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Chair

The Honourable John McKay

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•(0845)

[English]

The Chair (Hon. John McKay (Scarborough—Guildwood, Lib.)): Ladies and gentlemen, I see a quorum. We bring together the 32nd meeting of the Standing Committee on Government Operations.

We have four witnesses: Pierre-Marc Mongeau, Tom Ring, Robert Wright, and Jacques Leclerc. The normal procedure is to have 10 minutes to make a presentation. I'm not sure who is going to be the lead here—Monsieur Mongeau—and then thereafter is questioning by members.

Mr. Mongeau.

Mr. Pierre-Marc Mongeau (Assistant Deputy Minister, Parliamentary Precinct Branch, Department of Public Works and Government Services): Thank you, Chair, for the opportunity to appear before this committee to discuss the rehabilitation of the parliamentary buildings. I am Pierre-Marc Mongeau, assistant deputy minister of the parliamentary precinct branch. With me is Rob Wright, director general of major crown projects for the parliamentary precinct, and also Tom Ring, the assistant deputy minister for acquisitions with Jacques Leclerc.

We are both here today because there is a distinct separation of responsibilities between us, Tom and I, on the tendering, awarding, and managing of contracts to carry out the restoration of the parliamentary buildings. I'm responsible for establishing the technical requirements and Mr. Ring is responsible for managing the procurement processes. This separation ensures there are appropriate checks and balances in the system.

Today I will focus my brief opening remarks on the following three elements. First I will give you a brief overview of Public Works' mandate on the Hill; second, I will speak about the context in which the contract of the restoration of the West Block was awarded to LM Sauvé; and thirdly, I will provide you with an overview of the procurement process used by Public Works to award this project and the management of the project.

Let me begin by outlining Public Works' mandate with respect to Parliament Hill, which we carry out in partnership with our parliamentary partners, the Senate, the House of Commons, and the Library of Parliament. Public Works and Government Services Canada is the official custodian of heritage buildings and grounds on Parliament Hill. Quite simply, it is our job to make sure that the parliamentary buildings are properly managed, maintained, and restored. This involves managing a day-to-day operation, maintenance, and renovation of approximately 143,000 square metres of

heritage space here on Parliament Hill as well as the buildings located on the north side of Sparks Street between Elgin and Bank.

To ensure that Public Works focuses its energy on this important mandate, in 2007 the deputy minister created a stand-alone branch within Public Works led by an assistant deputy minister. As you know, Public Works is undertaking a long-term multi-phase redevelopment plan for Parliament Hill. This plan, which was approved in 2007, has been recognized as an award-winning urban plan.

A good plan, however, is only a good start. Making it happen on time and on budget requires sound management. Just six months ago, in her spring 2010 report, the Auditor General of Canada gave an assessment of the project management approach being used by Public Works in the projects to rehabilitate the parliamentary buildings. This included an assessment of Public Works' methodologies for costing, capturing lessons learned, sustainability, and heritage restoration.

The Auditor General gave Public Works high marks and made no recommendation to improve the management of this major project. So it should be emphasized that this audit examined the management of the West Block in particular. We are proud of this recognition and will continue to build on these strengths.

Key to the management framework guiding the rehabilitation project is an implementation strategy built on rolling five-year plans that enhance accountability for projects, schedule, and budget. This framework also focuses on managing each five-year plan as an interdependent program of work rather than a series of individual projects. We have developed a robust approach to ensure we can actively manage the project costs and schedules. For example, on a monthly basis, we work with both public and private sector experts to develop new cost estimates and schedules for the entire program.

There's a graphic in front of you that illustrates the interdependency that exists between the different projects. Efforts over the past three years have been focused on completing the project to relocate MPs, senators, and a number of other parliamentary functions off the Hill so that the restoration of the main parliamentary buildings can begin. These projects are being delivered on time and on budget.

In fact, 15 major relocation projects have been completed during this time, including a new committee room facility located at 1 Wellington Street, and we are just now putting the finishing touches on La Promenade facility, where MPs will be relocated from the West Block.

Our recent accomplishments include the award-winning Library of Parliament, completed in 2006.

In a few moments, my colleague, Mr. Ring, will describe how Public Works conducts its procurement processes. However, I would first like to describe the context in which the contract was awarded to LM Sauvé to restore the West Block's north towers.

● (0850)

[Translation]

The West Block's masonry is in a state of extreme deterioration and is facing a risk of total failure in the next few years. This has been confirmed by several independent experts. So it is critical to restore the building as quickly as possible.

The Southeast Tower project served as a template for the North Towers project. It was completed in September 2008 and just recently won a major award from the Canadian Association of Professional Conservators. The evaluation criteria which were developed in 2005 for the tendering of the Southeast Tower project were the same used in 2007 for the North Towers project.

These two pilot projects were designed to increase Public Works and Government Services Canada's knowledge of the West Block's stone and structural condition, and to develop best practice approaches to the building's restoration.

As you can see, we take these projects seriously and apply a rigorous management methodology. We take the same rigorous approach when we procure expert services from architectural and engineering firms and construction companies.

In front of me are the tender documents for the North Towers project. As you can see, these documents are substantial. The intent of these detailed documents is to express our specific requirements to industry as clearly as possible and in a public manner to ensure that the process is fair and transparent. These documents guide industry's technical and bid price submissions.

Later, my colleague will explain the two-stage competitive process used for the North Towers project. You will then be able to better understand our approach, the same approach that was also used for the Southeast Tower project.

The North Towers contract was awarded after an open, fair and transparent process and the project itself was and continues to be managed fairly according to the contractual terms. The contract was awarded to LM Sauvé on May 30, 2008 and the results were publicly posted. Public servants working in separate sectors managed this process from beginning to end.

