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Chair

Mr. Pat Martin

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•(1100)

[English]

The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)): Good morning, ladies and gentlemen. Welcome to the Standing Committee on Government Operations and Estimates.

We're very pleased today to be here in regard to the main estimates for the Department of Public Works and Government Services. We'll also be looking at the report on plans and priorities at Shared Services Canada.

We're very pleased to have with us today the Honourable Diane Finley, the Minister for Public Works and Government Services. You're always welcome here, Minister Finley, and we thank you for being here with us today. I see we have you here with us for the first hour. It's only a couple of billion dollars, so it shouldn't take us more than an hour or so to do our due diligence and examine it.

We'll begin without delay then and ask you for opening remarks, and then we'll go to questions.

Hon. Diane Finley (Minister of Public Works and Government Services): Thank you very much, Mr. Chair.

I am pleased to be here today to talk about my two departments' main estimates and reports on plans and priorities for the 2015-16 fiscal year. With me from Public Works and Government Services Canada are the deputy minister, George Da Pont, and the chief financial officer, Alex Lakroni.

From Shared Services Canada I'm joined by the president, Liseanne Forand, and Elizabeth Tromp, the acting senior ADM, corporate services, and chief financial officer.

[Translation]

Both PWGSC and SSC provide essential services to other departments and support our government commitment to creating jobs, growth and economic prosperity.

[English]

For the 2015-16 main estimates, Public Works' net spending is expected to increase by \$30.6 million over the previous year. This is primarily due to the transfer of responsibilities to Public Works from the former Enterprise Cape Breton Corporation, as well as to the rehabilitation of the Parliament Buildings, including interim accommodation for the Senate.

For Shared Services Canada, the 2015-16 main estimates represent a total of \$1.444 billion and show a net decrease of \$127.8 million compared to the previous year. This is due mainly to

savings achieved across various key transformation initiatives and a \$63.4 million reduction in funding for partners' projects and initiatives.

[Translation]

Over the next year, PWGSC is looking forward to reaching several milestones.

[English]

Last week my colleague Tilly O'Neill-Gordon, member of Parliament for Miramichi, officially kicked off the construction of the new public service pay centre, showing just how far we've come on the transformation of pay administration initiative. The construction of this building will create an estimated 200 jobs in addition to the 550 employees currently working in the interim pay centre. In fact, by the end of the year, over 140,000 pay accounts will be administered at this new centre.

By consolidating pay services into a single building, we will generate approximately \$70 million in savings each year starting in 2016-17. Obviously that's good news for taxpayers, and it's good news for the people of Miramichi.

Another great Public Works initiative with which you might be familiar is the build in Canada innovation program, or as we fondly refer to it, BCIP. Through this program our government is kick-starting Canadian businesses by helping them get their innovative products and services from the lab to the marketplace.

•(1105)

[Translation]

One of the biggest hurdles that companies face with new products is making that first sale. As you all know, it can be tough to get someone to take a chance on an untested product or service.

[English]

I've heard the story from business owners a hundred times that when Canadian companies try to sell their products internationally, the first question they're asked is if the Canadian government is one of their customers. Let me tell you, it is a pretty tough sell when the answer to that question is no. It's through this program the federal government acts as a first buyer of new technology. I'd like to stress that this is not a subsidy or a grant. Companies and their innovation are matched with government departments that could use their innovation to fulfill a business need.

[Translation]

But, the government departments are not just customers. After test-driving the innovation, they provide real-world evaluation and feedback to suppliers who can then make refinements. We hear all the time that companies find this feedback very useful.

[English]

Having made a sale to the Government of Canada, businesses can demonstrate the value of their products and services to potential customers in Canada and indeed right around the world. With 100 contracts issued since 2010, this program is a great boost to innovative Canadian companies.

We're also looking forward to making further progress under our national shipbuilding procurement strategy. Over the next month, Vancouver Shipyards will begin construction on the Canadian Coast Guard offshore fisheries science vessel. Irving Shipbuilding in Halifax will cut steel on the Arctic offshore patrol ship for National Defence.

The two shipyards are employing hundreds of highly skilled workers, while some 256 companies across Canada have already been engaged in contracts valued at \$900 million. This is all thanks to our national shipbuilding procurement strategy, which is helping rebuild a strong Canadian shipbuilding industry and a marine industry that will create an estimated 15,000 jobs over the next 30 years.

This long-term approach to building ships will ensure strong jobs and economic growth, stability for the industry, and vital equipment for our men and women in the Royal Canadian Navy and in the Canadian Coast Guard. We are also looking forward to making further progress on our government's new defence procurement strategy.

[Translation]

This strategy marks the most significant shift in the federal government's purchasing of military equipment in 30 years.

[English]

It aims to achieve three important objectives: deliver the right equipment to the Canadian Armed Forces in a timely manner; leverage these purchases to create jobs and growth; and streamline our procurement processes. While we've made progress on the implementation of this strategy, I am looking forward to taking further steps to its implementation. Value propositions are beginning to be applied to procurements and will continue to be applied on a systematic basis going forward.

If I may, I would now like to turn to Shared Services Canada. SSC continues to modernize and consolidate our government's IT infrastructure.

[Translation]

Our data centre consolidation will also continue over the course of the fiscal year, as aging data centres are closed and replaced by a small number of modern, secure and highly efficient ones.

[English]

Fewer data centres will eliminate duplication, will standardize processes, and perhaps most importantly, will tighten security. We have established three enterprise data centres already and closed 57 data centres over the past two years. Savings of \$14.5 million have been achieved already through consolidation and renegotiation of data centre contracts under economic action plan 2012.

In the course of executing this part of the plan, SSC has identified over 200 additional existing data centres, the vast majority of which are small rooms within office buildings. While we initially planned for 485 aging facilities to be replaced by no more than seven modern, secure, reliable centres, opportunities that include better-than-expected pricing and the use of cloud computing will allow Shared Services Canada to now consolidate over 700 data centres to no more than four or five by 2020.

SSC is also helping to modernize our telephone system by moving away from conventional, and quite frankly costly, desktop phones to cellular service or voice-over-Internet protocol phones where possible. Believe it or not, this has already generated ongoing savings of approximately \$28.8 million a year.

● (1110)

[Translation]

The safety and security of Canadians continues to be one of the government's top priorities. Shared Services Canada is building a secure, centralized communications infrastructure that directly supports Canada's Cyber Security Strategy. SSC works closely with government security partners to protect government systems from cyber threats and intrusions.

[English]

As new products are brought forward, Shared Services will work with industry experts to identify best practices and approaches by providing secure, cost effective, and robust IT architecture.

SSC is making it possible to partner departments to achieve their priorities and better deliver services and programs to Canadians. The total amount the government has saved since SSC's creation is now \$209 million each year. That's \$150 million for the consolidation of existing services and the reduction of overhead, \$50 million through email transformation, and \$9 million through the consolidated procurement of hardware and software for workplace technology devices.

[Translation]

Mr. Chair, PWGSC and SSC are tasked with very broad and complex responsibilities. While difficulties can and do arise, overall I am pleased with the progress that has been made by both departments over the last fiscal year.

[English]

I anticipate another year of steady progress in achieving cost savings, better services, and greater security for the Government of Canada and for the citizens that it serves.

Thank you very much. We now look forward to your questions.

The Chair: Thank you, Minister Finley, and I'm sure the questioners look forward to questioning you equally.

Beginning for the official opposition, Mr. Mathieu Ravignat.

Mr. Mathieu Ravignat (Pontiac, NDP): Thank you, Minister, for being here. We don't always have the best of luck getting ministers to come here to protect their plans and priorities or their estimates, so I'm happy to see you today.

I'd like to ask a question about the search and rescue RFP. Mr. Perry is, as you know, a well-known expert. He said that the fact that the request for proposal, the RFP, is out is a good sign. But that RFP has been out before and nothing has moved on it. Can you give us assurances that something actually will be done about search and rescue vehicles in this country?

Hon. Diane Finley: We've made it very clear that we want to make sure that our men and women in uniform have the equipment they need to do the job that we ask of them, and that's right across the range. We've invested in the defence procurement strategy in the Canada First program significantly in getting that equipment for them. There have been some false starts on the fixed-wing program. We have made a point though, and I've personally been involved in this, in engaging industry so we can develop a better RFP. That was one of the problems in the past.

Our new RFP has been issued. We have every intent of seeing that through and expect that in the fall of 2016 the first contract award will be made.

Mr. Mathieu Ravignat: Can you give us a sense of what exactly is going to be delivered in the next year?

