afraid I will continue on with my colleague's questioning.

I was quite stunned, as a matter of fact, to hear you say that you do not have a next tranche planned. My question had been this: has your department been asked to supply a list of the new assets to be sold in order to comply with the finance minister's new promises? But I take it that in saying that you do not have a next tranche, it hasn't even been contemplated yet by your department. Is that correct?

Mr. John McBain: Not in respect to that pronouncement. We have been assessing and we will continue to assess our portfolio to see what opportunities exist, but in terms of relating specifically to the idea of selling surplus assets, no, we have not engaged in discussions yet.

Ms. Martha Hall Findlay: So when the finance minister announced the large asset review, that has not been started yet in your department with this in mind. Is that correct?

Mr. John McBain: Correct.

Ms. Martha Hall Findlay: You talked about the opportunities to sell assets at fair market value. In your view—and I recognize that this may be putting you in a bit of a spot—isn't the notion of fair market value somewhat taken away from when you put a finite timeline on the timing of a sale, particularly if you haven't even identified the asset yet?

In your view, in the upcoming year in terms of fair market value and your experiences so far in selling other assets, is it really possible to announce in advance the sale of assets that have not yet been identified and to expect in effect a fair market value that is not affected by the fire sale aspect of the announcement?

Mr. John McBain: Mr. Chair, PWGSC owns 350 buildings. There are in excess of 5,000 buildings in the federal government inventory, so we are a very small player, actually, if you look at the number of buildings. And if you look at the holdings of land, they are quite extensive if you look across the full range.

I think in terms of looking at the potential to disposal of assets, including properties and buildings and other things that are no longer required by the government, one could predict there would be a certain amount of revenue that would be generated by those surplus assets.

With respect to Public Works and the Real Property Branch, we're looking at our assets in terms of delivering the accommodation portfolio. And in terms of the sale-leaseback, the value was in offering a 25-year lease with the federal crown. So it wasn't just the straight disposal of the asset and seeing that money as revenue.

Ms. Martha Hall Findlay: I guess that begs the second question, that in terms of the assets that are going to be looked at to be sold to fulfill this particular political promise, it may seem to be a sale, but the other side of the balance sheet would suggest that it's not necessarily going to be financially beneficial.

So on an ongoing basis, we'll certainly be looking, as my colleague has said, to see some business cases that suggest that these sales are in fact good overall, from a financial perspective. It's not a question for you now, because you don't have that tranche identified yet, but I would ask that we have continuing communications, in terms of being able to see the business cases as they arise.

My apologies, but I have a couple of other questions that aren't necessarily related to real estate.

Mr. Hawkes, maybe you can answer these, again recognizing that this is on short notice.

I have a couple of questions. On page 193, there's a reference to Canada Post, and there's a fairly significant amount allocated for special purposes. Is there any way of determining what those special purposes are?

• (1145)

Mr. Mike Hawkes: You'd have to ask Canada Post, I'm sorry.

Ms. Martha Hall Findlay: Okay, understood. I'm just going through the questions as they come up.

Also on page 196, there's a list of infrastructure projects. We do have some concern, given the track record of announcements made

of infrastructure spending and the money not being flowed, and there are significant amounts of money that have actually lapsed.

Is there anything to back these up, in terms of an expectation that they will actually be spent?

Mr. Mike Hawkes: I don't think those infrastructure projects on that page refer to assets of PWGSC.

I don't have that page in front of me, I'm sorry.

Ms. Martha Hall Findlay: No, and I know we're trying to focus on PWGSC, but we also have a challenge, in that overall, we have a very limited time to deal with these supplementary estimates. So I guess I'm asking questions that are beyond your specific reach.

So, perhaps, Chair, when we have other witnesses who may be better positioned to answer....

Mr. Mike Hawkes: Those are the assets and investments of the Department of Transport, who I think would be best able to answer those questions.

Ms. Martha Hall Findlay: Yes, okay. So I'll just leave those questions out, and hopefully we can get....

The Chair: We'll try to stick to our knitting here. Anyway, that's fine.

That round has concluded.

We now go to Monsieur Roy, for five minutes.

[Translation]

Mr. Jean-Yves Roy: Thank you, Mr. Chairman.

One of the requests in the supplementary estimates concerns the Public Service Human Resources Management Agency. This is a budget increase of 24.3%. What disaster has occurred for you to have to increase the agency's budget by 24%?

I don't know, but there must have been a problem in the planning or forecasts. Clearly, you can't request a 24% increase without there being a problem somewhere.

[English]

Mr. Mike Hawkes: I don't know which item you're referring to, *je m'excuse*.

[Translation]

Mr. Jean-Yves Roy: Here it states: "The Treasury Board Secretariat vote 50b proposes to increase the program expenditures of the Public Service Human Resources Management Agency of Canada from \$70.5 million to \$87.6 million."

[English]

The Chair: Monsieur Roy, excuse me, but I believe you're into the estimates of Treasury Board, and we will have witnesses from Treasury Board who will be in front us here within about 15 minutes. So if your question could wait for that, the witnesses here would be much more comfortable.

Do you have an additional question, Monsieur Roy?

[Translation]

Mr. Jean-Yves Roy: I have another one. I want to go back to what I was saying earlier.

Mr. Hawkes, you probably misunderstood me. You say in your presentation that the increased demand for office space is linked to rising rental rates. That can't be. It's impossible. There can't be an increase in the demand for space as a result of an increase in rental costs. There's something illogical in what you're telling us. And yet that's in your presentation.

[English]

Mr. Mike Hawkes: Mr. Chair, in this section of the estimates we're referring to inflationary pressure, price pressures, and volume pressures. If we have a situation where a lease has expired and we're replacing it, even if we stay in the same site, there is often an increase related to that, based on the lease market and the conditions in that particular location at that time. So what we're calling a "price pressure" there is a difference in a rental rate on the renewal of that lease. If we change from a particular location to a new location, again, the market rental rate may be larger in the new location and that's the increase we're talking about.

● (1150)

[Translation]

Mr. Jean-Yves Roy: Let's say that more or less answers my question. That means that, at some point, you leave certain premises because you consider them too expensive, and you relocate elsewhere, while continuing to pay the costs of those premises until the lease has expired.

[English]

Mr. Mike Hawkes: No, there isn't any situation I can think of where we leave a lease unless there is an extremely serious health situation before the lease has expired.