PWGSC awarded the contract for the restoration of the North Tower to LM Sauvé because it submitted the lowest compliant bid. As with every project we embark on, PWGSC made every effort to make the project a success with LM Sauvé as the general contractor. However, due to continuing and unresolved performance issues and

schedule delays, PWGSC took the necessary step of removing the work from LM Sauvé's hands on April 20, 2009 to ensure that the contractual terms would be respected and that value for money would be achieved.

As part of the original tendering process, PWGSC had required that the project be bonded to provide insurance against these rare situations where the contractual obligations are not being fulfilled. This meant that PWGSC was properly insured and was able to transfer responsibilities for completing the project under the original terms of the contract to the bonding company: L'UNIQUE Assurances Générales.

The bonding company is now directly accountable for completing the project under the original contractual terms. PWGSC has no contractual relationship with any of the subcontractors. The bonding company and not Public Works and Government Services Canada is responsible for managing relationships with subcontractors and for resolving any disputes that arise.

[English]

In closing, I would like to underline that this project and other projects being delivered on your and all Canadians' behalf are managed by a group of proud professionals who are dedicated to restoring these magnificent buildings on Parliament Hill, and to doing it in a way that meets the highest ethical standards.

I will now turn it over to my colleague, Mr. Ring, to explain the procurement processes.

Thanks, Mr. Chair.

The Chair: The chair recognizes Mr. Ring. You are from the same organization, and generally we limit presentations to 10 minutes. However, in light of the circumstances, please speed up your presentation and come under the time limit, if you would. Thank you.

● (0855)

Mr. Tom Ring (Assistant Deputy Minister, Acquisitions Branch, Department of Public Works and Government Services): Thank you, Mr. Chairman. I have been endeavouring to shorten it up here as we've gone on already, and I'll try to keep my remarks to a couple of minutes.

The acquisition of real property services such as construction is done in a manner that's consistent with industry practices, legal precedent, trade agreements, legislation, and government policy. Our real property contracting personnel have significant experience in contracting for construction, architectural, and engineering services.

In the past five years we have put in place over 100 construction and consulting contracts with a value of over \$195 million on behalf of the parliamentary precinct branch. Major contracts for the parliamentary precinct are awarded competitively with very few exceptions, such as the stone that was procured to match the original stone for the West Block.

The major construction projects on Parliament Hill are usually contracted through a two-stage competitive process, which is common in the construction industry for technically complex projects such as heritage renovation.

The first stage is one of pre-qualification and is open to the entire industry. It is publicly posted on the government's electronic tendering service called MERX. This stage ensures that the firms who are invited to submit a tender in the second stage have the required expertise and experience for this type of specialized work. In the second stage, the invitation to tender, the firms that pre-qualified in the first stage are invited to bid, which ensures that the contract is awarded to a qualified bidder. This invitation is also publicly posted on MERX. The entire contract process and undertaking is managed by public servants as well as reviewed and approved by senior-level public servants.

The procurement process in question, the West Block north towers restoration, followed this two-stage competitive process. In stage one, seven firms pre-qualified. The evaluation criteria included the need for bidders to present information on past projects to demonstrate that they had the expertise and experience needed to carry out the work on the West Block north towers. As an example, bidders had to have experience on projects that included both historic masonry restoration and copper roof replacement, and these projects had to be of a certain value. Five of the seven submissions, including the one from LM Sauvé, were assessed as having the required expertise and experience to carry out this type of specialized heritage renovation work. These five firms were then invited to tender for the work in stage two. Bids closed on April 3, 2008, were publicly opened, and the contract was awarded to LM Sauvé.

I should explain that four amendments were published during the solicitation stage. This is quite common and usually based on questions and comments received from the industry. However, the decision to amend a solicitation document is not taken lightly. The request is assessed against the criteria of reasonableness, openness, and competition. I'm quite certain I'll get an opportunity to more fully explain those in the question and answer period. As well, we consider whether it would withstand a legal challenge. When requests make sense and meet these criteria, we will usually accept them.

All of the due diligence steps were carried out in this two-stage process. For example, the technical merit of the submission was assessed; references for previous projects were checked; the compliance of the tender was verified; the tendered price was analyzed, confirmed, and then reconfirmed with the bidder; and the security clearances were conducted. At the time the contract was awarded, LM Sauvé was a company in good standing and was carrying out projects across Canada in Vancouver, Toronto, and Montreal. In fact, LM Sauvé successfully completed some of the larger heritage masonry projects amongst the group of bidders and had the required expertise and experience.

I think I'll stop there, Mr. Chairman, just in respecting your time and to allow questions.

The Chair: Thank you for that, Mr. Ring.

Thank you, Mr. Mongeau.

We'll go to our first round of questioning. It's to Mr. Regan, for eight minutes, please.

Hon. Geoff Regan (Halifax West, Lib.): Thanks very much, Mr. Chairman.

Thank you, witnesses, for coming. I think you probably are aware that after we hear from other witnesses, we may seek to have you come back and talk to us again, because we want to hear what they have to say as well, obviously, and whether any of it is contradictory.

Your minister yesterday said that public servants are responsible for this whole process and there's no political interference. So which of you is to blame for this? You've been sent here to be the shield, I guess.

[*Translation*]

Mr. Pierre-Marc Mongeau: Thank you for the question.

Mr. Chair, I would just like to point out, as I did quickly in my presentation, that the processes in place to make sure that a project is as fair as possible are relatively simple. We have a technical team to prepare technical requirements and, on Mr. Ring's team, we have people responsible for drawing up contracts.

● (0900)

[*English*]

Hon. Geoff Regan: In both parts of the department, you people who are responsible for this process, you're saying there isn't one person in charge?

[*Translation*]

No one person is in charge and responsible for answering questions?