• (1115)

Hon. Diane Finley: What we're doing is, in March we released the RFP. This is quite a complicated procurement because we're asking the proponents to essentially design a system. We're expecting the three different regions of Canada for search and rescue, and we're asking them to come up with not just equipment, but a plan that would be effective and efficient in doing search and rescue so that citizens get the best service possible at the most efficient price. There are a lot of possible configurations for this. It's going to take the proponents some time to do the analysis and put together what they believe would be the best solution.

Mr. Mathieu Ravignat: Obviously, this is an important issue. We're talking about the safety of Canadians. Can you say anything to reassure Canadians that there will actually be vehicles in operation in the near future?

Hon. Diane Finley: We do have vehicles in operation, as you know, the Buffalo fleet.

Mr. Mathieu Ravignat: In operation.

Hon. Diane Finley: The Buffalo fleet has been renovated. But we do work with our other partners as well on this to make sure that the

service is provided and when it is, to make sure that going forward we do get the right equipment in the right configuration.

Mr. Mathieu Ravignat: Moving on to personnel, necessary expertise in the Canadian military, there seems to be money there, but there doesn't seem to be a lot of hiring going on. For example, industry watchers have said that the military has lost many skilled workers in cutbacks in the previous decades.

Can you tell me if there's a strategy in place to come to some kind of analysis and some kind of progress with regard to making sure that we have the expertise necessary in the military?

Hon. Diane Finley: I'm sorry, you're going to have to address that question to the Minister of National Defence. That's not within my purview.

Mr. Mathieu Ravignat: Okay.

[Translation]

Regarding the relocation contract that is renewed year after year with Royal LePage and the CIBC, without a call for tenders—we know that the government was to pay \$30 million for discriminatory treatment, and that the contract in question was to expire in 2014.

What has Public Works and Government Services Canada done since that decision was handed down? Are there new adjudication practices, for instance with regard to the management of the Integrated Relocation program?

Hon. Diane Finley: Yes, something was done. The contract was extended so that we could assess the state of the market and ensure that there are companies who are able to reply to a bid. Departments are also assessing their own policies in this regard.

Mr. Mathieu Ravignat: Did you study the problem that existed in the past? Is the department sure that it will have an open, fair bidding process with reasonable and competitive criteria? Can you give us some ideas of the analysis that was done of that dossier?

Hon. Diane Finley: Of course, we are aware of the Auditor General's comments, but it is very difficult because in this industry, there's only one big company. When there are small companies, a consolidation takes place and this makes everything very difficult. We have to consider all of our options: is it preferable for taxpayers that there be one big contract or several regional contracts? That is the question we are asking ourselves.

[English]

The Chair: Thank you, Minister.

Thank you, Mr. Ravignat. That concludes your time.

Next, for the Conservatives, we'll hear from Mr. Brad Butt, for five minutes, please.

Mr. Brad Butt (Mississauga—Streetsville, CPC): Good morning, Minister. Welcome to you and all of your officials. Thank you for taking time to appear before the Standing Committee on Government Operations and Estimates, as you always do when we ask. We appreciate hearing of the initiatives within the various departments and of the work that's being done.

I want to ask for some more background, Minister, on the build in Canada innovation program. In my riding of Mississauga—Streetsville we have hundreds and hundreds of small businesses. Often when I meet and talk with them, including the Streetsville Business Improvement Association, as an example, one issue that comes up is how to sell to the Government of Canada, how to get their product, service, or whatever, into the tendering process. They have something innovative that they think the government could use to make systems or things more efficient or more effective. Obviously, as their local member of Parliament I try to get them through the necessary hoops to reach that goal.

Could you take a bit of time to talk in a little more detail? In your opening comments, you said, “Through this program our government is kick-starting Canadian businesses by helping them get their innovative products and services from the lab to the marketplace.”

Maybe you could take time to explain a little more about that program and then generally what is being done to help small businesses in particular sell their goods and services to the Government of Canada.

• (1120)

Hon. Diane Finley: I really appreciate that question, because small business really is the backbone of our economy. Nine out of ten jobs are in small and medium-sized enterprises, SMEs, and those same companies create three out of every four new jobs, so it's really important to us that we support them. In fact, some 39% of all the procurement that Public Works does for the government is done with small business. I'm really proud of that, because there was a day when it wasn't that high a number, but we respect small businesses and we try to make sure that we include them. In fact, that's why we set up the office of small and medium enterprises, OSME.

It's OSME that actually administers the build in Canada innovation program, BCIP, to which you referred. This is an exciting program that was trialled a couple of years ago. We've since made it permanent and doubled the funding for it so it's now \$40 million a year. There's a \$20 million component just for the military.

As I mentioned in my opening remarks, this is a program, not a subsidy, in which we identify companies that have really interesting products or services that are then procured, purchased, by a government department to match real business needs. These are products that probably aren't quite ready for prime time yet, but when companies work with the department, the department trials these products or services and identifies where they could be improved. It goes back to the company and says, “Okay, here you go. This is what we see as opportunities for improvement.” The company fixes things up, goes back to the department, and the department tries it again. At least nine times out of ten there's success. The company benefits by getting that real-world exposure and the trial to perfect its product or service. The government department gets a real business need met with something that's brand new. The company gets the benefit and the cachet, if you like, of having the Government of Canada as a customer, which adds a lot of credibility, especially when they're trying to sell worldwide.

I met with a number of the owners of these companies that have come up with these products. Some of them truly are innovative. Some of them are world-leading in their field, so it really feels good

to be able to support companies that are now receiving perhaps 80% of their revenue from offshore. It's a real kick-start program and it's a win-win all the way around.

I would point out that the next call for proposals on this will be this summer, so people can check it out on the website.

Mr. Brad Butt: Minister, in your opening statement you said, “from the lab to the marketplace”. Can you expand on that? What exactly does that entail? Is it someone coming forward with a new innovation and running it by officials in the government or in your department to sort of say, “This is what it is and this is what it does”? You mentioned that this isn't a subsidy program or a grant program, that it's a program designed to help and support these small businesses.

Can you clarify that one line? I want to get more clarification on exactly what role the department is playing.

Hon. Diane Finley: I'd be happy to. In fact, I'll give you an example.

One product was developed just across the river in Gatineau. It's very innovative. I won't go into too much detail for security reasons, but it's a security device that DND decided to purchase. They tried it out and found that there were some temperature issues, believe it or not, and this particular product couldn't operate in all temperatures when they tried it. They went back to the manufacturer and the manufacturer made some adjustments, more than once, in fact. They got it so it did work. Now the military is using that particular device. There is a huge international market for this product, both in the military and in the commercial sector. To me it's a really exciting program, because it will help overcome a lot of problems in this particular field in terms of security and even in terms of business and international exports.

• (1125)

The Chair: Thank you, Mr. Butt. That concludes your time.

Thank you, Minister.

Next, from the NDP, we have Tarik Brahmi.

[*Translation*]

Mr. Tarik Brahmi (Saint-Jean, NDP): Thank you, Mr. Chair.

Madam Minister, a little over a year ago you announced the creation of the Defence Analytics Institute, involving quite an interesting mixed group of business people and academics.

What is the status today regarding the creation of that institute?

Hon. Diane Finley: We set up an interim institute to help determine how the institute would be structured. This work is being done at this time and consultations took place with the government, the industry and all of the companies in the defence industry. In the Economic Action Plan we included \$2.5 million to launch the institute. These people are in the process of determining an appropriate structure for it.

Mr. Tarik Brahmai: How many people will work in that institute?

Hon. Diane Finley: They are deciding that as well. They are making decisions as to the how, who, where, how much, and all the rest of it.

Mr. Tarik Brahmai: Do you have any preliminary reports on the solutions being considered?

Hon. Diane Finley: No. We are waiting for the report and the recommendations, which we are going to examine very carefully.

Mr. Tarik Brahmai: In other words, no date has been set for the release of a preliminary report. The point is to see whether things need to change within the military procurement process in Canada. I expect that the objective is to improve the process.

Hon. Diane Finley: One of the purposes is to determine who is a part of the industry in Canada. We have no directory listing all of the companies in Canada that provide defence equipment and services throughout the world. It is very important that we list the facilities, products and services available. This will allow us to promote them in our embassies throughout the world, for export purposes particularly, but also with people who might like to build equipment here in Canada and are looking for partners. It is very important to know who these potential partners for foreign businesses are.

Mr. Tarik Brahmai: I see.

At the same time, in mid-2014, you released the new Defence Acquisition Guide with the minister at the time, Mr. Nicholson.