Mr. John McBain: That's correct.

Mr. Chair, what we will do is look at the rate we have for the lease and we will assess the market and the market capacity. Quite often our clients are looking for large blocks of space, so we know whether or not that exists in the market. We will either seek to negotiate directly with a landlord in that case or go to the market for a competitive solution. When we do that, we can quite often encounter an increase in rate.

[Translation]

Mr. Jean-Yves Roy: That's fine, thank you.

Ms. Diane Bourgeois: Is there any time left, Mr. Chairman? May I use it?

[English]

The Chair: It's the view of the chair that the first opening rounds are party rounds, and subsequent rounds, while allocated to members and parties, are members' rounds, so sharing.... There is a minute. Are members okay with her taking the minute?

Okay, Madame Bourgeois, go ahead. There's one minute.

[Translation]

Ms. Diane Bourgeois: I realize the real property issue is extremely important. In the last Parliament, we studied the sale of seven federal government properties. At the time, I asked officials to provide our committee with a strategic plan. I wanted them to explain to us which properties were for sale and to tell us why, what the problems with those properties were. I wanted them to give us

estimates of the amounts that would bring in and whether it was more costly to keep those properties than to sell them.

Strategic planning also involves time and performance indicators. We never obtained those figures, which raises all kinds of questions and assumptions about the sale of those properties. Mr. Chairman, I'm taking the opportunity today to ask you whether it is possible for you to put pressure on our officials. They know very well what strategic planning is. I know that represents an enormous amount of work, but it's clear. That would enable members to get an accurate picture and to see, in the budget, where the \$1.4 billion surplus generated by the sale of the properties went.

Our NDP colleague is right: these people sold properties for \$1.4 billion, and now they're asking us for \$111 or \$117 million. Where did that \$1.4 billion go? With that amount, they should be able to solve their property problems. Gentlemen, we want to know whether you can submit to us, not plans and priorities, which are not the same thing, but strategic planning. We need something clear. In that way, my colleagues and I would be able to know when those properties will be sold, what kind of yield that will generate and where the search for new space stands.

We need to know what will happen on the Gatineau side. You have an obligation to ensure that 25% of federal properties are located there. Do you understand? Ultimately, that could be liquidated.

I don't know if I have to introduce an official motion. What should I do, Mr. Chairman? I don't have the experience.

[English]

The Chair: No, at this point I think the witnesses and your colleagues have caught the drift of your issue, and it may be that in the near future we should seek to test the department with a test case, an example, a case of a sell-off of a building, and scrutinize how the decision was made and the financial results of that sale. That might prove to be an interesting exercise.

There seems to be an appetite to look into this more closely. I know you're not in a position today to justify or to deal with any one particular case history, but Madame Bourgeois, if you like, this is a subject we could take up very quickly at the steering committee, and we could invite the department in collaboration with the committee to select a case history. Maybe it will be uncomfortable, maybe it won't, but we will perhaps jointly agree on a case history and walk through that as a test exercise of scrutinizing one sale.

We can refer this to the steering committee now, and we'll be prepared to act on it at an early, convenient date. If that would be acceptable, then there would be no need to move a motion right now.

● (1155)

[Translation]

Ms. Diane Bourgeois: If I can just add—

[English]

The Chair: Keep in mind that your round expired a long time ago, and I know how ardent you are in pursuit of the public interest here.

You are, of course, at liberty at any time to provide a notice of motion, but I think colleagues understand where you're coming from and where you want to go.

[Translation]

Ms. Diane Bourgeois: All right. We're going to work.

[English]

The Chair: We'll pause there on that issue and we'll go to Mr. Anders for a five-minute round.

Mr. Rob Anders (Calgary West, CPC): Thank you, Mr. Chair.

I have a few comments with regard to some of the things that have happened.

With regard to Madame Bourgeois' potential motion, I would prefer that it be dealt with in the committee as a whole as opposed to a steering committee. I just don't like more meetings, to be honest, Mr. Chair, so if she wishes to bring forward a motion, have at it. I think it is a better way to go about it.

In terms of my questions at hand, either witness can answer.

One of my colleagues, Mr. Gourde, asked which departments would be interested in acquiring more space, and you mentioned Health Canada, the Canadian Food Inspection Agency, Revenue Canada, Public Safety, and Citizenship. They were the five. They were the top of the list.

I'm particularly interested with regard to public safety. You may tell me that is a question I have to ask Public Safety, and if you do, I have to accept that, but I'm curious as to whether or not you can give me more details about what buildings or moneys public safety is looking for and if you have any details with regard to the assets they currently hold.

Mr. John McBain: We have that information. I don't have it with me for this meeting, but I think your initial assumption is correct in terms of why. That's their program. We are a service arm. We respond to approvals from Treasury Board and the funding that comes to us to provide them with the space, but we can provide you with information about where they are located and what buildings they currently occupy.

Mr. Rob Anders: You don't know, off the top of your head, if any of those are located here in the national capital region, do you?

Mr. John McBain: Certainly some of them are, yes, but in terms of the growth, one of the things that happens to us is that we are required to cash manage the growth that comes to us as well. We also need to respond to the specific requirements that clients bring to us in terms of the growth they have been approved for.

How much of that is particularly in the NCA versus other locations? I would need to get back to the committee, and I'd be happy to do so.

Mr. Rob Anders: Off the top of your head, do you have any knowledge with regard to buildings they hold in the area and whether or not they're owned by the government or rented privately?

Mr. John McBain: It's a mix.

Mr. Rob Anders: Do you have an idea of how many buildings we're looking at, roughly?

Mr. John McBain: In terms of the entire portfolio, that is a challenge, because there are many pieces to the Public Safety and Emergency Preparedness Canada portfolio. I wouldn't want to speculate and mislead the committee, so I'd prefer to provide that information in detail.

Mr. Rob Anders: Okay, I've followed that trail as far as I think they're going to allow me, Mr. Chair.

I'll switch to a separate subject then. I'm guessing this is more to Mr. McBain as well. There is a mention here with regard to funding a joint learning program with the Public Service Alliance of Canada to improve labour-management relations. Judging by the numbers I see here, it looks like it's around \$4 million. Does that sound about right?

• (1200)

Mr. Mike Hawkes: I don't believe that's in our estimates, sir.

Mr. Rob Anders: Oh, never mind then. I guess we'll leave that to the next set of witnesses.