Mr. Pierre-Marc Mongeau: I will let Mr. Ring answer the question on the contractual aspects.

[*English*]

Mr. Tom Ring: Thank you for the question, Mr. Chairman.

An important part of understanding the context here is the separation of the roles and responsibilities, which ensures the integrity of the process. You have groups of public servants from the technical authority, in this particular case, the parliamentary precinct branch, and in my own case, from the acquisitions branch, who are involved in assessing the criteria that would be applied in any contract, whether it's for construction or for any procurement.

This separation of roles and responsibilities ensures the integrity of the process.

Hon. Geoff Regan: I'm sorry to interrupt, but I think it was a simple question, really.

The first one was a bit facetious, perhaps, and I'm sorry for that, but is there one person in charge? Is there one person who made the decision to make that last change, with a week to go, in the bidding process?

Mr. Tom Ring: Sir, if I could, the last change in the bidding process—is it the amendment you're referring to?

Hon. Geoff Regan: Yes.

Mr. Tom Ring: Those amendments were looked at and reviewed by a group of public servants from both branches, again to ensure the integrity of the process.

If you'd like, Mr. Chairman, I can provide further details with respect to those amendments that are being referred to.

Hon. Geoff Regan: My next question was to ask if you could provide us with all the documents relating to these contracts, to this \$9 million contract that we're talking about.

Mr. Tom Ring: Absolutely.

Hon. Geoff Regan: Thank you very much.

[Translation]

Whom do you deal with in the minister's office?

Mr. Pierre-Marc Mongeau: There was no political interference from the minister's office for the entire duration of the project.

Hon. Geoff Regan: That is not the question, Mr. Chair.

I am asking you who was the liaison between the department and the minister's office.

[English]

Mr. Tom Ring: Sir, in our contracting processes there is often... The minister, obviously, has the ultimate authority for issuing contracts, but that authority has been delegated to public servants.

It is quite frequent for there to be no contact with the minister's office, not only on this particular contract but on many other contracts. That's quite normal process.

Hon. Geoff Regan: Did anyone in the minister's office ask for a briefing on this process?

Mr. Tom Ring: Over the last several weeks, we have reviewed the documentation, assessed and analyzed all the e-mails and correspondence, and can find no request for a briefing from the minister's office on this project, sir, during the contracting process.

Hon. Geoff Regan: Thank you.

My colleague, Mr. Coderre, will take over.

[Translation]

Hon. Denis Coderre (Bourassa, Lib.): Mr. Mongeau, were you in charge in 2007-2008, at the time of this contract?

Mr. Pierre-Marc Mongeau: No, I was not there at the time.

Hon. Denis Coderre: Who was in charge?

Mr. Pierre-Marc Mongeau: At the time, there was an assistant deputy minister called Yvette Aloïsi, but, in the past, several other people were also in charge.

Hon. Denis Coderre: Was Tim McGrath assigned to projects like this?

Mr. Pierre-Marc Mongeau: No.

Hon. Denis Coderre: He had nothing to do with it?

Mr. Pierre-Marc Mongeau: Thank you for the question. As we have explained, in 2007, a different, separate branch, the Parliamentary Precinct Branch, was established, and Mr. McGrath had no connection with it.

Hon. Denis Coderre: Why were things changed then?

Mr. Pierre-Marc Mongeau: At the time, there was a desire to give the projects on Parliament Hill the importance they deserved. The projects were tremendously important and needed special attention. Also, at the time, in 2007, we had funding approval for the next five years. That gave us the money we needed to continue to put projects in place for the next five years. So we really needed a branch to get things done.

● (0905)

Hon. Denis Coderre: Mr. Mongeau, were there any links between the minister's office and the branch at that time?

Mr. Pierre-Marc Mongeau: No, there were no... The only...

Hon. Denis Coderre: Were you there at that time?

Mr. Pierre-Marc Mongeau: No, I was not there at that time.

Hon. Denis Coderre: So you do not know. You do not personally know if there were any links.

Mr. Ring?

[English]

Mr. Tom Ring: No, sir, but perhaps I could add that we have reviewed all of our files and interviewed all of the personnel who were involved, both in the parliamentary precinct branch and in the acquisitions branch, and there is neither any record nor any recollection of any phone calls, any correspondence, or any communications between the minister's office—

[Translation]

Hon. Denis Coderre: If things were done by phone, as the circumstances surround the awarding of this contract lead us to believe, I doubt if anything is written down anywhere. We will check.

You mentioned security clearance. Did you know that Mr. Sauvé's company was infiltrated by the Hell's Angels? How were checks done at the time?

Mr. Pierre-Marc Mongeau: Thank you for the question.

At the time the project was awarded to LM Sauvé, there were no allegations along those lines. We did security checks on all the employees and we got no hits, as they say. Perhaps my colleague, Mr. Wright...

Hon. Denis Coderre: Does the RCMP do the security checks?

Mr. Pierre-Marc Mongeau: Yes.

I am going to ask Mr. Wright to explain the security procedures to you more clearly.

[English]

Mr. Robert Wright (Director General, Major Crown Projects, Department of Public Works and Government Services): For all the contractors, in fact all the individuals, involved in the projects on Parliament Hill, the Commons security clearance process that is used is called the site access security clearance. It involves three elements. There's a background check; there is a criminal name check conducted by the RCMP; and there is a loyalty assessment conducted by CSIS. Every employee, contractor or otherwise, who worked on the project received a security clearance.

The Chair: Thank you, Mr. Coderre.

[Translation]

Ms. Bourgeois, you have eight minutes.

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

Good morning, gentlemen.

In September 2007, one week before the end of the qualification process—that was when Michael Fortier was Minister of Public Works, as we know—the procurement documents for the rehabilitation of the North Towers on the West Block were apparently changed.