After almost a year, what conclusions have been drawn as to the effectiveness of the new guide?

Has this underscored some of the weaknesses of the procurement process?

Has there been any feedback concerning the use of the new guide?

Hon. Diane Finley: We are still consulting the members of the industry. For instance, last year I sent an email to over 80 businesses that provide products and services to government. I received opinions from about 400 companies, such as suggestions to improve the procurement process, the consultation process, and all kinds of other things.

We always listen carefully to the industry. For my part, I often attend meetings to hear what the members of the industry have to say. In that way, we have learned many things which we incorporated into the process to improve it. That is why we reversed the process for large procurements of military equipment. In the past, we would ask for proposals and consult the industry. We have reversed this process so that the industry can provide information in the context of the request for proposals. In this way, we have...

• (1130)

Ms. Liseanne Forand (President, Shared Services Canada): We shortened the process.

Hon. Diane Finley: Yes, we shortened the process. It is now faster and shorter. The information is much better.

[English]

The Chair: I'm afraid I have to stop you there, Minister. Thank you very much.

Thank you, Mr. Brahmai.

We'll return to the Conservatives and Mr. Dan Albas, please, for five minutes.

Mr. Dan Albas (Okanagan—Coquihalla, CPC): Thank you, Mr. Chair. It's a pleasure to be here with your committee today.

Minister, I'm very happy that you and the officials are here today.

Minister, sometimes I think that oftentimes parliamentarians relay only complaints to ministers. I think it's appropriate where that happens, but I would like to highlight a few things that are important to my riding of Okanagan—Coquihalla.

A few years back, I had the opportunity to question some of the officials from Shared Services Canada specifically on the accessibility of websites. I had a resident who is blind and had to rely on very cheap software or free software. Some of the changes made when Shared Services Canada made the Government of Canada websites more accessible were really a thrill to him, because he was able to feel that he was part of the country. He's able to ask and seek information about government programs or policies that affect him, and that certainly is an important thing. I wanted to say that it's been important in my riding.

There's some further feedback. Of course, this isn't directed at you, Minister, but he also wishes that the Parliament of Canada's websites were just as accessible. Obviously, Parliament is not a government agency, so it has its own processes for putting those in place, but I would certainly encourage those officials who are in charge of our websites to take a look at what Shared Services Canada has done, because it has won quite good accolades in my riding.

Furthermore, I had the opportunity to talk to someone who worked in Ottawa for a number of years for a subcontractor and did a lot of military work. I had the opportunity to ask him about Shared Services Canada's approach and to ask if he agreed that there would be a fair bit of savings, Minister.

Your presentation today shows first of all that there have been quite a lot of savings right across government. I'm happy to see that Moore's law is being reflected, in that we have new data centres that are able to consolidate into one centre the operations that previously would have had to be done by probably three or four centres. Actually, I think some of the numbers shown here are much higher than that.

He also emphasized to me that the security is much better for the government, because it's far easier to look after a smaller amount of resources than to have hundreds of these centres being watched.

A number of things are here, but in your statement, Minister, you showed that the main estimates represent a total of \$1.44 billion and of course a net decrease. Are there specific files that you think the Canadian public would benefit from hearing about? Again, there are big savings and great security for the government. What other elements do you think would be important for my taxpayers to hear about?

Hon. Diane Finley: Well, I think it's important to recognize that we're doing the consolidation through Shared Services Canada for a number of reasons. One is to update and modernize the systems and communications so they're more relevant and more responsive. Two, we want to respect taxpayers' dollars to make sure that we are getting the maximum service for the dollar. Last year alone, Shared Services Canada saved \$150 million, so that's significant.

Going forward, the number is about...is it \$500 million a year?

• (1135)

Ms. Liseanne Forand: It's \$400 million at the end.

Hon. Diane Finley: It's \$400 million a year by the time the transformation is complete.

Another aspect is security. When we had, as we did previously, so many different unconnected systems, the security aspect of monitoring them was really quite a challenge. Through the consolidation that they've already seen, Shared Services Canada has eliminated a number of entry points, which is a good thing, but they've also been able to put in place much better cybersecurity systems and be much more responsive to attacks. As we've seen a couple of times in the last year, they were able to recognize things, get on top of them right away, and then to fix them and take that knowledge that was learned from those experiences and apply it across the government, thereby enhancing security awareness across the board.

There are savings. There are efficiencies and increased security. I think that's a pretty good package. It means that with higher security and more efficient and more responsive systems, we will be able to serve Canadians better, because more and more they are turning to our Internet portals for services, whether it be just to get information, or things like setting up direct deposit accounts, or indeed, transacting business through their personal accounts for themselves or their own businesses.

The Chair: Unfortunately, Mr. Albas, your time has expired. It went very quickly.

Mr. Dan Albas: Thank you. I appreciate the interaction.

The Chair: We will go to the second vice-chair of the committee, Mr. Gerry Byrne, for the Liberal Party.

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Thank you, Chair.

Thank you, Minister, and your officials, for appearing before us.

I want to return to the shipbuilding program. You indicated that the shipbuilding program is going exceptionally well, which is an idea not shared by many outside of the government. It has actually been described by most commentators as being on the rocks.

I want to return to B.C., to the west coast shipbuilding program for the non-combat vessels. Seaspan has been notionally awarded an \$8 billion contract, but they have yet to indicate that they have the necessary capacity to fulfill the contract. There is some controversy brewing about how Seaspan can get to that point. They have until June of this year, I understand, to fulfill their requirements under the notional agreement before a formal contract can be awarded.

What are the plans for the Esquimalt graving dock? Are there talks under way whereby Seaspan or some other operator might acquire, through a long-term lease, the rights to operate exclusively or nearly exclusively at the Esquimalt graving dock?

Hon. Diane Finley: These are two totally unrelated questions. I'll deal with the first one first.

We're very confident in the national shipbuilding procurement strategy. We're seeing good success so far. Both Vancouver and Irving in Halifax have invested heavily, not with taxpayers' money, in renovating and building the physical capacity and infrastructure to do the shipbuilding.

In fact, some 300 new jobs have been created in Vancouver at Seaspan. They're expecting 700 more over the next several years of the contract. I was there as we cut steel on a first test block several months ago, and we expect to be cutting steel on the offshore fishery science vessel this summer.

As well, in Halifax already we're seeing tremendous progress. We have every reason to believe they're going to be successful in cutting steel on the AOPS, Arctic offshore patrol ships, by September.

I think it's going really well. Obviously the industry had been allowed to languish for many years. In fact, we had virtually no large shipbuilding industry in this country. You can't go from zero to a hundred right out of the chute. It has taken time to build the proper facilities, for the proponents to develop the in-house expertise that's necessary, to develop the contracts to do all these things, but I'm really confident that we are rebuilding the shipbuilding industry in Canada. It's going to be around for a long time to come. We're building strong companies with strong capabilities.

The naysayers can go on waiting and watching; I think we're going to disappoint them. We will succeed with this and we will create—

• (1140)

Hon. Gerry Byrne: Minister, rather than waiting and watching, why don't you explain to this committee exactly what Seaspan has to do to fulfill its requirements to be successfully awarded a contract? They have until June to provide evidence that they are capacity ready. What has to be accomplished between now and then, and as part of that process, are they in discussions to take over the Esquimalt graving dock under a lease?

Hon. Diane Finley: As I said, Esquimalt graving dock is a completely separate issue that does not relate to the contract to build the science vessel for the coast guard. That's what we're focused on and that's what they're focused on.

We're working very closely with them. We have people on site to make sure and they have given us every indication that they will meet all the requirements so that we can go ahead and cut steel for that particular vessel.

This is a process. We've come a long way in just a few short years, and I have every confidence that they will succeed.

Hon. Gerry Byrne: Minister, what you're saying is there is nothing really specific that Seaspan has to accomplish, and they should be able to be contract-ready by June 2015.

Will you explain to us exactly what it is they have to do to meet that requirement? What has to be accomplished?

Hon. Diane Finley: There are expectations that have been laid out with them. Obviously, before we sign any contract, we do that with every company with whom we sign contracts. I'm not going to go into the details of a private enterprise contract, but I have every confidence that they will achieve that. They have been bringing in new talent and working hard with the people in the community and with members of my department and the coast guard.

Hon. Gerry Byrne: Just so I'm clear, it's to meet basic bid requirements they tendered for and they were accepted for. You deem that to be a commercial competence. In terms of capacity which was required to be able to participate in this contract—that was an open tendering process, we presume—are you saying now that's a commercial confidentiality?

