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SELECT STANDING COMMITTEE ON
CROWN CORPORATIONS

Victoria
Monday, July 8, 2002
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KEN STEWART, MLA, CHAIR

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**SELECT STANDING COMMITTEE ON
CROWN CORPORATIONS**

Victoria
Monday, July 8, 2002

Chair:

* Ken Stewart (Maple Ridge–Pitt Meadows L)

Deputy Chair:

* Bill Bennett (East Kootenay L)

Members:

* Pat Bell (Prince George North L)
* Ida Chong (Oak Bay–Gordon Head L)
* Dave Hayer (Surrey–Tynehead L)
* Daniel Jarvis (North Vancouver–Seymour L)
Ken Johnston (Vancouver–Fraserview L)
* John Nuraney (Burnaby–Willingdon L)
John Wilson (Cariboo North L)
Tony Bhullar (Surrey–Newton Ind L)
Joy MacPhail (Vancouver–Hastings NDP)

* *denotes member present*

Clerk:

Craig James

Committee Staff:

Josie Schofield (Committee Research Analyst)
Audrey Chan (Assistant Researcher)

Witnesses:

Helen Fletcher (Strategic Management, British Columbia Buildings Corporation)
Lak Parmar (Vice-President and Chief Financial Officer, British Columbia Buildings Corporation)
Dennis Truss (President and Chief Executive Officer, British Columbia Buildings Corporation)

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SELECT STANDING COMMITTEE ON CROWN CORPORATIONS



Monday, July 8, 2002

1 p.m.

**Douglas Fir Committee Room
Parliament Buildings, Victoria**

Present: Ken Stewart, MLA (Chair); Bill Bennett, MLA (Deputy Chair); Dave Hayer, MLA; Ida Chong, MLA; Pat Bell, MLA; Daniel Jarvis, MLA; John Nuraney, MLA.

Unavoidably Absent: Joy MacPhail, MLA; Tony Bhullar, MLA; Ken Johnston, MLA; Dr. John Wilson, MLA

1. The Chair reviewed the process the Committee agreed to follow in respect of its terms of reference.
2. Pursuant to its terms of reference, the Committee examined the British Columbia Buildings Corporation.
Witnesses
Dennis Truss, President and CEO
Lak Parmar, Vice President and Chief Financial Officer
Helen Fletcher, Director, Strategic Management and Shareholder Relations
3. The Committee agreed to consider its Report to the House on the matter of the British Columbia Buildings Corporation at its next meeting and to submit their individual recommendations for compilation to the Office of the Clerk of Committees by Monday, July 15, 2002.
4. The Committee adjourned at 3:38 p.m. to the call of the Chair.

Ken Stewart, MLA
Chair

Craig James
Clerk Assistant and
Clerk of Committees

MONDAY, JULY 8, 2002

The committee met at 1:03 p.m.

[K. Stewart in the chair.]

K. Stewart (Chair): Good afternoon, everyone. Welcome to the Select Standing Committee on Crown Corporations. I understand that two of our members are upstairs with the Police Committee today, so they won't be with us: Ken Johnston and John Nuraney. There are a couple of other people that aren't here yet. We're running past our start time, so we'll start.

You all have an agenda in front of you. The first thing I'd like to do is introduce a couple of items before I introduce our guest for today, which is the British Columbia Buildings Corporation. I would like to take just a minute to go over our mandate so it's clear as to why we're here and what it is we're trying to do. On May 30, 2002, the Select Standing Committee on Crown Corporations was appointed to review the annual reports and performance plans of the British Columbia Crown corporations.

[1305]

In addition to the powers previously conferred upon the Select Standing Committee on Crown Corporations, the committee was empowered (a) to appoint from their number one or more subcommittees to refer to such subcommittees in any of the matters referred to in the committee, and at the end of today's presentations dealing with the British Columbia Buildings Corporation, we will go back to that issue of subcommittees; (b) to sit during a period in which the House is adjourned during the recess after prorogation until the following session during any sitting of the House, so that's what we're doing now; (c) to adjourn from place to place as may be convenient, and there may be some opportunity where we may go to a different locale and venue other than Victoria and this room; and (d) to retain personnel as required to assist the committee, and through the Clerk's office we will do whatever is necessary there to supply the supportive services we need.