A number of firms involved in the process state that, without that change, LM Sauvé would never have won the contract and would never have qualified.

Is it true that, without that change, LM Sauvé would never have won the contract?

Mr. Pierre-Marc Mongeau: Since that question is about contracts, I am going to let Mr. Ring answer it.

Mr. Tom Ring: Thank you for the question.

[English]

Mr. Chairman, there were two amendments that were made just about eight days prior to the closing of the contract. I'll refer to them as they are posted on MERX, as amendments 3(a) and 3(b). Amendment 3(a) was at the request of LM Sauvé, and the request specifically was that a general contractor—keep in mind there was a general contractor and six subtrades—supply the names of two subcontractors in each subtrade. The question from LM Sauvé was, as a masonry company and as a general contractor, would they have to submit the name of a second subcontractor—in fact what would have been a competitor—on their bid in order to pre-qualify.

The second amendment was based on a request from a masonry design centre to reduce the level of experience on previous masonry contracts. The experience that you had to submit...[*Technical Difficulty—Editor*]

The Chair: Mr. Ring, we seem to be having some...

Okay, we'll see if we can go ahead.

[Translation]

Ms. Diane Bourgeois: I hope that has not cut into my time, Mr. Chair.

[English]

Mr. Tom Ring: The second amendment was a reduction in the experience that you needed to supply as a masonry company. This second amendment advantaged the competitors of LM Sauvé, because LM Sauvé had met the requirement previously, and the first amendment was considered—

[Translation]

Ms. Diane Bourgeois: Excuse me...

[English]

Mr. Tom Ring: I'll just provide the explanation, Madam Bourgeois.

The first amendment was considered on the basis of the criteria I outlined in my speaking points: was it a reasonable request? We looked at the request from LM Sauvé and found that it was reasonable, and in fact we had made a similar change in the criteria for the southeast towers. So there was no reason to not accept that request.

It was posted on MERX seven or eight days before the closing of qualification, and there were no questions and no complaints about that change. In fact, our view is, if we had not made that change, we would have left ourselves subject to legal review from LM Sauvé for making an unreasonable request and a more stringent requirement than was necessary and that we did for the southeast towers.

•(0910)

[Translation]

Ms. Diane Bourgeois: Do you have any evidence for that, Mr. Ring? Those were internal discussions, inside the department, I imagine. Were any documents requested or exchanged that you could provide to the committee?

Mr. Tom Ring: Yes, absolutely, I can provide you with documents.

Ms. Diane Bourgeois: Is it common to modify requests for qualification or tenders like these?

Mr. Tom Ring: Yes, it is, but I will ask my colleague to give you more details.

Ms. Diane Bourgeois: Please do it quickly, because we do not have much time.

Mr. Jacques Leclerc (Senior Director, Real Property Contracting Directorate, Department of Public Works and Government Services): Yes, it is very common.

Ms. Diane Bourgeois: Do you need approval from the minister, or just from people in the department?

Mr. Jacques Leclerc: We have absolutely no need for approval from the minister. Most of these requests are technical in nature. The project team and the contract management team make sure that things stay fair for everyone. Permission is granted and changes are made.

Ms. Diane Bourgeois: According to the media, the contract amount was \$2 million less than all the other competitors' bids. That is an unusually low figure.

Did that not raise a red flag? Did it not raise questions in your mind?

Mr. Jacques Leclerc: Yes, it raised several red flags.

Ms. Diane Bourgeois: Such as?

Mr. Jacques Leclerc: In situations like this, bids are opened in public. I imagine that LM Sauvé realized that its bid was much lower than the others. Actually, it was \$1.7 million lower, not \$2 million.

The project team and the people responsible for the contract asked Paul Sauvé to meet with them. Each detail of the bid was checked line by line to make sure that nothing had been left out or that no basic error had been made. The company's explanations were seen to be satisfactory because you have to remember that the company was its own masonry subcontractor, and was very competent in that area. That gave it a big advantage.

Ms. Diane Bourgeois: I would like to go back to my colleague's question. Did you check LM Sauvé's history? I imagine that a company that does business with PWGSC must provide a bond or must be solid enough to hold up its end of the contract. Was LM Sauvé in a position to do that at the time?

Mr. Jacques Leclerc: At the time the contract was awarded, all indications were that the company was in a position to do it. I think you have almost answered your own question. They had a bond from an insurance company, just as required.

Ms. Diane Bourgeois: I find that strange. You say that they had a bond, you awarded the contract in 2008, and, in 2009, they went bankrupt. How can you explain that?

Mr. Jacques Leclerc: We have not yet received confirmation that the company really has gone bankrupt. But LM Sauvé was replaced because its performance was unsatisfactory. They were not working to the schedule and no progress was being made. When we asked for explanations, when we wanted to know their plans, how they proposed to make up for lost time and to manage all the subcontractors, they really had no convincing answer.

It is just a theory on my part, but I suspect that LM Sauvé was very busy with the city hall in Montreal. They were not making enough effort. For us, it was very simple: if a contractor does not perform, the responsibility for the work is taken away.

Ms. Diane Bourgeois: As far as the risk management is concerned, we have the bond. But we are also managing the people in and around the company.

So I imagine you did your research. You went to see who was hanging around the company. Did you meet a person named Varin?

Mr. Jacques Leclerc: I have never met Mr. Varin and I have never spoken to Mr. Varin.

• (0915)

Ms. Diane Bourgeois: That's your answer, but not other people's. [English]

The Chair: Mr. Warkentin.

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

Thank you, gentlemen, for coming this morning. We appreciate your testimony.

Further to the questioning that was undertaken previously by my colleague, I want to continue to follow that up.

Has Gilles Varin or any lobbyist ever contacted Public Works representatives to lobby on behalf of any organizations on this project?