Hon. Diane Finley: No, what I'm saying is the discussions that are ongoing are competitive in nature, and as part of the negotiations I'm not prepared to disclose them at this point.

Hon. Gerry Byrne: They've already been assigned the contract or the notional contract. What's competitive about that at this point in time? Is there a possibility that it could be reassigned to another contractor?

Hon. Diane Finley: What I've said is it's competitive in nature and commercially competitive information. I'm not about to reveal their competitive information any more than I would reveal your personal data.

The Chair: I'm afraid, Mr. Byrne, Minister, I'll have to interrupt. You're well over time.

Next, for the Conservatives is Ms. Wai Young, for five minutes, please.

Ms. Wai Young (Vancouver South, CPC): Thank you, Minister, for being here today with your team, and for all the extensive information you've provided to us today.

Given that the member opposite has talked a little bit about Vancouver Shipyards, and coming from Vancouver, B.C., I wanted to provide an opportunity to share with this committee and put on the record how truly excited we in Vancouver are about Seaspan and the shipbuilding procurement strategy.

Several years ago I was fortunate to have been part of the announcement and attended when hundreds of people came together in a room to look at the procurement strategy and what that would entail. The excitement in that room was palpable. I noted in your presentation you said there are an estimated 15,000 jobs over the next 30 years and that some 256 companies across Canada are engaging in contracts for over \$900 million.

I want to share with you that excitement. Many of those small and medium-sized enterprises are doing a number of different things. Building a scientific vessel is very complicated whether you're in electronics, or steel, or metal, or all of those guidance systems, etc. They were all there. This has had an incredible impact on Vancouver. They have spent the last couple of years rebuilding an underutilized site to get it ready for shipbuilding.

Minister, I think you said that you were there last month. I hope you enjoyed your visit there and the tour. Over the last few years,

I've taken advantage of touring those facilities and seeing the true transformation. Anybody who's interested can log on to the Seaspan website. That company is extremely proud of the transformation of the site. They've had to tear down buildings, relocate other buildings, and build a whole new set of buildings because there had to be very large buildings to accommodate the cutting of the steel. They installed the largest crane, they say, in Canada. They had a contest at a local school to name this giant crane that is now part of the Vancouver skyline, but in a nice way. Everybody loves this crane. It's called Big Blue. It's been an incredible transformation to see how our government has leveraged public works to create jobs and strengthen our economy.

Minister, was that a new government strategy? Why wasn't this done previously, because there was no shipbuilding whatsoever in Canada prior to this? How can we continue through your programs, like you said earlier, with the SME program, etc., to do that, and to create even more jobs in the future?

• (1145)

Hon. Diane Finley: When we launched the national shipbuilding procurement strategy three years ago, it was definitely something new that our government brought in because we recognized that we need ships for our military and also for the coast guard. We used to have that capacity to build them in Canada, but we didn't anymore because for years there had been a conscious effort, I believe, to shut down the shipbuilding industry in Canada and send it offshore. We wanted to create those good jobs here. We wanted to have a sustainable industry.

One of the reasons the industry shut down was that in the past, it was boom or bust. Everybody was really busy or there was no work to do. Thousands of people were laid off in the bust years, and then when companies tried to ramp up for a big production, they couldn't find those people because they'd found other jobs.

As we laid out the national shipbuilding procurement strategy, we did it in such a way that what we're trying to do was first of all develop the capacity here to build those ships, and second, to plan the work over 20 or 30 years in such a way that we would have an industry that is sustained over that whole period of time. It will eliminate the boom and bust cycle and create jobs.

People think about ships these days and think it's all welding, when the greatest value in those ships, the most expensive parts, are all the hi-tech stuff: the electronics and navigation systems, the defence systems. I've toured them and it's absolutely amazing to see the technology that's in them and the people in high-skilled jobs who are needed to produce them.

I'm really pleased that we are developing this industry and we're putting in place programs and planning that will support this industry for years to come. Not only that, but the companies have to invest in Canada. The two leads can't just outsource everything offshore. So far in B.C. alone, some \$150 million has been spent with local companies as Seaspan has ramped up its operations in Vancouver.

The Chair: Thank you, Minister, I hate to interrupt you. Ms. Young, your time is concluded. Thank you.

That concludes our first round of questioning, but we still have the minister with us, I believe, for another 10 minutes. That would leave time for one round for the NDP and one round for the Conservatives, if that's agreeable to committee members.

Some hon. members: Agreed.

The Chair: Okay, the next turn then is for Mr. Ravignat from the NDP.

Mr. Mathieu Ravignat: Concerns have been raised about the security issues for Shared Services Canada particularly with regard to Bell's involvement. I'd like to know what you have to say about that. Do you think that Bell, for example, has the necessary expertise? How are you ensuring that data is being protected while this transition is going on?

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

As the minister mentioned in her remarks earlier about Shared Services Canada, improving security, security of data, security of information, and cybersecurity are the key benefits we're seeking to achieve through the transformation and modernization of IT infrastructure. That is true of all the initiatives we have under way.

I think the honourable member is talking about our email transformation initiative. The contract for that was awarded to Bell Canada in partnership with CGI and Microsoft in June 2013. Security of data and security of systems is one of the key objectives of that contract. Our colleagues at Communications Security Establishment Canada have stated time and again that email systems can be a vulnerability for IT infrastructure—

• (1150)

Mr. Mathieu Ravignat: I'm sorry to interrupt you. Thanks for the context, but I'd like to know what is being done practically to ensure the safety of data.

Ms. Liseanne Forand: Practically speaking, security has been built in from the beginning through the security clearance of staff and all the facilities in which they're working, as well as right into the infrastructure of the systems. It's had to go through a very rigorous security authorization and accreditation process that was overseen by CSEC. It continues to be a key component of the project.

We have worked very hard with the contractors to make sure that the data is secure. The data centres are located in Canada. The data must be Canadian when it is in place as well as when it is in motion. That means the networking all has to be secured as well.

Mr. Mathieu Ravignat: Are you confident that the players at the table, Bell, Microsoft, and so on have a good sense of what our security needs are with regard to data, particularly within the public service and in serving the public?

Ms. Liseanne Forand: Thank you. That was an excellent point. We have worked very hard, both through the RFP process, as well as with the winning contractor, Bell. We make sure from stem to stern that it is safe and that they understand it.

One thing we've brought in as part of our procurement and building processes is something we call supply chain integrity. We make sure, with respect to every piece of equipment, every piece of gear, that every contractor and every subcontractor is using trusted equipment. We use the security agencies to give us that assurance as we go.

Yes, we believe that we have definitely emphasized to the contractors and to their whole teams that security is absolutely key for us, and we will not approve the email system for use across government until we are absolutely confident it's secure.

Mr. Mathieu Ravignat: Canadians will be watching; there's no doubt about it. As you know, there have been events in the past where viruses have caused servers to crash. Hopefully, you've taken that experience into consideration as you go forward.

Let me ask a question of the minister.

[*Translation*]

A few weeks ago, I asked you some questions about the situation in Phase III of the Place du Portage building, in connection with the presence of Legionnaire's disease-related bacteria. You answered me in the House. You did not deny that there was a problem. You said that the level of risk was low, but you did not address the issue of the delay between when these bacteria were found, and when the public servants who work in these offices were well informed.

Have you examined the situation since? Can you reassure these public servants who, as you know, live in my riding and in the National Capital Region? What have you done to guarantee to these people that, in the coming weeks, they are going to be working in a safe and healthy environment?

Hon. Diane Finley: This is very important to us. The safety of employees is always a priority.

[*English*]

On May 14, Public Works received a health assessment advising that there were unusually high levels of bacteria.

[*Translation*]

That is why we went through several steps. Since then, all of the tests assure us that

[*English*]

the environment is indeed safe to work in. Testing has always been done on a regular basis, both weekly and monthly, at different levels.

Mr. Mathieu Ravignat: My concern isn't so much the fact that there's been an analysis. I commend you for that diligence. It's a matter of the delay in informing the public servants when it did happen.

Have you looked at what happened there?

•(1155)

The Chair: Mr. Ravignat, I'm afraid I'm going to have to interrupt you. That would be a comment more than a question. We're well over time.

In all fairness, Mr. Guy Lauzon has been waiting patiently for his five minutes. This will be the last round.

Mr. Guy Lauzon (Stormont—Dundas—South Glengarry, CPC): Thank you very much, Chair. I'd like to welcome the minister and her colleagues.