The Chair: Thank you, Mr. Anders.

We'll go to Ms. Hall Findlay, for five minutes.

Ms. Martha Hall Findlay: Thank you.

There are a number of people who are expecting more from you than you're able to provide us this morning.

I have a question about there being no requests for payment in lieu of taxes to municipalities. I have received a number of complaints from a number of municipalities that the federal government is not fulfilling its obligations. There are two pieces to that. There is the general complaint that whatever is being received is simply not enough and doesn't reflect real comparison to what the municipalities are charging other property owners for property taxes. I can't give you the specifics now, I'm going from memory, but a number of municipalities are saying they simply haven't been paid that amount. And I refer to the fact that there's nothing in here.

Can you comment on that at all, please?

Mr. John McBain: In fact the supplementary estimates do include an amount for payments in lieu of taxes or taxes directly. My colleague referred to that I think in his—

Mr. Mike Hawkes: Because there are inflationary pressures.

Mr. John McBain: —opening remarks as well. So a portion of them are included in some of these numbers.

The department administers a payment in lieu of taxes program, where the Minister of Public Works makes payments on behalf of other government departments that are custodians. In addition, there is a dispute advisory panel that is constructed as a result of the Payments in Lieu of Taxes Act. Municipalities can make representation to that panel if they feel the amounts or the approach the government is taking with respect to their payments is not appropriate.

Ms. Martha Hall Findlay: Perhaps you can help me with my own newness and ignorance of the process. When I look at the line here, there's nothing in terms of the payment in lieu of taxes to municipalities and other taxing authorities. You said you've referred to them in other places in terms of inflationary pressures.

Where do I find what amounts actually do get paid to municipalities?

Mr. John McBain: I can tell you that the budget this year is approximately \$450 million, which is paid to over 1,800 taxing organizations or entities across Canada. We didn't ask for it specifically in these supplementary estimates, but it is included as an item in the requirements of the department.

Ms. Martha Hall Findlay: Thank you. I'm good.

The Chair: Thank you, colleagues.

This will conclude the portion of our meeting dedicated to Public Works and Government Services. We will immediately go to witnesses from Treasury Board Secretariat, so we will suspend while the witnesses rearrange themselves.

Thank you to Mr. Hawkes and Mr. McBain for appearing today.

You have agreed to provide additional information to two members. Unless another member indicates otherwise at this point in time, it would be sufficient if you provided that information to the member directly or through the clerk. But unless there's an indication around the table, we will not distribute all that information to all the members. If that's acceptable to members, you may proceed to respond to the questions from those two members on that basis.

Thank you.

Now we'll suspend.

- _____ (Pause) _____
-
- (1205)

The Chair: I call the meeting to order.

Colleagues, we're now entering the second phase of this morning's meeting. We have witnesses here from the Treasury Board Secretariat. We thank them for appearing on very short notice. Parliament itself has a fairly short timeframe in which to deal with these supplementary estimates (B).

Appearing from Treasury Board, we have: Kelly Gillis, assistant secretary, corporate services; Alister Smith, assistant secretary, expenditure management sector; and Hélène Laurendeau, assistant secretary, labour relations and compensation operations.

I understand that Madam Laurendeau must leave at one o'clock sharp. We'll accept that when the time comes.

I understand that the witnesses have not come here with an opening statement. There's no need to, as we invited them. I'm sure colleagues have some questions related to supplementary estimates (B), but if they drift beyond that, the witnesses are professionals and have a lot of information about a lot of things in their department.

I'll turn to Mr. McTeague for the first round of seven minutes.

Hon. Dan McTeague: Mr. Chair, thank you very much.

Thank you for appearing on such short notice. We, too, are still finding our feet and our legs.

I have a question for you, Madam Laurendeau, if I may. I appreciate your time. Perhaps I could get right to it. I'm a little confused, in that I note Treasury Board documents refer to executive compensation programs and who's eligible to receive such compensation. Is it fair to say that senior members of the RCMP receive that compensation, particularly when it comes to bonuses and merit pay?

Ms. Hélène Laurendeau (Assistant Secretary, Labour Relations and Compensation Operations, Treasury Board Secretariat): If you're referring to the executive policy, it refers to a senior cadre that are members of the public service, so that would not cover RCMP members.

Hon. Dan McTeague: It doesn't. So that would suggest, then, some kind of differentiation between those who are under a collective agreement versus those who are not?

• (1210)

Ms. Hélène Laurendeau: Are you talking again, sir, about the RCMP members?

Hon. Dan McTeague: That's correct: the senior members.

Ms. Hélène Laurendeau: Members under the RCMP Act are not covered by collective agreements. They're not employees of the—

Hon. Dan McTeague: I understand that, but would senior members receive some package equivalent to what is available under executive pay?

Ms. Hélène Laurendeau: I wouldn't be in a position to tell you.

Hon. Dan McTeague: Could you possibly provide that to this committee?

With the chair's indulgence, as he suggested before, we appreciate that some of the questions may not have answers, but it would certainly be helpful to the committee to find out if there is an equivalency of senior executive members of the RCMP receiving executive compensation for merit, for things like, for instance, efficiencies in terms of lessening financial burdens. One would hate to think that there are fewer and fewer police officers on the beat as a result of compensation that might be linked to finding efficiencies. Could you please provide the committee with that?

I'll turn right to the question, though, of section 50b in the line items here in the vote. There is an increase of some \$17 million. That's a pretty hefty increase of almost a quarter of the agency's program spending under the Public Service Human Resources Management Agency. Could you let us know why that happened? What circumstances led to that increase?

Mr. Smith?

Mr. Alister Smith (Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat): Thank you.

I can start and try to give you some overall indication of what that supplementary estimates request was for. We may need to refer to our colleagues at the agency for more detail. We'll respond if you need it.

The CPSA is looking for funding of \$17.1 million for a number of initiatives. One is to continue its work with public service modernization and public service renewal. A second is classification reform activities for 2008-09. A third is pay equity litigation support activities. A fourth is the government advertising program for 2008-09. In addition, there are some smaller amounts for transfers to support the work of the national managers' community secretariat.

Hon. Dan McTeague: Mr. Smith, would you be able to provide that breakdown to the committee at some stage?

Mr. Alister Smith: Yes, I can.