[Translation]

Mr. Pierre-Marc Mongeau: Thank you.

Mr. Chair, as my colleague mentioned, when we first heard these allegations, we searched through all our e-mails, we questioned all our employees and we checked our documents to see whether Mr. Varin's name appeared. We found no indication that it did.

[English]

Mr. Chris Warkentin: Well, that's good. So not only were you not contacted, but, no, you have not found any evidence that anybody within the entire department has ever heard from this gentleman.

Mr. Tom Ring: If I may, sir, with respect to this contract, our research was with respect to the LM Sauvé contract.

Mr. Chris Warkentin: Right.

Mr. Tom Ring: Then no: we've interviewed all of the people in the contracting and parliamentary precinct branches, and no one has ever heard of this individual and no one has ever been lobbied or influenced in any way.

I spoke yesterday to the person who is directly responsible for the file, and I confirmed that he has never been called, asked for any changes—just nothing.

Mr. Chris Warkentin: There's been a lot written in the newspapers about possible political involvement in the pre-qualifications of this contract. Is there any indication, is there absolutely any indication, of political involvement in the pre-qualifications of this contract?

Mr. Tom Ring: No, sir. As I confirmed in my opening comments and in response to questions, all of the amendments that were made to this pre-qualification.... The pre-qualification criteria were the same criteria we used in 2005, so they go back quite some ways. There has not been any indication that anyone tried to influence the pre-qualification criteria or the process itself.

We value the integrity of our contracting processes, and the employees who are involved in those contracting processes, as one of the prime values at Public Works that we bring to ensuring that value for taxpayers' money is provided in the some \$13 billion to \$15 billion worth of acquisitions we do every year.

Mr. Chris Warkentin: I apologize that we're rehashing a lot this morning, but we want to make it absolutely clear what the facts are in this case.

Next, did the minister award the contract to the Sauvé company?

Mr. Tom Ring: Technically, sir, all contracts are awarded on behalf of the Minister of Public Works, but—

Mr. Chris Warkentin: Well, was it a delegated authority given to somebody else?

Mr. Tom Ring: Yes, it was a delegated authority. In fact, the contract request was approved at the ADM level, by the ADM of acquisitions, my predecessor. But the actual contract itself was signed at the manager level.

Mr. Chris Warkentin: So this contract was given out via a delegated authority. Was anybody from the minister's office involved in the process of awarding this contract?

Mr. Tom Ring: No, sir.

Mr. Chris Warkentin: There's been a lot written about, and I think we have to go back to, the pre-qualification criteria and the fact that there were changes made to it. I'm curious about the evaluation criteria that were established. Did the criteria favour the Sauvé company? Or was there anything within the criteria that specifically favoured that company over another company?

Mr. Pierre-Marc Mongeau: Thanks for the question. I can maybe answer the first part, and then Mr. Ring can continue.

I want to emphasize the fact that the criteria were developed in 2005 for the first project of the southeast tower. We used the same criteria to go ahead with the second contract.

So these criteria had already been developed.

Mr. Chris Warkentin: Okay. We heard that, and we understand that amendment 3(a) was I guess at some point applied to the first tower. Why wasn't that automatically put into the second contract?

• (0920)

[Translation]

Mr. Pierre-Marc Mongeau: The first contract for the Southeast Towers was also a pilot project that allowed us to learn from the expertise we were developing. That was a project of approximately \$3 million, actually \$3,950,000.

The second project, the Northwest Towers, was an \$8.9 million contract. In the first tender, for the Southeast Towers, we had reduced some criteria. Given that the value of the contract had increased in the second case, we maintained the criteria that had been proposed at the time.

[English]

Mr. Chris Warkentin: In terms of the 3(b), was it the 3(b) amendment? There were two amendments. One was suggested by the Sauvé company. Could you describe the second amendment a little bit more?

Mr. Tom Ring: The second amendment was to reduce the requirement for previous masonry experience, which I believe at the time was to have been involved in projects at the level of \$2 million, and it was reduced to \$1 million. That amendment, as I said earlier, actually would have been to the advantage of Sauvé's competitors, because Sauvé had the experience at the initial level.

Mr. Chris Warkentin: Is it normal for these criteria to change at this point in the contracting process?

Mr. Tom Ring: Yes, sir, that is quite a normal process, and if I may, I will expand on this for a couple of seconds. It's been referred to as "at the last minute", yet in many of our contracting processes, first of all, 99% of bids are received within the last hour. Our contracting processes, quite normally within the last seven days, are frequently subject to questions and requests for change. That's absolutely quite normal.

Mr. Chris Warkentin: I just have one last question. I only have time for this one.

Who made the decision to award this contract to LM Sauvé, and what was the procurement process used to award this contract? I'm wondering if you could just explain that process.

Mr. Tom Ring: Certainly.

The Chair: You have less than 30 seconds.

Mr. Jacques Leclerc: The project management team on the technical side and my own groups in contracting have reviewed the documents, and the recommendation comes from us to award the contract. There are a few tiers. There are checks and balances here, so therefore a recommendation is made to a director general with a quality assurance review, and the recommendation is further forwarded to an assistant deputy minister, who approves the award of the contract.

The Chair: For eight minutes, Mr. Martin, and then Mr. Mulcair.

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

First of all, the first amendment made was actually to cancel the pre-bidders' conference, and in the language you strongly recommend that all bidders attend the pre-bidders' conference so that they can get a grasp of the project. Three days before the bidders' conference, it was cancelled. That's what we call amendment number one in this category. It's my first example of the extraordinary lengths it seems you went to, to favour Sauvé.