Boy, I'm a pretty enthused guy right now. I've heard some pretty neat stuff.

One thing that really caught my ear, and I think you confirmed this, is that because of some changes you've made at SSC, the government is saving \$209 million per year. Is that correct?

Hon. Diane Finley: By the time the transformation is complete, it will be \$400 million a year.

Mr. Guy Lauzon: In other words, every five years there's going to be \$1 billion of savings and, Ms. Forand, I think you said it's going to get up to \$400 million. In other words, every five years we'll save \$2 billion. That is the kind of government that I think we want to have in place, so thank you very much for that. That's music to my ears.

One of the other things, and this is a little personal note, is that my office used to get a lot of calls from people that they couldn't use the websites. I think you mentioned the IT has improved greatly. I'm not getting those comments now. I think your websites in the various departments, all the departments, seem to be more user-friendly. As a matter of fact, I was on one yesterday for Canada 150 and it was really useful. Even I could use it, so that's a good testament. It's nice to hear.

The other thing I heard is about the 256 companies. My riding is a middle-class riding and over the years we've had challenges with employment and now we find that our companies are working. Shipbuilding has nothing to do with my riding—we're between both oceans—but quite frankly, we're excited about that because we're going to get a heck of a lot of contracts, especially from the east coast. There are a lot of fabricators in my riding. You mentioned small businesses. These folks are creating jobs and when another welder is hired at \$60,000 to \$80,000 a year, that adds to our economy. All of that is good.

As I said, I heard a lot of good things here. You talked about the Miramichi call centre. For the last five years we have had a call centre in our riding and it's like an anchor tenant at a mall. When you have a good government facility like that, it encourages other people to invest, and our community has improved over the last five years as a result. I'm very happy for Miramichi.

I have a question for the minister. Minister, you mentioned there would be 50,000 jobs for the next 30 years for shipbuilding, so probably in the next three to five years we'll be dealing with everybody in the world. We have 38 free trade agreements already and growing. You talked about the ups and downs in shipbuilding, but is there a way that once we do our work we can sell our shipbuilding expertise to other countries? I guess that's what I'm

asking, because I would think that after 10 to 15 years we're going to be in pretty good shape.

Hon. Diane Finley: It's going to take a little longer than that, because we've had a decade of darkness where equipment just wasn't bought for our forces, but we're fixing that. It's a long, slow process and there's a lot to be done, but we've achieved a lot already.

We have the LAVs and the CC-130Js, and we have the helicopters. We're going to be taking delivery of the new Cyclone helicopters next month. That's really exciting, since they were cancelled back in the early 1990s, so we'll be able to start retiring the Sea Kings.

It is our hope that through the national shipbuilding procurement strategy and indeed the defence procurement strategy these Canadian companies will be able to continue to work with the Minister of International Trade and his people to develop their export business. People investing in Canada who want to supply the Canadian government will partner with Canadian companies to fill Canadian needs. That will create jobs. Exporting creates jobs. All of that is really good for the Canadian economy because, as you know, our priority is jobs, economic growth, and long-term prosperity.

We can support Canadian business by rebuilding the shipbuilding industry, by supporting them through the build in Canada innovation program where the government is a customer, by making sure that as we do our everyday procurement we make it possible for small business in Canada to do business with government. That's what the office of small and medium enterprises is there for. They've held over 4,000 different meetings, seminars and webinars to help small Canadian businesses learn how to do business with the Government of Canada. As I said, 39% of our volume goes to them now.

All of these things are going to help create local jobs, create exports, which is money coming into the country and not going out. It all works. We're going to end up with not just a strong shipbuilding industry, but we already have a strong Canadian defence services and products industry. In fact, I think we're about number seven in the world or higher and it's going to be even stronger going forward. We're laying those foundations right now for long-term success.

•(1200)

Mr. Guy Lauzon: Thank you.

The Chair: Thank you, Mr. Lauzon.

Thank you, Minister.

On that cheery note, we will conclude the one hour we had set aside for the minister to be with us today.

I'll suspend the meeting briefly while the minister leaves us, and we will resume with the next witnesses.

Hon. Diane Finley: Thank you, Mr. Chair.

The Chair: Thank you for being here, Minister.

The meeting is suspended.

• (1200) _____ (Pause) _____

• (1200)

The Chair: Ladies and gentlemen, we will reconvene our meeting. We are examining the main estimates. A new group of witnesses has joined us at the table.

Committee members, we're going to go just until 12:45, because we want to deal with the votes so that we can report the main estimates to the House of Commons, and we also want to very briefly discuss future business for upcoming meetings.

I notice that a few members are out of the room, but I believe, in the interest of time, we should get started.

May I ask who will be making the presentation for Shared Services Canada?

Ms. Forand.

Ms. Liseanne Forand: We don't have any prepared remarks, Mr. Chairman.

The Chair: Okay, then we will leave the minister's remarks on the subject to stand as your presentation.

We'll go right into questioning then with Mathieu Ravnagat for the official opposition.

• (1205)

Mr. Mathieu Ravnagat: There's what I would call a considerable amount of confusion within the public service with regard to how Shared Services Canada is going to result in efficiencies for them. What's being done to inform them about the changes that are coming?

I have a follow-up question to that, but we'll start there.

Ms. Liseanne Forand: The transformation agenda that Shared Services Canada is responsible for really is a Government of Canada transformation agenda that will affect every public servant in terms of how they work, the equipment they have to do their work, and the IT security they can rely on. We consider that engagement with public servants to be very critical both within our own department, in terms of how their workplace and work will change over the next five to seven years, and more broadly with public servants.

Also, we've actually used the opportunity of the clerk's initiative called Blueprint 2020, which sets out a vision for the public service in 2020, to point out that in fact that vision cannot be achieved if we don't do the infrastructure modernization we are doing as part of our agenda.

We've pointed out that for that to be possible, we need better computing capacity and more storage capacity. Our data centre consolidation program will increase storage capacity by seven times, which, as I'm sure you can appreciate, is important in a world of big data. It's also important for public servants to be able to connect with one another more easily and on an ongoing basis.

Our transformation agenda will increase bandwidth, for example, by at least four times, which, as you can probably appreciate, is critical for streaming data, video conferencing, and enabling public servants in the regions to be full participants in the work.

There are a number of areas in which the transformation is really going to improve the workplace for public servants.

Mr. Mathieu Ravnagat: When I speak to public servants, almost all of them say that what was good about the old system, particularly when it came to email, was that it was responsive to differing needs—I'm sure that's not the first time you've heard that—and that there's a considerable amount of fear with regard to going to shared services, because they're going to lose that kind of flexibility. They're going to lose what they need that is specific to their workplace and specific, even, to their category or job.

What can you tell them to reassure them that this kind of one-size-fits-all system is going to actually allow them to do their job more efficiently?

Ms. Liseanne Forand: Thank you for that question.

One of the metrics we track within Shared Services Canada is the number of incidents that affect mission-critical IT systems across government. Those are beyond email, but in some departments email is a mission-critical system. We track those numbers all across government on an ongoing basis, and I'm happy to say that, compared to the situation in 2012-13, in 2013-14 we had a 20% improvement in mission-critical incidents. That means there were 20% fewer.

In fact, the way we are consolidating the oversight and management, improving our change management processes, and managing problem resolution is actually improving the service that departments are getting. That's because while some departments were very well served under the old system, for example, a large department like CRA with top-of-the-line and state-of-the-art IT, many departments were not as well served. They were small and they didn't have the bench strength in terms of service capability, restoration of service, and modernization of their equipment.

We're confident that the new consolidated approach on email and in other areas will deliver improved service for public servants across the system.

Mr. Mathieu Ravnagat: Turning to the delays, are there financial repercussions with regard to the contract between you and Bell with regard to these delays? Are they getting off scot-free?

Ms. Liseanne Forand: The contract to deliver a single email system is a large contract, and it is quite a complex undertaking. The way the contract is structured, however, we only pay for the email service as users migrate onto the email service. The fact that there have been delays in migration has not had a financial impact on us from that perspective. We do have to keep the legacy systems running. We've consolidated, improved and streamlined our ability to do that. We're able to stay current with our costs that way. So no, there haven't been any impacts from that perspective.

Frankly, we want to make sure, as suggested by your previous question, that the system is absolutely sure and well functioning before we move people onto it. The fact that we don't have to pay until they do enables us to protect our financial interests as well.

• (1210)

Mr. Mathieu Ravnagat: So you can assure Canadians that it's not like a construction company that finds new costs and then suddenly you're dishing out more taxpayers' money for this contract.