Hon. Dan McTeague: Further to that, I'm just wondering about the overall impact of the strategic review on your various human resources agencies. I think there are half a dozen. On the funding of that, I'm wondering where you see the allocation, where we're going, and certainly what that has done in terms of overall implications for the increase.

Mr. Alister Smith: As you know, there was a strategic review undertaken of all the HR agencies, and the results were reported in the budget, in annex 3. This is not directly tied to the strategic review.

Hon. Dan McTeague: Okay.

I'm not sure exactly who I would speak to on this particular issue, but a little earlier you mentioned pay equity, and litigation for that. Where are we specifically on that at this stage? Do you see ongoing expenses and expenditures required? This is obviously a question as to where we are legally, but I also want to know what contingencies you have prepared for down the road.

Mr. Alister Smith: May I defer to my colleague, Hélène Laurendeau, on that question?

Hon. Dan McTeague: By all means, yes.

Ms. Hélène Laurendeau: With respect to the pay equity litigation, we have about six complaints in the books. One of them, fairly significant, was the object of tentative settlement as part of the bargaining process, but we're still waiting for confirmation from the Human Rights Commission that there is an acceptance of the withdrawal of the complaint from the Public Service Alliance of Canada. That was one of the major complaints we had in the books. Pending the results of that, we should be in a position to move on and probably withdraw the judicial review application that the employer had put against the referral to investigate. We are hoping to be able to wrap this up in the coming weeks.

Hon. Dan McTeague: So you don't anticipate further requests or financial needs in this area?

Ms. Hélène Laurendeau: For that particular complaint, no. But as I said, we have a few smaller complaints on the books that deserve our attention, but they are not as far-reaching, in terms of implication, as that particular one.

• (1215)

Hon. Dan McTeague: Okay.

I notice in the supplementaries here that there has been no question as to the foreseeability of changes to collective agreements that you have incurred. There is now, obviously, going to be an anticipation of some changes. I just want to return for a moment to the RCMP.

How much do you expect to save overall with the rollback or the cutback on RCMP rank and file amendments?

Ms. Hélène Laurendeau: It's particularly difficult to put a price on the actual savings, as you call them, because we do an annual review of forecasts of the overall expenditures on compensation through the compensation plan for the entire public administration. So depending on what was planned or foreseen, since it's constantly revised, given the known expenditure against the forecast expenditure, we couldn't just give you one figure that would encompass all the savings.

What I can tell you, however, is that a 1% increase of the payroll, that includes the RCMP and everybody—the 350,000 people—could amount to.... I'm always confused between French and English.

Hon. Dan McTeague: *Millions ou milliards.*

Ms. Hélène Laurendeau: It's \$330 million. Sorry about that. I get confused between millions and billions in French—not in reality, though!

Hon. Dan McTeague: Yes, okay.

I take it you will not see that kind of saving in areas where there is protection of collective bargaining, except for what is agreed to. Those kinds of rollbacks will not simply materialize in thin air—unless there's agreement.

Ms. Hélène Laurendeau: I couldn't speculate on what you call “rollbacks”, but one thing that's clear is that we always do planning, including for compensation decisions that are collectively bargained, and that planning goes up and down depending on the direction of the economy and the direction of the government. So I don't think it would be fair to say that because an organization is unionized, there wouldn't necessarily be those ups and downs. It's just the vehicle by which we derive the compensation decision that is different.

Hon. Dan McTeague: Thank you for this.

Thank you, Chair.

The Chair: Madam Bourgeois, for an opening round.

[Translation]

Ms. Diane Bourgeois: Thank you very much. My first question is for Mr. Smith.

Mr. Smith, earlier you talked about the causes of the increase in the agency's budget, but I believe I missed one or two. You mentioned reclassification activities, disputes, transfers. Are there any others?

[English]

Mr. Alister Smith: Yes, there was. Public service modernization and public service renewal activities are one component. A second component is classification reform activities for the Government of Canada in 2008-09. Third is the pay equity litigation support. Fourth was the campaign to be launched in fiscal year 2008-09 under the government's advertising program. Finally, the amount of \$374,000, a small amount, was transferred to the agency from other departments and agencies to support the work of the National Managers' Community Secretariat, which it hosts.

[Translation]

Ms. Diane Bourgeois: That's fine, thank you. I simply wanted to make sure I had a clear understanding.

The Human Resources Management Agency really deals with the modernization of the public service, Ms. Laurendeau. That means that it handles staff hiring and the replacement of employees who retire. Is that correct?

Ms. Hélène Laurendeau: To be more precise, the organization responsible for hiring is the Public Service Commission. Renewal planning, that is to say for the needs of the public service and the strategies for attracting and retaining personnel, is a responsibility that falls in large part to the Human Resources Management Agency and, to a lesser degree, to the Treasury Board Secretariat.

If you want to know which organization is concerned with hiring, it's the Public Service Commission.

• (1220)

Ms. Diane Bourgeois: The agency that recruits new employees is the Public Service Commission.

Ms. Hélène Laurendeau: These are the departments that have delegated hiring authority, but the source of that authority is the Public Service Employment Act. So it's the Public Service Commission that oversees that.

Ms. Diane Bourgeois: I ask you the question because the CBC recently reported on a problem the Public Service Commission is having in recruiting staff. Other, independent agencies are given commissions to the tune of \$55 million. I don't know whether you saw that news item, which was on television and in the newspapers for two days.

How can you explain why you're requesting funding to modernize the public service when you're also giving funds to independent businesses outside the government?

Ms. Hélène Laurendeau: If I correctly understand your question, you're talking about the use of personnel agencies.

Ms. Diane Bourgeois: That's correct.

Ms. Hélène Laurendeau: I'm unable to talk to you in a general way about the funding allocated to hire agency staff. However, agency personnel are usually hired directly by the departments to meet ad hoc needs.

Ms. Diane Bourgeois: That's not what the news stories seemed to be saying or what we read in the newspapers. However, I accept your answer, even though I find it quite peculiar. Your role, as you said earlier, is to ensure a certain amount of modernization of the public service. I therefore wonder why so much money is being spent on the services of outside agencies. Perhaps you weren't prepared to answer that question.

Now I'm going to talk about reclassification activities. The employees of the Canada Revenue Agency came and told us during the last session that their classification was being disputed. Do you remember that?

Ms. Hélène Laurendeau: In all honesty, no. I must say, however, that the Canada Revenue Agency is a separate employer, outside the fold of the Treasury Board Secretariat's employer function.