The second amendment was in fact the extension of one week. So the bid was supposed to close on the 21st of September. On September 18 you extended it by one week, and then on the very date it was to have closed, on the 21st, you moved your third amendment, which in fact was the real deal-maker for Sauvé, because that deleted sections 5 through 10 of all the pre-qualification specifications for the restorative iron work, for the masonry sculptural carvers, for the lightning protection, for the copper roofs—all of those technical things that no major general has, except for Sauvé.

I have worked for PCL. They don't have a lightning protection division. They don't have a restorative iron work division. EllisDon doesn't have those. So the best contractors in the world were shut out of this contest, essentially, by giving a clear advantage to the one guy who paid \$140,000 to a lobbyist.

You guys are all saying you had nothing to do with it. But somebody certainly did in custom writing this thing so that there was only one logical conclusion and one logical contractor this job should go to. If it wasn't you, it was higher up than you. I have flashbacks of Chuck Guité sitting in that same chair, denying any political interference whatsoever in the allocation of his Public Works contracts. That turned out to be a fig, fat lie.

Somebody here is pulling our chain, to the great disadvantage of not only the Canadian taxpayer, who now has to mop up this mess with even more expense, but also to probably the most prestigious architectural restoration in North America, which is going on right underneath our noses and is being bungled in a monumental way. Maybe part of the problem is that there are four of you guys sitting here. Maybe Public Works is just so gargantuan that nobody can reasonably control the restoration of the parliamentary precinct. That's a question for another day.

I want to know specifically, in regard to the extension of the contract to accommodate Sauvé, how can any independent observer not connect the dots here and conclude that this contract was custom-crafted to suit the one guy who paid his tithe and bought his way onto that pre-qualification bidders' list?

• (0925)

Mr. Tom Ring: Mr. Chairman, there are probably many questions I could respond to there, but perhaps I could address myself specifically with respect to the requirements. As I've said quite clearly, amendment 3(b), in fact, did not favour LM Sauvé; it disadvantaged LM Sauvé. The record on that is absolutely clear.

Mr. Pat Martin: I challenge that, sir.

Mr. Tom Ring: I could ask my colleague to speak to the question of why the bidders' conference was postponed.

As the member quite rightly points out, there were four amendments to the solicitation. These are not uncommon. I would address myself to the extension of one week, which was included because in fact there had been changes, there had been amendments

Mr. Pat Martin: Because you had to accommodate Mr. Sauvé. That answers my question, sir.

Mr. Tom Ring: And in order to be fair to all the other competitors, we publicly posted those changes on MERX, and received, as I said, no questions or comments with respect to them.

The Chair: Thank you, Mr. Ring.

Mr. Mulcair.

[Translation]

Mr. Thomas Mulcair (Outremont, NDP): Thank you, Mr. Chair.

It is clear to us that some of the changes were to the advantage of LM Sauvé. The officials testifying before us today say that no sleight of hand happened in their offices. So it happened at ministerial level. We are now looking at an issue of ministerial responsibility.

I listened carefully to what was said earlier. Mr. Leclerc said that it raised a number of red flags. But the company still won the contract, and it is now bankrupt. You tell us this morning and that maybe it is and maybe it isn't, but it was not able to fulfill the contract. This is mind-boggling.

Under those circumstances, completing the contract falls back into the lap of the insurance company. According to Mr. Mongeau, Public Works has no contractual link with the people who have been entrusted with the work because L'UNIQUE General Insurance is dealing with them.

Is that the trick? You move guys off the construction site, you hand the work over to the insurance company, which turns around and deals with guys it has done business with before. Is that the way contracts are normally handled at Public Works?

Mr. Pierre-Marc Mongeau: Thank you for your question.

Mr. Chair, for all contracts dealing with construction projects, we look for guarantees. One of the most effective is a bonding company. That guarantees the government that, if a problem occurs as the

project is being designed or implemented, and if the contractor is no longer able to finish the work, we can turn to the bonding company and ask them to get the work finished. That is the best guarantee we can have.

Mr. Thomas Mulcair: Mr. Chair, we are not fooled by that. We get the trick. The insurance company deals with anyone it wants. There has been talk of investigations by the RCMP and CSIS and so on, looking into whether any collusion has taken place or not. I do not know if you follow the news, but there are serious allegations of collusion in the construction industry. If L'UNIQUE General Insurance is dealing with a company that raises very serious questions of that nature, you can do nothing about it.

Anyway, one thing is clear. This is not about officials from Public Works, it is about the minister of Bumbling Works who never gets out of his chair. He is the one who should be here today. Clearly, this is about ministerial responsibility. That is the level at which the decisions were made. The people who testified today about the integrity of the system they manage tell us that we should look at the political side. That is exactly what we're going to do.

• (0930)

[English]

The Chair: There are approximately 45 seconds left, if either of you wishes to respond.

[Translation]

Mr. Pierre-Marc Mongeau: That is not a question. I am not in a position to comment.

[English]

The Chair: Okay, thank you.

Mr. Regan, Mr. Coderre, for five minutes, please.

Hon. Geoff Regan: Thank you, Mr. Chairman.

Gentlemen, you've indicated this process was normal. Is it normal to have the RCMP investigate a contract?

Mr. Tom Ring: Thank you for the question.

Again, some context. We manage 60,000 contracts and amendments per year. If in fact we are 99.9% perfect, there are still 600 contracts annually where there are difficulties and challenges. We have processes and procedures in place for when those circumstances arise. This is not the first time, obviously, that there has been an investigation of a contract. Is it normal process? No. Is it unheard of? No, it is not.

Hon. Geoff Regan: Thank you.

What is the RCMP investigating?

Mr. Tom Ring: Sir, I can't answer that. You'd have to address those questions to the RCMP.

Hon. Geoff Regan: You've indicated that there was an internal review with no official contact. Has the RCMP asked for phone records?