We shall report to the House as soon as possible or following any adjournment or at the next following session, as the case may be, to deposit the original of its reports with the Clerk of the Legislative Assembly during a period of adjournment. Upon resumption of the sitting of the House, the Chair shall present all reports to the Legislative Assembly.

Again, at the end of today we will be talking about our reporting process, as we made some adjustments in that at our last meeting. So without further ado, that's what we're here to do today and the process we're going to carry out in dealing with that. We have with us again today the British Columbia Buildings Corporation, and we're going to be allowing approximately one hour for them to do their presentation or however long it takes. We'll hold all our questions until the end of their presentation, and then at that time we will do the questions orderly through the Chair.

Without delaying any further, I'd just like to have each person introduce himself, and we'll start with, to my left, Craig James, Clerk of Committees.

C. James: That's right. I'm Craig James, Clerk of Committees.

J. Schofield: Josie Schofield, research analyst for the committee.

B. Bennett (Deputy Chair): Bill Bennett, Deputy Chair. I'm from the East Kootenay.

I. Chong: Ida Chong, representing Oak Bay-Gordon Head.

P. Bell: Pat Bell, Prince George North.

D. Jarvis: Daniel Jarvis from North Vancouver-Seymour.

D. Hayer: Dave Hayer, Surrey-Tynehead.

L. Parmar: VP, finance, B.C. Buildings Corporation.

D. Truss: I'm Dennis Truss, the president and CEO.

H. Fletcher: I'm Helen Fletcher, director of strategic management and shareholder relations.

K. Stewart (Chair): Okay. Well, now that we're all here, I'd like to start with our first presentation and just note that this is the first time this committee has met in approximately 20 years. So we'll knock the dust off the old records and start afresh in continuing.

Mr. Truss, if you'd like to go ahead with your presentation.

Review of Crown Corporations: B.C. Buildings Corporation

D. Truss: Good. Thank you very much, Mr. Chair. We appreciate the opportunity to spend some time with you today.

We did provide an extensive amount of information for you. I think because of the timing of the meeting here, we've given you our current service plan 2002-05. We've also provided our previous service plan, which was called a performance plan — it went from 2001 to 2004 — and then extracts from our annual report for 2001-02, which will actually report against what was in that previous service plan. There are a series of documents. We wanted to give you those extracts from this year's annual report, which has not yet been tabled. It's just in the process of being finalized, so you have sort of late-draft versions because we thought that would probably assist you in your work. That's why we provided that.

I believe you also have hard copy of the overheads I'm going to be using and that I'll be speaking to. Hopefully, that will assist you in your review of the information.

Without further ado, Helen, if we could start.

The overview of the corporation. We were created under the British Columbia Buildings Corporation Act, which was originally passed in 1976, and the corporation was essentially established in '77. The act was amended in 1997. Essentially, it allows the corporation to do virtually anything to do with real estate and accommodation with any organization in the broadly defined public sector. So the powers are quite wide.

The three core services of the corporation are accommodation and infrastructure planning, portfolio management and stewardship, and service delivery management. We'll talk a bit more about each of those areas, particularly the last one — the service delivery management — because the evolution of the corporation has seen it become much more of a management organization with most of the services being provided by the private sector.

The service delivery structure that we have in the corporation is very similar to a private sector enterprise. We have a board of directors of nine people appointed by the Lieutenant-Governor-in-Council. I'm the CEO. We have four groups in the corporation, and much of our structure is much like you would find in a private sector organization, with obviously the sensitivities of the public sector environment in which we operate.

We use private sector management methods and industry-business principles. We'll talk a little bit more about some of those things, but market pricing is maximized to the extent possible. We follow generally accepted accounting principles and regularly benchmark our performance against the private sector to ensure that we're delivering good value for the shareholder and for our customers.

[1310]

We are largely in a contract manager role, as I mentioned, with the actual delivery of most services being provided by the private sector. Something in the order of 80 percent or more of the services are in fact provided by the private sector, which we'll talk about a little bit more later.