Ms. Diane Bourgeois: All right.

Ms. Hélène Laurendeau: Even if I remembered the question, I wouldn't be able to answer.

Ms. Diane Bourgeois: Then you're not the one we should ask.

Ms. Hélène Laurendeau: You should contact the agency directly.

Ms. Diane Bourgeois: I have one final question. Do you have a human resources plan for the next 10 years?

Ms. Hélène Laurendeau: Every department has an obligation to engage in human resources management planning when it establishes its business plan. Every department is able to answer those questions. As to whether we have an overall plan, I would say that we have strategic objectives, but that we don't have an integrated document outlining human resources planning for the government as a whole, since that authority is delegated to the departments, based on their needs and the programs they deliver.

Ms. Diane Bourgeois: However, your agency must ensure that all the departments have a plan. You must give them the means to hire and to help them find staff.

Ms. Hélène Laurendeau: Under its policy, the Human Resources Management Agency of the Public Service must support the departments so that they can effectively do good planning and recruit staff. Yes, absolutely.

Ms. Diane Bourgeois: Perhaps we'll study the public service's staff requirements at another time. Could we then ask you for a more or less long-term plan that would help determine how many employees will be leaving the public service and how many will be rehired in the various departments?

Where do you stand in your personnel search? Can we ask you that?

• (1225)

Ms. Hélène Laurendeau: In fact, that question should be put to the Human Resources Management Agency of the Public Service. It's responsible for demographic planning.

Ms. Diane Bourgeois: My it's complicated!

That's fine, thank you very much.

[English]

The Chair: Merci.

Mr. Warkentin, for a full opening round.

Mr. Chris Warkentin (Peace River, CPC): Thank you, Mr. Chair.

Thank you to all of you for coming in this afternoon. We appreciate your joining us today.

There are a number of things. Obviously, estimates can be somewhat dry, but once you get into something, there may be something of interest buried down deep. So we're going to drill in a little bit, if that's all right.

I've been spending a fair bit of time, as those members who have been longstanding on this committee will know, on concerns I have with regard to the public service and the renewal actions that have been initiated by this government and previous governments. I'm not yet convinced that although we're spending significant amounts of money we're necessarily getting the total result we're hoping for. I think there continue to be some places where we could maybe manage this better.

I do see that there has been a significant expenditure of \$17 million, and Mr. Smith, you did get into it to an extent, but I wonder if I could just drill down into those numbers a little bit. Maybe it's appropriate for our committee to understand a little bit more clearly exactly what those moneys are being utilized for.

Mr. Alister Smith: Thank you. I will just refer to the information available to me. It may well be the case that the agency will have to come back with more detail, because I don't claim to be an expert on this.

I understand that of the \$17.1 million there is a significant amount of funding for public service renewal. The agency does a range of things to support the government's efforts to renew the public service, including supporting the Prime Minister's advisory committee and deputy ministers' committees on public service renewal, which have led the way to significant renewal of the public service. They also support the public service employee survey. They support HR business processes. They support commitments to third parties in the public service, legal services and corporate services involved in public service renewal. So they have a significant reach in trying to advance public service renewal, and that's a large part of the funding request.

Mr. Chris Warkentin: I suspect I'm getting into areas in which you are probably not best positioned to answer, and maybe we will have to have the renewal action group come in here.

We in this committee identified that there was a turnover in many departments of up to 75% of personnel. My suspicion is that there are significant amounts of money spent on doing that, but also there's a huge amount of opportunity that is lost as a result of that turnover.

Clearly, we're spending more. I haven't yet seen that any of these are directed at seeing fewer people moving around. There are moneys that are targeted at many of the initiatives, and maybe we just need to drill down with Madame Barrados and her team to find out exactly what initiatives they're spending this money on. She may be the best prepared to answer those questions.

In terms of looking through the estimates, I notice there is this amount that's being allocated for funding to support pay equity litigation. I know we talked about the fact that there's one that's coming to a close here. It's \$6.5 million, almost \$6.6 million, that was spent in this past year. Could you give me an indication as to whether most of that money was spent on that particular case or whether it's just spread across, or what we're looking at there?

• (1230)

Mrs. Kelly Gillis (Assistant Secretary, Corporate Services Branch, Treasury Board Secretariat): That money was received in supplementary estimates (B) related to the case that Madame Laurendeau was speaking about before and looking at working with

the Department of Justice and reaching a potential settlement for that particular case.

Mr. Chris Warkentin: These dollars don't actually go to fund any type of settlement; it's simply for legal—

Mrs. Kelly Gillis: No.

Mr. Chris Warkentin: Is this for legal fees on both sides, or just the government side?

Ms. Hélène Laurendeau: It was the forecast expenditure to actually prepare the case from a research standpoint and from a legal counsel standpoint, and also for internal research for things like search for documents and preparation for complaints and litigation.

Mr. Chris Warkentin: So just to better understand this, this money is being allocated for out-of-house resources? This isn't being allocated for people who are currently within the civil service?

Mrs. Kelly Gillis: There was a project team established to be able to manage that particular project, as well as, through the Department of Justice, outside legal counsel to support the activities.

Ms. Hélène Laurendeau: So it was a combination of both.

Mr. Chris Warkentin: This coming year you identified that there were six, including this one that is being resolved. What do we anticipate the costs of these other ones will be, just in terms of legal fees? Is there any way to have any estimate?

Ms. Hélène Laurendeau: At this stage, for the other complaints, we haven't determined whether or not we would need the support of outside counsel. There are still internal activities for the management of those complaints, but those are not part of that particular amount.

Mr. Chris Warkentin: So the \$6.6 million is just for the legal fees. Now, in terms of the actual settlement, do we know what the final number is going to look like?

Ms. Hélène Laurendeau: The final settlement, in terms of payouts—

Mr. Chris Warkentin: Yes, that's right.

Ms. Hélène Laurendeau: —or in terms of cost?

Mr. Chris Warkentin: In terms of payout, yes.

Ms. Hélène Laurendeau: In terms of payouts, we have settled for a lump sum amount of \$4,000 per employee for members of the groups that have filed complaints.

Mr. Chris Warkentin: Do you know what that amount totals to?

Ms. Hélène Laurendeau: It is approximately \$300 million. The population is about 90,000, so you can do the math.

Mr. Chris Warkentin: Very good.

Okay, thank you. That answers my initial questions. I appreciate it.