Ms. Liseanne Forand: I can assure you that we're only paying for what we contracted for. At this point, we're not paying until people move onto the system.

The Chair: Your time is up, Mr. Ravignat. Thank you very much.

Mr. Greg Kerr from the Conservatives, you have five minutes, please.

Mr. Greg Kerr (West Nova, CPC): Thank you very much, Mr. Chair.

Welcome. I want to get back to a topic that was raised earlier, and that's the shipbuilding program itself. Obviously, you don't commit \$33 billion to the economy of Canada without having some massive impact.

I noticed that recently, bank economists declared that it would be worth 1.5% growth to the Nova Scotia economy alone in the coming years, year over year. It's a substantial part of that province. I'm also aware that one of the companies that has picked up some of the contracting, separate from this, just committed \$50 million to \$60 million in P.E.I. It's unrelated to shipbuilding, but because they're there, they wanted to grow into the economy. I also know that a number of small shipbuilding firms have really captured both the atmosphere, I guess you could say, and the opportunity, particularly in Europe in a number of ways with the smaller ships. They're looking forward to the \$2 billion that will be spent on maintenance and so on.

I don't know how this will be calculated going forward, but obviously there will be a few glitches, if you want to discuss those. I think the big thing here that we have to talk about is the massive impact this has over a 25- to 30-year span on the economy and the spinoffs. I know a number of small companies. I went to a number of the briefings around the province to have the economic side talk about it. A lot of the small companies that had nothing to do with shipbuilding and nothing to do with engineering realized that if they could get a subcontract, in other words, if they spent the money and invested and geared up, they would be pretty well guaranteed work for a long time, for 20 to 25 years. Many of them said it was incredibly unusual to be able to bid and make that kind of investment in terms of growing the small firms. I noticed that the number is 200 or 300, but whatever the number of companies is, these are spread across the country.

I wonder if you could elaborate on that and talk about some of the impacts that maybe you notice more at the staff level or which you anticipate.

Mr. George Da Pont (Deputy Minister, Department of Public Works and Government Services): Thank you very much for that question.

As you said and as the minister highlighted, one of the main purposes of the national shipbuilding procurement strategy has been to rebuild the shipping industry. We've seen a great deal of progress on that in the first phase.

Irving Shipbuilding has invested over \$300 million to upgrade its facilities. Seaspan on the west coast has done the same thing and has spent about \$170 million of its own money. I've had the opportunity in the last couple of months to tour both those facilities and I can tell

you that we now have world-class infrastructure in place that's going to be ready and capable of proceeding with the build contracts.

I think as the committee's well aware, the contract's been let for the building of the Arctic offshore patrol vessel. I'll use that as an example to highlight what the minister said. That's a large project and it will create spinoff benefits for companies throughout Canada, and not just in Irving Shipbuilding, because a lot of the value, a big part of the expense, is not so much building the vessel itself, but everything that goes onto the vessel: the navigation systems, the sonar systems, and so forth.

As part of the national shipbuilding procurement strategy, when contracts are being let, a great deal of emphasis is being put on value propositions and ensuring that there's ample opportunity and benefits to Canadian industry from that.

We're seeing that beginning obviously with the AOPS. As the minister said, we anticipate being in a position in June to see the start of the offshore fisheries science vessel for the coast guard, and we've started the very early stages of a process that will lead ultimately to a request for proposal for the Canadian surface combatant.

These projects are now at the takeoff stage, under way, and they will generate significant spinoff benefits throughout the country for all kinds of firms.

● (1215)

The Chair: For the NDP, we have Mr. Tarik Brahma.

[*Translation*]

Mr. Tarik Brahma: Thank you, Mr. Chair.

I would like to go back to what the minister explained to us earlier. The logic has been reversed with the new military procurement process. This process allows for a reduction in the time between when a call for tenders is issued to the industry, and the moment when the industry may submit bids. However, it does take some time before such a bid can be put together.

I will take Irving Shipbuilding as an example. Let's imagine that a company manufactures propellers in Saint-Jean-sur-Richelieu and wants to bid on a project. How did you change the old method so as to allow businesses to have access to these new projects? For instance, Service Marine Canada in Saint-Jean-sur-Richelieu told me that it could not bid on these calls for tenders because it is like a private club. The smaller businesses become the subcontractors of these large businesses that contract out orders. It is a private club.

How have you changed the way things are done to give smaller businesses access to these calls for tenders?

Mr. George Da Pont: Thank you for that excellent question.

[*English*]

As the minister said, before you actually get into a contract, we have reversed the process. She said that before we would have put out a request for proposal, gone through a fair bit of the long tortuous process, and found out only at that point what industry capability was. Often we had examples where it led to situations where the capability, what the government was looking to procure, didn't fit the budget. It led to a number of failed procurements.

By doing the industry engagement up front, and there's been extensive industry engagement, and I'll use again the Arctic offshore patrol vessel as an example. By doing that up front, it leads to a far more realistic request for proposal that actually aligns with what industry capability is, reflects industry advice, and ensures that we end up with capability on budget.

On your issue of the subcontractors, one of the main features of the policy is that everything will be competed. There may be some aspects where for a particular reason there's only one possible manufacturer, but the philosophy of the national shipbuilding strategy is that when you proceed and you get into the subcontracts, all of them will be competitive processes unless there is a very overpowering reason not to do that.

The other thing—

[*Translation*]

Mr. Tarik Brahmi: I understand that and I understand the philosophy.

However, how does the department make sure that there is a transparent process that will allow all of the Canadian small and medium businesses to propose their services, when it deals with a large subcontractor like Irving? The SMEs have the production capacity, the technology or the necessary knowledge. What mechanisms are now in place which were not there before? What are the new mechanisms to ensure that the large company will respect that? Has there been some kind of change in methodology?

• (1220)

[*English*]

Mr. George Da Pont: I think the main thing in proceeding with the shipbuilding strategy is it's the government that's going to continue to set the rules. It's the government that's going to continue to set the framework within which contracts will be let. As I've indicated, the philosophy is that subcontracts will be competitive. They'll be publicized. There will be transparent processes around bidding. That is built into the process.

We are also looking at mechanisms for better industry engagement, as I mentioned, throughout the process so there will be more information available to companies, particularly small companies, of when things will be coming up that they might be able to bid on and what the contract will be looking for. The idea is more information up front, giving people more information about when a particular item that they might be interested in bidding on is likely to come up, continuing with transparency, and continuing with industry engagement and the philosophy of competitive processes.

The Chair: Thank you, Mr. Da Pont.

Mr. Brahmi, you're well over time. Thank you very much.

The Conservatives are up next.

Mr. Warkentin, you have five minutes.

Mr. Chris Warkentin (Peace River, CPC): Thanks so much for being here. We appreciate any time that we have the opportunity to have officials before us so that we can grill them. I'm going to continue that process this morning.

We noticed from the estimates that the budget for accommodation of real property services has increased for this coming year. It looks like the accommodation of real property services has increased its budget by \$209 million. Can you explain to me what that is for? What's included in that increase?

Mr. George Da Pont: Part of that is, in essence, a little bit of a bookkeeping issue that I'm not even going to try to explain. I'll ask our chief financial officer to take you through that.

Mr. Chris Warkentin: Absolutely, thank you.

Mr. Alex Lakroni (Chief Financial Officer, Finance and Administration Branch, Department of Public Works and Government Services): Thank you, Mr. Chair, for the question.

If you compare main estimates to main estimates, you will see there is an increase. In fact, there is an improvement in the way we are funding our portfolio for real property. We used to seek funding and do another set of exercises and supplementary estimates to seek more funding based on forecast usage, etc. The formula has changed now. We are funded up front in the main estimates. It's more transparent. It's more complete. That's one dimension.

The other dimension is that if you look at the operating vote, it has significantly decreased by about \$250 million. The reason is there was an AG recommendation a couple of years ago where the funds do not need to be in the operating vote, but in the capital vote because the expenditures are deemed to be of a capital nature. That \$250 million you see is in capital. If you look at capital, you think there is an increase, but in fact there isn't.

What I would like to talk about from a general perspective is that the funding remains stable. In fact, there are significant savings in the real property portfolio, specifically with regard to two initiatives my colleague Pierre-Marc Mongeau could elaborate on. One is space recapture. We are recapturing space from surpluses that exist everywhere. Two, we are modernizing the space by using best practices and industry standards. These two initiatives alone are going to yield about \$129 million to \$130 million in 2017-18. Those are not small savings in the real property portfolio.