We're also quite decentralized. We have approximately 800 employees — a little fewer than 800 employees now. Our head office is here in Victoria. We have seven district offices located strategically in the province, one of which is in Prince George, and 70 service centres where we have staff located to either provide direct service delivery or, more importantly, manage contracts. That's how we're structured.

Our portfolio is a very diverse one: over 3,500 buildings comprising close to 26 million square feet of space in almost 300 communities across the province. I know that technically, through UBCM, there aren't 300 communities that are legal communities, but we often refer to communities as perhaps a geographical community. For our planning purposes, there are almost 300.

We own approximately 56 percent of the space that we have in the total portfolio, lease approximately 29 percent and maintain 15 percent. That space would be maintained for other public sector organizations. There's an asterisk there that I'll just refer to. Right now we have two significant buildings that are in the process of being sold and leased back, so those percentages between owned and leased will shift slightly. We have not adjusted these numbers. The sale is expected to close by the end of the month.

Looking at our portfolio, it's a pretty diverse mix. Nineteen percent of it is office space. Seventeen percent is hospitals, and that would include facilities such as the Riverview Hospital as well as the remaining activities at Woodlands in New Westminster. Seventeen percent is courts, and that's before any closures are taken into account. Corrections facilities are 16 percent, and, again, a number of corrections facilities are in the process of being closed down. Highways yards represent about 12 percent, and Forests district offices about 4 percent. "Other" amounts to about 15 percent, which includes everything from health units, some ambulance stations, residential facilities, some trout hatcheries and the Royal B.C. Museum, for instance. So those are the kinds of properties that are in there. It includes everything from Robson Square and the Vancouver law courts in the heart of downtown Vancouver to a number of heritage properties around the province, as well as a number of remote facilities.

Just to give you a little bit of an indicator on office space. Oftentimes there is an impression that the corporation's principal business is providing office space and that we own it all. In fact, of the office space that we do have in our portfolio, 29 percent is owned and 71 percent is leased from the private sector. That gives us the lowest ratio of ownership of any jurisdiction in Canada. The norm tends to be around 50-50. As you can see there, Alberta, Ontario and Manitoba are pretty much in the 50-50 realm. The federal government is 40-60 but is starting to shift towards more ownership. So in our case, at 29 percent, we're already the lowest. We're in the process right now, as I mentioned before, of concluding a couple of sales of two office buildings — one here in Victoria at 4000 Seymour Place and one in Vancouver — which will further realign those percentages.

This is also before the implications of government restructuring. I'll talk a little bit more about that, because we're leading an initiative called the government accommodation restructuring initiative, and that'll have some implications on the total amount of space that the corporation has, including office space. These numbers are "pre-" any activity there.

The profile in terms of our revenues. We've had a gradual shift to doing more business in the non-ministry sector. Back in '98-99 we were about 80-20; by 2000-01 it was 74 percent ministry, 26 percent non-ministry. In the fiscal year just ended, '01-02, we were at 73 percent ministry and 27 percent non-ministry.

One element of the corporation is that we believe it's a strong accountability model. It provides accountability for ministries and other public sector organiza-

tions for the space they use, to budget for it, to be charged at market rates and so forth. Also, there is accountability on the corporation as the provider to be able to use market-comparable pricing and, at the same time, be able to justify its charges against benchmarking that we do.

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We do a number of benchmarking initiatives in the course of a year. Certain administrative cost functions, various operating costs, leasing and so forth are regularly benchmarked to ensure that the corporation is meeting or exceeding private sector performance.

The pricing steering committee, which was established several years ago to help monitor the application of the pricing policy that the corporation applies, has been approved and, I might add, recently affirmed by the Treasury Board. It is very much a market-pricing model, and a number of studies are commissioned under its auspices. The pricing steering committee is in fact chaired by the deputy secretary of Treasury Board. Two of our vice-presidents sit on it, as well as the comptroller general, three ministry ADMs and the CEO of the Crown agency secretariat. So, there's a very strong presence by ministries and central agencies, if you will, and only two people from the corporation to, I think, ensure that this is done in a very forthright and objective manner.

The corporation is very much a shared services provider for real estate, real property, infrastructure and accommodation within the provincial government. We have many of the attributes of a strong shared services provider. We're taking steps on a number of fronts to further expand that to make more customized agreements in place with our ministry customers, so that the corporation will move further along the path of a shared services provider.