The Chair: Mr. Martin, for a full opening round.

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

I wasn't here when we chose to invite Treasury Board as our witnesses for the supplementary estimates, and they didn't come with opening statements, so I guess it's kind of a wide-open conversation. But looking at the supplementary estimates on pages 200 to 203, we're dealing with massive amounts of money at the bottom here, not just the fairly narrow questions being asked regarding funding support for pay equity litigation, etc.

My interests and my questions are perhaps on the broader policy issue and the problems you're going to have, I believe, with legal challenges associated with capping compensation, capping the wage—the wage freeze, essentially—associated with this budget.

Now, I come from a trade union background, and free collective bargaining is a constitutional right, upheld recently by the Supreme Court of Canada, in 2007, and British Columbia, when they tried to interfere with collective agreements.

What kind of reserve or what are they setting aside for what could be a landmark appeal or what could be the legal challenges associated with what the government is asking you to do, in terms of capping public servant salaries?

The Chair: Just a word to the witnesses: the terms of reference here today are the supplementary estimates and not the federal budget. This is perhaps a huge issue, and to be sure, at least some of us in the House of Commons are going to be getting to it. But if you feel you don't have the answer for Mr. Martin.... I mean, I'll let you attempt to answer, and I realize there's some policy stuff that goes in front of any financial planning you may be making. I'll let you attempt to answer, but don't feel you're absolutely bound to clear up the issue totally today.

• (1235)

Ms. Hélène Laurendeau: Thank you, Mr. Chairman.

I don't think we are in a position to comment on the actual budget announcement. The partial answer I could give, however, is that with the parameters of increases that have been announced in the recent budget, we were able in the fall to settle some collective agreements through collective bargaining. I would flag that to the attention of the committee and leave my answer at that, at this stage.

Mr. Pat Martin: Certainly the Public Service Alliance has voted on, and accepted, a final offer. A lot of us have our opinions on how that final offer was foisted on them, but that's neither here nor there.

But there are tables that are still negotiating. In your own professional experience, Madame Laurendeau, how will it be portrayed as bargaining in good faith when you sit down at the table if you say we can negotiate everything except the only important thing, which is salaries? In other words, you get to negotiate what colour to paint the lunchroom, but we get to dictate what salary we're going to pay you.

In your professional opinion in labour relations and as a compensation expert, does that fly in the face of the recent Supreme Court ruling that free collective bargaining has been reaffirmed as a constitutional right?

Ms. Hélène Laurendeau: With all due respect, I don't think I can comment on that latter question.

However, I would say you are right. We still have some collective bargaining ongoing. I think it would be essential that we leave the collective bargaining at the bargaining table. That is said with due respect.

Mr. Pat Martin: Could I ask a specific question, then? Will the imposed wage cap result in any rollbacks to any groups that have already settled? Are there any situations where year two, three, and four were settled at rates higher than 1.5% that will now be required to accept only 1.5%?

Ms. Hélène Laurendeau: I would not be in a position to actually talk about the details of the implementation of the announcement, other than to say that the figures have been announced as they are. Until we know what the legislation brings, I am not in a position at this stage to answer this question.

Mr. Pat Martin: But do you know of any groups that have settled for a higher rate than 1.5%?

Ms. Hélène Laurendeau: There are indeed groups that have settled at a higher rate for those years, yes. That is public knowledge.

Mr. Pat Martin: Do you know which groups those are?

Ms. Hélène Laurendeau: Out of memory, I can tell you that the university teachers, the correction services, the Canada Revenue Agency, and at least one separate employer I am aware of have settled above the parameters that are known. Those are the ones that come to mind, but that's by no stretch of the imagination a complete list.

Mr. Pat Martin: All right.

So within the supplementary estimates there is funding for continuation of the classification reform program. This is actually news to me. I thought you gave up on the reclassification years ago. Is that still a project, to try to reclassify the public service? I remember years of disastrous tinkering with trying to reclassify, and everybody threw their hands up and walked away. I'm surprised to see you're still trying.

Ms. Hélène Laurendeau: In 2002 there was a project called universal classification standards, which was dropped. But if I may refresh your memory, at the time that this particular project was terminated, there was a clear indication that there was still a need for some classification reform. A lot of classification reform activity has happened since.

In this last round of collective bargaining in the fall with the Canada Border Services Agency, we came up with rates of pay to support a new classification for the border guards. In less recent history, we also did the foreign service officers. We are working as well on the economists. So there has indeed been a continuation of some form of classification reform, but it's in a different fashion, not as a universal classification exercise.

You also are probably aware that in the recent PSAC settlement we have also restarted the consultation process with the Public Service Alliance of Canada for the reform of their biggest group, the PA group. The short answer to your question is that since 2002 there has still been some classification reform activity.

• (1240)

Mr. Pat Martin: I am a carpenter by trade; I used to represent the carpenters' union.

With what little time I have left, could I ask about the status of the settlement regarding a national scale for tradespeople within the public service, something they have aspired to for years? Can we look forward to that in the recent adjustments?

Ms. Hélène Laurendeau: In the last PSAC settlement, other than doing the conversion I just referred to for the border guards, there was also the introduction of national rates of pay for what we call the SV table, which includes the trades and other workmanship. Yes, the issue of the national rates of pay has been resolved in the past round of collective bargaining with PSAC. We're very proud of that.

Mr. Pat Martin: Makes me feel proud too. Thank you.

The Chair: Thank you, Mr. Martin.

Ms. Hall Findlay and Mr. McTeague, I think you wanted to share this. This is a five-minute round.

[Translation]

Ms. Martha Hall Findlay: Thank you very much.

It's my turn to welcome everyone, especially considering that it was on very short notice.

[English]

I have a very quick question. Mr. Smith, you had mentioned earlier the breakdown of the increase in the Public Service Human Resources Management Agency of Canada. In one part, if I'm not mistaken, you had a breakdown of five or six and you listed them. One of them was an advertising campaign. Could you elaborate on the amount and specifics?

Mr. Alister Smith: Yes, I actually do not have too much information on this, but I think the amount is only \$120,000 of the total amount, and it's part of a horizontal cross-government advertising program, so it was a contribution to that on the part of CPSA.

Ms. Martha Hall Findlay: Okay, thank you very much.

Hon. Dan McTeague: Chair, I won't be very long.