Mr. Chris Warkentin: Savings of \$130 million.... What I'm hearing is that we expect the supplementary estimates with regard to this to be less this year than they have been in the past because it's reflected in the main estimates.

Mr. Alex Lakroni: Definitely.

Mr. Chris Warkentin: Thank you.

Moving on, one of the biggest infrastructure projects that Public Works has undertaken with regard to real property is the parliamentary precinct. There is a request for additional funds for the rehabilitation work that is ongoing. I think all of us are fully aware there's a lot going on with the precinct.

Can you give us an update in terms of the planned expenditures for the precinct and what we might expect to have completed in the next year with regard to the rehabilitation?

• (1225)

Mr. George Da Pont: Thank you very much for the question.

In fact, a lot of that is laid out in the report on plans and priorities.

Let me start with the West Block rehabilitation. We're now about 72% complete. Our expectation is that it would be completed by March 2016.

As you are aware, I'm sure, since it may have disrupted some of your operations, we have been undertaking the evacuation activities as the first part of establishing a new visitor welcome centre. That work is also scheduled for completion in March 2016.

Similarly, for the Wellington Building rehabilitation, the fit-up and the installation of the building is about 92% complete. Again, we'll be ready next year.

We've started work on the Government Conference Centre, which includes fit-up, design, and the beginning of some of the interior work. As you're aware, that will become the temporary home of the Senate. Again, we're expecting that to be finished in 2016.

The final part is the East Block exterior rehabilitation. We expect it to be about 15% complete by March 2016.

We're making good progress on all of them. The various estimates in front of you reflect the funding for those projects.

The Chair: Thank you, Mr. Warkentin. You're well over the time allocated.

Next, for the Liberal Party, is Mr. Gerry Byrne.

Hon. Gerry Byrne: I'll make a quick observation, which I cannot leave without noting. The government and the Conservative caucus have made a very strong and compelling case that taking \$30 billion out of the back pocket of taxpayers, putting it in the hands of the government, and getting the government to spend it on a big megaproject is really good for the economy and for everybody around us. I wanted to make that observation. The government and the Conservative caucus have made a very strong and compelling case for that.

On that note, could the expert witnesses before us please give us an update on the procurement of Canada's replacement of the war fighter project? What's the current status? Are you anywhere near moving toward a final tender?

Mr. George Da Pont: Yes, I can give you an update.

Just a couple of weeks ago, we launched the first step in that process. We have started a process to qualify a small number of warship designers and a small number of combat systems integrators who then would be in a position to bid for the actual work. This is a critical first step. We hope it will be done by the early fall. Then we would proceed into the type of industry engagement and engagement that would be built around a draft request for proposal. That process would take a few months.

So we have started the process.

Hon. Gerry Byrne: You say there's a very small number. Would you be able to further elaborate on that, saying specifically who those are?

Mr. George Da Pont: I can't, because the whole intent of the process is that whatever companies present themselves will be

evaluated in terms of their overall capacity, and all that meet it will be in the qualified pool.

Hon. Gerry Byrne: I'm missing something here. You say you've identified a small number, but now you say you can't—

Mr. George Da Pont: No, I said we've started a request for qualification that will lead to the identification likely of a smaller number of—

Hon. Gerry Byrne: —likely of a smaller number. Okay, thanks very much.

Basically you are confirming again to this committee that it will be an open bidding process, based on what you anticipate will be a very small number.

• (1230)

Mr. George Da Pont: This will be the qualification exercise that will qualify those firms that will then be able to bid in the process.

Hon. Gerry Byrne: Could you elaborate on what some of those qualifications might be?

Mr. George Da Pont: I think I'll ask Lisa Campbell, the ADM of acquisitions, to take you through that detail.

Ms. Lisa Campbell (Assistant Deputy Minister, Acquisitions Branch, Department of Public Works and Government Services): Good morning, and thank you for the question, Mr. Chair. I'm happy to talk about the national shipbuilding procurement strategy. I think it's worth—

Hon. Gerry Byrne: No, this is the war fighter we're talking about.

Ms. Lisa Campbell: Yes, and if I may just give a bit of an opener, we're three years into a 30-year strategy. This is the biggest project, as you noted. The budget is \$26 billion for up to 15 ships.

As my colleague pointed out, we recently announced a procurement strategy that in our view is going to maximize competition. We've had 15 industry engagement sessions to get a better idea of Canadian capacity, what designs are out there, seeing where it's possible to buy off the shelf so that we don't spend wasted months in a competition when in fact there are existing designs available to meet Canada's needs, but also assessing where there's Canadian capacity not just to contribute on this project but also to become part of a global supply chain and supply worldwide.

We announced the procurement strategy on May 13, and over the course of the summer we're going to be talking to firms, as my colleague mentioned, to see which firms have built designs before and have proven capacity in this area, and then we'll be running a competitive process in the fall for combat systems integrators and warship designers.

I would highlight, as was noted earlier, that the ship is one thing, but the real complexity now is what's on the ship, all of the complex systems to allow them to integrate with satellites, with radars, and to have interoperability with our allies. That's where there's a lot of value; that, plus in-service support.

One reason we want to use competition throughout the process is that the first ship might not look like the last one. These are going to evolve over time, taking advantage of innovations, of reduction in prices that we should see as benefits over time, and quite frankly, also the shipbuilding expertise that will develop in Canada.

Hon. Gerry Byrne: So you're telling us that we will be fully operational with a replacement aircraft by 2020.

Ms. Lisa Campbell: Do you mean replacement ships?

Hon. Gerry Byrne: Aircraft, I said the war fighter.

Ms. Lisa Campbell: Forgive me. I thought you were asking about the Canadian surface combatants.

Hon. Gerry Byrne: No, the war fighter. We're not talking about the same thing. The aircraft replacement strategy is deemed the Canadian war fighter aircraft.

Ms. Lisa Campbell: Yes.

The Chair: There seems to be a disconnect between the question and the answer, but I'm afraid we're pretty well out of time anyway, Mr. Byrne. Perhaps the answer may come up in the context of other questions, but now it's the turn of the Conservatives.

Mr. Brad Butt.

Mr. Brad Butt: Thank you, everyone, for being here today.

According to the 2015-16 estimates, PWGSC is requesting \$2.175 billion for accommodation and real property services, which represents an increase of \$209.4 million compared with last year.

Can you explain what the increase is in the accommodation and real property services program estimates?

Mr. Alex Lakroni: Thank you, Mr. Chair, for the question.

When you look at the RPP, report on plans and priorities, you see that for the accommodation program for 2015-16 we are looking at \$2.1 billion, in comparison with year-end spending of \$2.2 billion. It's fairly stable.

There are increases and decreases, however, over the past few years, that I would like to cover. The most important thing in this plan is the trend over the next few years.

Over the past four years there was an increase of \$164 million, as per the RPP, primarily because of parliamentary precinct rehabilitation, which went from \$200 million to \$384 million. That's an increase of \$185 million. Also, there is the addition of Cape Breton operations, which were transferred to PWGSC in 2014-15; that accounts for \$40 million.

These increases over the past four years were offset or reduced by the savings, which are referred to as "Budget 2012 saving commitment", which account for \$74 million. Over the last four years this accounts for a \$164 million increase. In summary, it's because of parliamentary precinct work.

Moving forward, what is important to note for the real property portfolio is that there are some changes in engineering assets, to start with. Our working engineering assets are going to decrease by \$53 million, not because of unfunded projects but because some projects are coming to a conclusion and others are starting. The decrease in engineering assets accounts for \$53 million; that item is going from \$73 million to \$20 million.

The second item of note is parliamentary precinct rehabilitation. The work is changing by about \$51 million less. Again, this is not a decrease in funding because of budget reduction, but just of cash flow, because some projects are just starting and some are ending.

Last, the item important to note is that there are additional reductions of \$49 million. The real property portfolio is going to be saving \$124 million by 2017-18, up from the existing \$74 million that we have in current estimates.

In summary, this explains the reduction of \$210 million.

• (1235)

Mr. Brad Butt: Can I ask about the department's overall philosophy with respect to the leasing of space across the country? I'm assuming that there's a kind of checklist of what you're looking for, that it's not always based on...although obviously we want value for money when we're leasing any space across the country for the various government services that are provided.

I want to give you as an example the Service Canada location that services most of the Mississauga area, where I'm from. One of the issues the citizens are upset about is that the property is leased from a private owner—which is fine, and it's in a great location, very central—but there's paid parking on site. That really frustrates the residents who are coming to file an EI claim or coming for a citizenship ceremony or whatever at this particular location.