Mr. Tom Ring: You'd have to address your questions to the RCMP, sir. I don't have that information.

Hon. Geoff Regan: Mr. Ring, what was your job in September of 2007?

Mr. Tom Ring: In 2007 I was employed at the Department of National Defence.

Hon. Geoff Regan: Who was in the job you now hold at that time?

Mr. Tom Ring: I believe the name of the individual was Liliane Saint Pierre. She retired in January of this past year, and I assumed the position at that time.

Hon. Geoff Regan: Thank you.

My colleague, Mr. Coderre, has some questions.

[Translation]

Hon. Denis Coderre: So, Mr. Chair, we can see that there may be two magic tricks here. First, the changes that resulted in more time being given to LM Sauvé and the last change, a week later, that also made sure that they would be the low bidder.

Then we find out that there is no link with L'UNIQUE General Insurance. They can do what they want and hire whom they want. And because they can hire whom they want, money can just disappear in the process.

I would like to know whether, in Minister Fortier's time, Bernard Côté, as his assistant, asked the person responsible at the time any questions at all about restoration contracts on Parliament Hill.

Mr. Jacques Leclerc: There is no indication in our documents that that person was contacted or contacted us. I personally never contacted...

Hon. Denis Coderre: Do you know who Bernard Côté is? He was an assistant to a minister. Did an assistant to a minister ask for a briefing on the restorations?

Mr. Jacques Leclerc: Whoa! Are you talking about the general renovations on Parliament Hill?

Hon. Denis Coderre: Yes, I am talking about the general renovations on Parliament Hill. I agree with you - "whoa" indeed!

Mr. Jacques Leclerc: I should not have said "whoa"; that is a technical question. You have to understand all the renovations that have to be done. The minister was informed in a general way. As to Mr. Côté, I don't know; that is why I am asking...

Hon. Denis Coderre: You say that the minister was informed in a general way. How was he informed, Mr. Leclerc? Were you there at the time?

Mr. Jacques Leclerc: No, I was not...

Mr. Pierre-Marc Mongeau: If I may, I am going to ask my colleague Rob Wright to answer the question.

Hon. Denis Coderre: Were you there in 2007, Mr. Wright?

Mr. Robert Wright: Yes.

Hon. Denis Coderre: What was your responsibility at that time?

Mr. Robert Wright: In September 2007, I was assigned to planning. Then I looked after delivering the major projects.

[English]

First of all, I'd like to make it very clear that I've given several briefings to the minister's office on the LTVP. It's been a very important file within the department. At no time were there ever any

questions about procurement processes at all, nor did I ever have any interaction with a Bernard Côté. The types of briefings that occurred on this file would be the same as for any file within the Government of Canada. We have quarterly report cards on the progress that go up to the minister's office as well as to the Treasury Board Secretariat. It's the exact same information.

• (0935)

[Translation]

Hon. Denis Coderre: Who was responsible for managing the contract? What is that person's name? Some people sign things, other people manage things. Who managed this specific West Block project?

[English]

Mr. Robert Wright: Yves Gosselin was in my position prior to my taking over, but again, as Mr. Ring, Mr. Leclerc, and Mr. Mongeau have pointed out, there is a separation of responsibilities between the technical authority and the contracting authority. There are checks and balances within the system so that there is no possibility of conflict of interest. Those are there for a particular reason, and that's the way the contracts are managed.

[Translation]

The Chair: Thank you, Mr. Coderre.

Mr. Lemay, you have five minutes.

Mr. Marc Lemay (Abitibi—Témiscamingue, BQ): Thank you.

Could you tell me if François Guimont is still deputy minister?

A voice: Yes.

Mr. Marc Lemay: Is a minister advised when a contract is withdrawn? Is the minister responsible advised of the fact?

Mr. Pierre-Marc Mongeau: When it is a major project or a significant project, as this one is, the minister is informed of the situation when officials make the decision to withdraw responsibility for a job from a general contractor and to go for the bond. The information...

Mr. Marc Lemay: Who informs him?

Mr. Pierre-Marc Mongeau: He is informed through the normal hierarchy in our organization.

Mr. Marc Lemay: Mr. Mongeau, in the very specific case we are dealing today, I would like to know the name of the person who advised the minister that the contract had been withdrawn.

Mr. Pierre-Marc Mongeau: It was done by a briefing note to the minister dated April 17, 2009.

Mr. Marc Lemay: April 17, 2009? The contract was withdrawn on April 20, 2009. Did anyone from the department communicate with you between April 17, 2009 and April 20, 2009?

Mr. Pierre-Marc Mongeau: No.

Mr. Marc Lemay: When the contract was taken away from LM Sauvé, L'UNIQUE General Insurance was called on because of the bond. Who checked L'UNIQUE General Insurance's credentials as a bonding company?

Mr. Jacques Leclerc: L'UNIQUE General Insurance is a registered bonding company...on the list of all the bonding companies approved by Treasury Board. It has also been an active participant in the Surety Association of Canada for several years. L'UNIQUE General Insurance is financially a very capable company. That is all the checking we do.

Mr. Marc Lemay: So your assumption is that, if a bonding company is approved by Treasury Board, it is okay.

Mr. Jacques Leclerc: What is important for us is knowing that the company is strong and has the financial means that we need.

Mr. Marc Lemay: To handle the contract that it has insured?

Mr. Jacques Leclerc: To handle all the remedial work. When a contractor does not provide the performance we need and we have to move them off the site, a lot of adjustments have to be made with a lot of people. The insurance company pays for all those things.

Mr. Marc Lemay: Mr. Leclerc, between May 30, 2008, the date on which the contract was awarded to LM Sauvé, and April 20, 2009, the date on which the contract with them was terminated, how many meetings did you, or someone from your department, have with LM Sauvé people? Do you have documents pertaining to those meetings?