Madame Laurendeau, for the purposes of the committee I wanted to get very clear information from you as soon as you're able to furnish it. Just so there is no question as to the discussion we had, the questions I had earlier, the Treasury Board directive on executive compensation as far as merit and pay is concerned is one that firmly includes or does not include senior members of the RCMP, and rank-and-file members are not entitled to the same compensation, notwithstanding the rollback. I want to be absolutely clear this is what we're seeking here as soon as you can furnish that.

Ms. Hélène Laurendeau: Yes, two things on that. The policy is a Treasury Board policy, but the senior cadre performance pay is a Public Service Agency policy. I had noted your question as you just rephrased it and I will make my best effort to provide you with the answer.

Hon. Dan McTeague: Thank you.

The other two I would certainly want to be precise on: how many RCMP officers, rank and file, are affected by the rollback or the change? Also, could you be more precise in terms of an actual figure on a per salary level of the implications of the impact on rank-and-file RCMP?

Those would be all my questions, Chair.

And if you could, just provide those as soon as you can.

The Chair: Do committee members accept that this reply would go directly to Mr. McTeague?

Hon. Dan McTeague: Oh no, it can go to the committee, Chair.

The Chair: Mr. McTeague has requested it. What seems to be a simple request from you can turn into a \$300 to \$500 exercise by the time we get the information, we duplicate it, we translate it, we disseminate it, deliver it. If members are happy that the answer goes directly to Mr. McTeague, we can avoid that expense and everybody's happy, but if any member wants this information, the member shall have it. I'm only asking.

Okay. You may provide the answer to the member in his or her language of choice. Thank you.

Going now to Mr. Brown.

Mr. Patrick Brown (Barrie, CPC): Thank you very much, Mr. Lee.

My first question is if you could provide an explanation for how the ARLU process works, the annual reference level update, in relation to the Treasury Board in the supplementary estimates.

• (1245)

Mr. Alister Smith: Yes, I can, sir, briefly.

Every year we establish the reference levels for departments for the forthcoming year through what is called the annual reference level update, our ARLU process. To boil it down to simplest terms, we take the previous year's budget for the department and we make any changes, additions, or subtractions to the budget, which show up through supplementary estimates, for example, in preparing the budget for the department for the next fiscal year, so in this case for the 2009-10 fiscal year. That's essentially the process we follow.

Mr. Patrick Brown: Another question I wanted to ask was this. We have heard some reference to some of the difficulties in the whole collective bargaining process. Could you mention some successes in collective bargaining we can point to?

Ms. Hélène Laurendeau: Yes. Thank you for asking the question.

We had a massive round of collective bargaining under way in the past year. We were negotiating with 25 of the 27 groups of the core public administration and probably with an equivalent number of separate employers. We successfully concluded 15 collective agreements in the core public administration. A similar number were successfully concluded in the fall through separate employers.

So, yes, there have been some successes.

We also have been able, with our bargaining agent partners, to negotiate certain things that were fairly contentious. I referred already to the conversion for the border guards. I also referred to the national rates of pay for the trades.

We were also able, with the ship officers, to come up with a suitable settlement with respect to a very complicated system of leave that was making crewing of the ships for the coast guard extremely difficult. That was a less publicized success, but being able to resolve those thorny issues was a very important success for both sides.

So, yes, there have been some successes.

Mr. Patrick Brown: I guess at times it's the difficulties that get more attention than the successes. But when you look at Canada in comparison with other countries, how do you think we're faring, in terms of peace and the avoidance of acrimony?

Ms. Hélène Laurendeau: I think you're quite right in saying that, unfortunately, labour relations tend to get publicity when things are tough. But at the same time, given the number of bargaining units we're dealing with, given the number of ongoing conversations we're having on a stack of issues through collective bargaining and, I would note, through the National Joint Council, I would say we're doing it fairly well.

Are things perfect? No. But the nature of the discussions is such that we have an open channel of communication, and we are working at finding solutions to difficult issues.

So how do we compare to other countries? I think the level of labour disruption we have experienced in the past few years has been relatively low and manageable. I am not saying it isn't in existence, but it has been manageable. We're working hard and making sure we strike the right balance between providing the appropriate package to attract and retain the people we need to actually perform duties and doing it in a way that is respectful of the taxpayers' purse.

Mr. Patrick Brown: I have one final question. In terms of compensation adjustments, are these a regularly occurring process throughout the supplementary estimates?

Mr. Alister Smith: I can address that.

Yes, we do compensate departments for any changes due to collective agreements that have been settled, and we compensate them for the difference between their current budgets and the cost, essentially, that occurs through the collective agreements. So essentially, the amount in Treasury Board's supplementary estimates here is a transfer from a Treasury Board central vote to departments and agencies to cover the costs of those collective agreements.

Mr. Patrick Brown: How often do those adjustments occur?

Mr. Alister Smith: They can be quite frequent if we're in a heavy bargaining round. But I'll turn that question over to Hélène.

Ms. Hélène Laurendeau: They usually follow the cycle of collective bargaining and other compensation decisions, because those amounts also include the compensation decisions that are not necessarily collectively bargained. I am referring to the RCMP or the armed forces or any public servants who are not unionized. As soon as we have significant compensation decisions, we follow suit as soon as the collective agreements are signed to make sure that the money is channelled to the departments so they can actually pay the employees at the required level.

So you will notice, if you look at the past five or ten years, that you have spikes, and they usually correspond to spikes of activity on the bargaining front once every two or three years.

•(1250)

Mr. Patrick Brown: Thank you.

The Chair: Thank you.

Mr. Martin, this is the last indicated round. Are you okay?

Mr. Pat Martin: I'll pass, thank you.

The Chair: Well then we're done.

The witnesses are free to leave the room at this time if they wish. Thank you very much for coming on short notice, and I know we'll see you again soon.

Now we'll continue with the orders of our day. There is a notice of motion from Madame Bourgeois that proposes an item of future business. Now, I had assumed that since the committee was working on this in the last session or last Parliament, it would want to continue that work. So I'm willing to....

I suppose I should be quiet and let Madame Bourgeois introduce it. We have time to consider the motion now. We don't have to conclude debate; we don't have to adopt the motion yet. And I'll note that we haven't had a steering committee discussion, nor have we had a discussion about other priorities and other issues that are before the committee.

But there is a notice of motion here, and I'm happy to recognize Madame Bourgeois on that.

[Translation]

Ms. Diane Bourgeois: Thank you, Mr. Chairman.