We're also expanding the role that we provide for them. Many of the ministry customers we deal with would like us to move further into full workplace provisioning, and we're doing that together in partnership with the common information technology services branch. We're looking at doing more with the Purchasing Commission as well, so we can offer more efficient and effective services for our clients.

In terms of serving other public agencies, we also do some work for Public Works and Government Services Canada in the federal government and several municipalities. We've done some projects for school boards, and through our Health Services group, we've done some very proactive and effective work with health authorities in the province. That would make up the large proportion of that 27 percent. I'll talk a little bit more about some of the other initiatives that are going on under shared services later.

Some of the accomplishments that the corporation has had I'd like to share with you. We've always practised very strong fiscal management within the corporation. Our return on investment over the years has averaged 10.2 percent. Our return on equity has averaged 17.6 percent. Those are averages over the last five

years. The dividends that the corporation has paid: we have used varying kinds of dividend formulas, but we've paid more than \$318 million in dividends to the provincial treasury.

We've been very active in marketing surplus properties and, prior to disposal, have done some good up-valuing, upzoning and a number of other things, particularly properties like the Oaklands in Burnaby. We recently concluded a very exciting deal with UBC at Robson Square, where they now occupy space that was previously used by the Robson Square Conference Centre to much more effective use than previously.

We've also been very aggressive in selling off surplus properties that are no longer needed. We've sold almost a thousand properties over the years for in excess of \$330 million. About half of that, \$165 million, has been gains to the bottom line and has been reflected in the corporation's financial results. So it's been a very effective activity.

There are a number of other things going on, on that front, where I think BCBC is very well positioned to help the government achieve a number of its objectives through looking at some initiatives currently underway with strategic dispositions and some asset-leveraging that is happening.

On the energy management side, the corporation has been especially aggressive. We established a program as far back as 1978. To date we have recorded energy cost savings and avoidances of \$130 million. Those savings go on at a rate of about \$10 million a year. We've won many international awards for the accomplishments that we have and are currently taking the lead on a green buildings retrofit program, working with a number of post-secondary institutions and other public sector organizations to take advantage of other opportunities in energy savings, working largely with the private sector — the so-called energy service contractors who are investing on the order of \$65 million of their funding, which will provide savings of just about \$8 million. Those savings will ultimately pay for the work that gets done and then will accrue to the various public sector organizations.

[1320]

BCBC has also taken very strong leadership in environmental management. We were very pleased a couple of years ago to be awarded an ISO 14,001 certification. We were the first provincial public sector organization to be so recognized. We have also developed space standards which have been approved through the Treasury Board process. In fact, the standards that we have put in place are tighter than norms we have tested in the private sector.

Also on the service delivery side, we've been aggressive in managing our operating and maintenance costs over the years. In real-dollar terms, our property management and operation and maintenance costs are about 28 percent lower than they were historically. Based on some benchmarking we've done, they're several percent lower than the private sector.

Our leasing services as well. Again, using Colliers International to do some benchmarking for the lease space that we get in the marketplace, we're outperforming the market by several percentage points. Again, these savings that we achieve are in fact passed on to our customers through lower building occupancy charges.

On the project delivery side we've completed projects for more than \$1.333 billion. On average they've been on time and below budget. We've never had an embarrassment in a project in our history, and we intend to keep it that way.

We have, over the years, taken on some very unique projects. Some of them include the Vancouver Island Cancer Centre here in Victoria. The North Fraser pretrial centre in Port Coquitlam was a very innovative project that we did with the cooperation of the ministry. Our consultants brought the cost very substantially lower than had been the norm before. As a matter of fact, on a per-diem basis the costs were about 40 percent lower.

The St. Ann's Academy restoration project in Victoria was a very significant heritage undertaking that was done below budget, when many of my colleagues in the private sector told me that I could expect a 50 percent overrun. At the Royal British Columbia Museum here, we did a very innovative public-private partnership to get the IMAX Theatre built. We also took on the B.C. Centre for Disease Control very cost effectively on the grounds of the Vancouver General Hospital. We also completed a number of school pilot projects to deliver some schools in the Sechelt, Qualicum and Errington areas at below budget of 13 to 17 percent, meeting all of the requirements of the school districts. In fact, we have been asked to do some further work by those school districts.