When we look at leasing property, are we looking at all of those variables—where the building is located and obviously what the rent rate is, but some of these ancillary issues—in the overall decision as to which property we're going to lease for services that are provided?

I'll leave it at that.

Mr. George Da Pont: Thank you for the question.

You asked about the philosophy. I think the underlying philosophy is to get the best value for money. That really is the critical aspect in determining whether we own or we lease a property.

For the specific details of how we make those decisions and the parking issue, I'll turn it over to Mr. Mongeau.

The Chair: Give a very brief answer, please. We're actually over time, but I'm interested to hear the response as well.

[Translation]

Mr. Pierre-Marc Mongeau (Assistant Deputy Minister, Real Property Branch, Department of Public Works and Government Services): Mr. Chair, as the deputy minister explained, the majority of requirements are set by the different client departments. They determine their needs regarding the number of spaces, offices and parking spots. On the basis of what we receive, we then issue a call for proposals.

If we do not have office space in the buildings that we own, we issue calls for proposals in which we clearly list all of the requirements the departments submitted to us, and we add all of the normal requirements regarding accessibility and health and safety for buildings managed by the private sector. Generally, clients' needs are integrated into the request for tenders, in addition to a series of more standard requirements regarding the quality of the premises we wish to obtain.

[English]

The Chair: I think Mr. Butt's specific point was why his constituents have to pay for parking. Could you answer that?

[Translation]

Mr. Pierre-Marc Mongeau: It is mostly because the department in question simply asked us to rent a certain number of parking spaces, which was a part of our contract. For us, that is the extent of the task.

[English]

The Chair: That's the best we can do, Mr. Butt. Thank you for a good lesson that all politics is local.

Mr. Brahmi, we have exactly five minutes, but I do remind committee members that we have to end this section of the meeting at 12:45 to deal with the votes so we can report the main estimates back to the House, and we also have a small amount of future business of the committee that will be done in camera.

You have five minutes, please, Mr. Brahmi.

• (1240)

[Translation]

Mr. Tarik Brahmi: Ms. Campbell, you work at the Acquisitions Branch. According to what I understand there are three secretariats. One which deals with marine acquisitions, a second that deals with defence equipment, and a third that is tasked with replacing the fighter jets, that is the CF-18s. These vehicles are in the air and not on water. Do we understand each other so far?

Ms. Lisa Campbell: Yes. Thank you for the precision.

Mr. Tarik Brahmi: Can you reply to Mr. Byrne's question concerning what will happen in the next few months? In your opinion, will there be a first draft of the call for tenders before the election?

Ms. Lisa Campbell: To reply to the question that was asked earlier, I would say that no decision has been made. However, Canada is in a partnership with its allies so as to preserve the Joint Task Forces. If a political decision were taken, we would be ready to act to replace these aircraft.

To reply to your question about the secretariats, I would say that there is an evolution. There was indeed a governance structure for shipyards, but now there is a military procurement strategy that will cover everything. We are creating a secretariat that will absorb the previous secretariats and will have a governance entity for each of the major military projects, so as to take into account Canadian capacity and maximize competition and innovation.

Mr. Tarik Brahmi: This means that the secretariat that had been announced by Mr. Nicholson, the Minister of Defence at the time, concerning the replacement of the CF-18s when it was realized that

the F-35s no longer met the needs, will be absorbed into a larger secretariat. Is that what you are saying?

Ms. Lisa Campbell: The expertise will remain in the respective sectors. The expertise required for specialized sectors, whether we are talking about aircraft or ships, will remain there. However, the secretariat functions related to governance, to the presentation of reports and to follow-up will be centralized for the purpose of increasing efficiency.

Mr. Tarik Brahmi: I see.

Has a short list of aircraft manufacturers been drawn up? I sit on the Standing Committee on National Defence. In 2011, preliminary discussions took place with various manufacturers, among them some European companies. Will this short list be updated? What is the situation on that?

Ms. Lisa Campbell: If ever a decision were made, we would be ready. A plan was made public so as to demonstrate our transparency and the way we would manage the process.

Mr. Tarik Brahmi: I have one last question concerning the aircraft.

Since almost a year ago, six fighter planes deployed in Kuwait for strikes in Iraq have been extended to the intervention in Syria. These planes are rotated. Some witnesses explained to the national defence committee that the fleet of planes was managed at the Bagotville and Cold Lake bases. Does this exert more pressure to accelerate the aircraft replacement process?

Ms. Lisa Campbell: I would ask that you put this question to the Department of National Defence. Thank you.

Mr. Tarik Brahmi: Okay.

[English]

The Chair: There is one minute left, please, for the NDP.

[Translation]

Mr. Mathieu Ravnat: What I find a bit worrisome in your reply is that we now know even less about the building of fighter aircraft in Canada. I think most people here would agree that we need these planes. In reply to my colleague's question, you confirmed that there is no more short list, if I understood correctly. Currently, there is no contract with aircraft manufacturers, but you are simply waiting to see if the politician or minister responsible will choose a plane.

Did I understand you correctly?

• (1245)

Ms. Lisa Campbell: Thank you for the question.

Our role is about procurement. When a decision is made about a specific need, we examine the options and determine what is most advantageous financially for Canadians.

We will continue to be a part of the international partnership so as to preserve our capacity to choose, and to allow Canadian companies to benefit from international business opportunities.

[English]

The Chair: Thank you, Mr. Ravnat. You'll have to be satisfied with that. As you get re-elected in future terms, you will get used to the frustration of replacing our fighter jet aircraft. We all do.

We thank our witnesses for appearing before us today and answering questions on the main estimates.

I'll ask committee members if they're ready to proceed with the votes that have been referred to our committee.

In the interest of time, I'm going to begin right away while our guests are excusing themselves. I should point out that in the main estimates for 2015-16, \$10.8 billion have been reviewed through the consideration of the committee out of \$88 billion that have been referred to us. That's not exactly living up to the standard we had set for ourselves of doing a more thorough and robust examination of the estimates process. Having said that, I'm going to proceed with the votes.

CANADA SCHOOL OF PUBLIC SERVICE
Vote 1—Program expenditures.....\$53,794,403

(Vote 1 agreed to on division)

CANADIAN INTERGOVERNMENTAL CONFERENCE SECRETARIAT
Vote 1—Program expenditures.....\$5,549,653

(Vote 1 agreed to on division)

CANADIAN TRANSPORTATION ACCIDENT INVESTIGATION AND SAFETY BOARD
Vote 1—Program expenditures.....\$26,290,301

(Vote 1 agreed to on division)

GOVERNOR GENERAL
Vote 1—Program expenditures.....\$17,165,126

(Vote 1 agreed to on division)

OFFICE OF THE PUBLIC SECTOR INTEGRITY COMMISSIONER
Vote 1—Program expenditures.....\$4,934,882

(Vote 1 agreed to on division)

PRIVY COUNCIL
Vote 1—Program expenditures.....\$104,454,216

(Vote 1 agreed to on division)

PUBLIC SERVICE COMMISSION
Vote 1—Program expenditures.....\$71,397,504

(Vote 1 agreed to on division)

PUBLIC WORKS AND GOVERNMENT SERVICES
Vote 1—Operating expenditures.....\$1,651,054,220
Vote 5—Capital expenditures.....\$1,099,063,968

(Votes 1 and 5 agreed to on division)

SHARED SERVICES CANADA
Vote 1—Operating expenditures.....\$1,169,183,901
Vote 5—Capital expenditures.....\$203,868,605

(Votes 1 and 5 agreed to on division)

THE SENATE
Vote 1—Program expenditures.....\$57,031,359

(Vote 1 agreed to on division)

The Chair: Note that there was a big division on the Senate.

TREASURY BOARD SECRETARIAT
Vote 1—Program expenditures.....\$219,601,334
Vote 5—Government contingencies.....\$750,000,000
Vote 10—Government-wide initiatives.....\$2,090,470
Vote 20—Public service insurance.....2,250,070,604
Vote 25—Operating budget carry forward.....\$1,600,000,000
Vote 30—Pay list requirements.....\$1,000,000,000
Vote 33—Capital budget carry forward.....\$600,000,000

(Votes 1, 5, 10, 20, 25, 30, and 33 agreed to on division)

The Chair: Shall the chair report the main estimates 2015-16 to the House?

Some hon. members: Agreed.

The Chair: Thank you very much for your patience committee members. I'm going to suspend the meeting briefly while we go in camera to discuss future business. It will be no longer than five minutes. I promise.

[Proceedings continue in camera]

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