It's simply a matter of logic. The committee began its business, witnesses had to come and appear, but we somewhat abandoned them by simply telling them that business would resume upon our return to the House of Commons. Those people are still waiting. It makes no sense to leave them in that situation. Those who previously spoke don't know the outcome of our proceedings, whereas those who are still waiting to testify are wondering what's happened to us.

It's simply a matter of logic. However, I'm making it a priority so that we can dispose of this matter as soon as possible and the steering committee can then deal with other matters.

[English]

The Chair: Okay. Is there any comment from other members on this?

Mr. Warkentin.

Mr. Chris Warkentin: I think it's important, number one, to complete this thing that we were working on in the last Parliament. But I also think it would be important for the other committee members—because there are a number who are new—to get a rundown of maybe where we're at. Some of the situations have changed, so we may want to recall some of the people whom we spoke to. We'll maybe have to have a discussion about that. You'll know some folks that you've spoken to.

Anyway, I'm just not sure that all of the points of the previous study are entirely relevant. But, more importantly, things have changed, so there may be other relevant points that we need to take a look at.

The Chair: Mr. Anders.

Mr. Rob Anders: I don't see any problem with the motion.

I am spooked by all the talk of lots of subcommittee work and steering committee stuff. I just generally believe that we can deal with it here, rather than have to set up a whole new slate of meetings that will further complicate all of our lives.

Anyhow, I just wanted to get that on the table.

The Chair: Thank you, Mr. Anders.

I see Mr. Martin's hand.

Mr. Pat Martin: I don't disagree that we should continue this work, but I did want to ask you, Mr. Chairman, one thing before we adjourn at one o'clock. I too would like a copy of the information that Mr. McTeague asked for—if I can put this request on the record.

I too have a notice of motion that I'd like to table once we're done with Madame Bourgeois' motion.

The Chair: You're free to give notice of motion at any time. We're delighted to receive all these cards and letters that are coming in.

Ms. Hall Findlay.

• (1255)

Ms. Martha Hall Findlay: Mr. Warkentin mentioned the fact that there has been a lot of work done on this issue before and that we may need or want to bring more witnesses, or the same people, back. I think from an efficiency perspective, for those of us who are new, we can certainly read the transcripts and the information that the committee has seen in the past. I don't want to waste the committee's time rehashing old news, but to the extent that there is new...over the course of it....

But I fully support the motion, in the sense that there's clearly more work to be done. I just want to make sure that we don't set ourselves up to waste time. Those of us who are new can certainly do the background work.

The Chair: Okay. I think we'll just put the motion, if Madame Bourgeois wants it put. The motion clearly has the committee taking up this issue as a priority. In other words, it's near the top rather than at the bottom of the list of work we may be undertaking here in the near future. There also has to be some discussion among members, whether it's informal, whether it's at a steering committee, or whatever.

The framing, the continuation of this study, is going to have to be planned out. We're going to have to look at the witness issue, as Mr. Warkentin pointed out. We're going to have to see where we're going, and I'm going to ask staff to do a bit of a workup, summarize the evidence that has come in so far, distribute it to committee members, and then we'll put our heads together on future witnesses, get some scheduling nailed down, and proceed with that.

Do you want me to put the motion now?

Obviously not.

[Translation]

Ms. Diane Bourgeois: I'd like that very much, but I simply want some clarification. The translators translate very well, but sometimes they don't have enough time.

We're talking about resuming proceedings giving priority to the study of the procurement process. I don't want to stop proceedings on other subjects. We can very well study a number of subjects at the same time. Our researchers have already prepared a summary. If we could begin this study next week, next Thursday, for example, we would eliminate that. Perhaps we'll have two or three meetings before we have a suitable appearance before the people who will be here. Afterwards, we'll go on to something else.

If we study it on a priority basis next Thursday, we'll dispose of the matter. What do you think of that? I want everyone to discuss it. Mr. Anders, I don't want you to think it's a subcommittee that does that. We do it all together.

[English]

The Chair: Look, your chair wants to get this item of business. There seems to be universal appetite to deal with this, so could we just please put the motion and deal with it?

(Motion agreed to)

The Chair: The chair has one other item of business here. The clerk recommends that on the subject of procurement we adopt the motion now. I'm quite sure we do need it. I'm going to have Mr. McTeague read it instead of the chair reading. It's simply a motion to bring forward the evidence received on this subject in the last Parliament to this one.

[Translation]

Hon. Dan McTeague: As there appear to be translation problems, I'm going to read the French version of the motion concerning evidence from a previous session:

Que les témoignages et les documents recueillis au Comité permanent des opérations gouvernementales et des prévisions budgétaires au cours de la deuxième session de la 39^e législature au sujet de son étude du processus d'acquisition au gouvernement fédéral soient pris en considération par le Comité dans la session courante.

[English]

The Chair: It has been moved. I'll put the question if there's no debate.

(Motion agreed to)

The Chair: Thank you.

Now, Mr. Martin.

Mr. Pat Martin: Very briefly, Mr. Chairman, I would like to submit this notice of motion.

I move that on page 90 of the supplementary estimates (B), the amount of \$125,000 transferred to Natural Resources to support the Chrysotile Institute be reduced to \$1.

I will submit that to the chair.

• (1300)

The Chair: I'll take that as notice. We won't be able to put it today. We have a 48-hour notice rule. That's fine. Thank you.

Mr. Pat Martin: I know we don't have time to debate it, but I would argue that you don't need notice when we're already dealing with the supplementary estimates. I'm doing this as an abundance of caution.

The Chair: All right. It is a motion of some substance and I'm sure it will require some debate. We'll have to feather this into a meeting before we conclude our deliberations on these estimates.

This is a line item in the current estimates, correct?

Just to help, Mr. Martin—and I'm doing this on the public record—our researcher points out that the line item shows a transfer of the money from one agency to another. If we negative the item, it won't negative the expenditure. The expenditure will simply stay with the agency it's with. The estimates are simply, as I understand it, recognizing the movement of the money. If we stop the movement of

the money, the expenditure will still be there. So it may or may not accomplish the objective you intended, but I'd invite you to consider that.

However, your notice of motion is here. We will take it up pretty much forthwith...or at a very future meeting. Colleagues should be prepared to deal with it.

Is there any other business today?

Seeing none, we can adjourn. Thank you, colleagues.

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