• (0940)

Mr. Jacques Leclerc: Documents exist. I do not have them. Once again, when a contract is awarded, there are meetings every two weeks, I imagine, between the project management team and the technical side, with Pierre-Marc Mongeau and Robert Wright, just like on any normal site.

Mr. Marc Lemay: So let me talk to Mr. Wright or to someone who can answer my question.

Between May 2008 and April 20, 2009, when things with LM Sauvé were not going well, was the minister advised?

Mr. Pierre-Marc Mongeau: No, the minister was not advised. It is a major project, but the authority lies with the officials.

Mr. Marc Lemay: Like the architects and the engineers?

Mr. Pierre-Marc Mongeau: Yes, in our teams.

Mr. Marc Lemay: Once the budget for restoring the buildings is approved, the department is responsible. Correct me if I am wrong, but the minister is never advised of anything, except if a contract starts to go off the rails. Is that correct?

[English]

The Chair: Very briefly, just a quick response to Mr. Lemay.

Mr. Tom Ring: That's absolutely normal process that the minister's office would not be advised. We have 60,000 contracts and amendments every year. It is quite a normal process for the minister's office to have no involvement whatsoever in the actual administration of the contract—quite normal.

The Chair: Thank you, Mr. Ring.

Monsieur Gourde, cinq minutes, s'il vous plaît.

[Translation]

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

Thanks to the witnesses for being here.

Is there any indication of political involvement in the contract awarded to LM Sauvé?

Mr. Pierre-Marc Mongeau: As I mentioned earlier, we checked e-mails and we interviewed our employees to see if in fact there was any involvement of any kind. All our employees said no. So there is no evidence of any.

Mr. Jacques Gourde: Was anyone from the minister's office involved in the awarding of the contract?

Mr. Pierre-Marc Mongeau: Throughout the entire process, which is managed by public servants, it is those public servants who look after all contracts. As I also mentioned earlier, the criteria used had already been developed for a previous project in 2005. So it was a logical progression of our expertise in contracting and also on the technical side.

Mr. Jacques Gourde: Did Gilles Varin, or any other lobbyist, come into contact with anyone from Public Works with a view to working on this project?

Mr. Pierre-Marc Mongeau: As we mentioned a few minutes ago, after looking at all the e-mails and checking with our employees on both the contracting side and the technical side, we found no information of that kind. We have no evidence of it.

Mr. Jacques Gourde: Who made the decision to award the contract to LM Sauvé and what was the procurement process used in awarding it?

Mr. Jacques Leclerc: The procurement process is such that the decision was made by the technical and contract teams, under the authority delegated to them, and for which it was not necessary to get the minister's approval. The level of authority is determined by the amount of the contracts. In the case we are dealing with, because the amount permitted, the contract was approved by the assistant deputy minister at the time, Mr. Ring's predecessor.

Mr. Jacques Gourde: The process is about delegated authority? Is that what you are trying to explain?

• (0945)

Mr. Jacques Leclerc: Yes, exactly.

Mr. Jacques Gourde: Is that a process by which officials make decisions themselves, depending on the amounts of money involved, without necessarily going to the minister...

Mr. Jacques Leclerc: Exactly.

Mr. Jacques Gourde: ...and asking for his approval?

Mr. Jacques Leclerc: You have to understand that, for very big contracts, even the minister does not have the authority to make the decision. He has to ask Treasury Board. There is an administrative structure that allows the authority delegated to our department also to be further delegated to other levels of activity. So, in the case of this contract, an assistant deputy minister could decide.

Mr. Jacques Gourde: Is the authority delegated to a committee, to one person or to several people? Could you explain that to me?

Mr. Jacques Leclerc: Under the system, the authority is delegated to people at certain levels. There are a number of assistant deputy ministers and a number of directors general. We have them in our regional offices, there is a whole matrix.

Mr. Jacques Gourde: So, for this contract, a committee made the decision to award the contract to LM Sauvé, not any one person.

Mr. Jacques Leclerc: As I explained earlier, a committee of the technical and contract teams made the recommendation. The recommendation came to me; I approved it, my director general approved it, and the assistant deputy minister who held the delegated authority signed off on it.

Mr. Jacques Gourde: All those people have declared and verified that there was no political interference with the committee in order to influence its decision, is that correct?

Mr. Jacques Leclerc: Yes; there is no evidence to the contrary. Do you agree?

The Chair: Thank you, Mr. Gourde.

My thanks to all the witnesses.

[*English*]

Before we let you go, I believe Mr. Regan has a point of order that he wishes to raise.

Hon. Geoff Regan: Thank you, Mr. Chairman.

I think it would be a great help to the committee if these witnesses could provide us with a list of every person who was interviewed as part of the internal review, their job title as of December 2007, as well as their current position.

The Chair: Is that fine?

Mr. Martin.

Mr. Pat Martin: The only thing I would like to add to that is please could we also put on the name of Liliane Saint Pierre, who was a former staff person in that field, who is no longer there and left under mysterious circumstances.

Mr. Chris Warkentin: Mr. Chair, we would just like to ensure that the witnesses might be prepared to come back. In fact, there are additional questions that are necessary for this committee to undertake our study.

The Chair: I think that's a given. Okay.

That information is a request. Can that be made available to committee?

Mr. Tom Ring: Mr. Chairman, it certainly can.

But if I could, sir, Madame Saint Pierre retired after a 35-year career with the public service. There were no mysterious circumstances. Her retirement was predicted six months in advance. I just think it's important that this comment be made.

The Chair: Okay, thank you.

I want to thank the witnesses on behalf of the committee for your testimony.

I'm going to suspend for a couple of minutes while we clear the room, and then we'll proceed in camera.

[*Proceedings continue in camera*]

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