Overall, the cost savings. We've been very aggressive in trying to identify further cost savings for our customers; \$43 million-plus over the last number of years have been achieved. Ongoing savings amounts of several millions of dollars, as well, are being passed on to our customers. Building occupancy charges as a proportion of ministries' total budgets have decreased from over 11 percent in the early eighties to less than 9 percent now. I think that's showing a positive trend.

When we went through phase 1 of core review back in November, we basically presented and were given direction to proceed with some fundamental shifts in our business, to move from straight real estate and accommodation to look at real property and accommodation infrastructure. That gets us more into that full workplace provisioning, which I think provides more efficiencies for our customers, ministries and others.

We're moving from a mandated monopoly. Right now, under the British Columbia Buildings Corporation Act and government management operating policy, the ministries are mandated to use the corporation. Non-ministry customers are not. We think that as the shared services model evolves, all of our customers will have choice. We're moving in that direction.

From a pure contracting-out model to various forms of alternative service delivery, the corporation deals with literally thousands of contractors around the province. Probably in the last year some 7,000 different firms did business with the corporation. These are large construction companies to mom-and-pop operations running small service businesses in small communities. We are shifting further in service delivery to look at outsourcing and more consolidation of our contracting to achieve further economies, if they're there.

We've also shifted from a pure project manager role to more of an owner's agent-owner's adviser role to provide more opportunities, again, for the private sector. From an ongoing asset disposition model, which I think has been very successful, to more of a strategic look at disposition of assets.... The two major office buildings I described earlier would be an example of that.

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We'll also be working with a lot of the courthouses that are being closed. About 24 courts are being shut down in the province. Sixteen of those are owned, and eight of them are leased, so there are some interesting disposal challenges. We're under active discussion with a number of communities on that point.

We're also working to look for the private sector to get more involved in property redevelopments as well, as opposed to BCBC taking more of a developer role as we have done successfully in the past.

In terms of our planning measurement and reporting process, I think we have had in place for a number of years, since the early nineties, effective strategic planning processes. Our strategic plans have evolved over the years and are very much results-based. They're very much used as drivers in our corporation to help set annual business priorities and the whole performance management framework. I think our organization has probably done as good a job as any in terms of using strategic planning effectively as a main driver of business performance.

We've been using the rolling three-year service plans. They've been developed collaboratively with heavy involvement from our board of directors, appointed by government, by management and by our employees. We've used a lot of focus groups to get our employees fully engaged. Cascading annual plans and assigned accountabilities complete the model that we use.

The performance measurement process. We establish three-year targets and assign accountabilities. Internal quarterly meetings are held to review progress and develop action plans for any course corrections that are needed. A number of our measures, most of them that have already been put in place, are in our service plan for '02 to '05. A number still need to be developed because as things evolve, I think a good deal of thought needs to be given to the right kinds of measures, and some still need to be developed.

We also have an active reporting process of quarterly reporting to our board and to the Crown agencies secretariat, as well as to the organization more broadly, and then our corporate annual report, which reports against the measures. You've seen what we've done in

our previous annual report for 2000-01, as well as the documents we gave you, which will go into our annual report for 2001-02.

One of the things I would really like to emphasize with you is that we have a history of meeting our performance targets, because we definitely use it as an important driver for us. The vision for the corporation that we developed in an earlier strategic plan, I think, is important, because we see ourselves as being vital to our customers' success by creating flexible and affordable workplace environments that respond to their changing world of work.

We think that statement is particularly important as ministries go through very significant change right now through restructuring. The work that we're doing to help them through the government accommodation restructuring initiative will be extremely important to them and very challenging for us.

We also, as part of our vision, see ourselves as being indispensable to the shareholder through innovative stewardship of public real estate assets. That includes delivering on things like the accommodation restructuring initiative but also making sure we operate our business in sound environmental fashion and financial manner as well. As a result, we'll earn our respect and recognition as leaders in providing best solutions for best value.

That statement at the end is really the corporation's enduring purpose: to meet the needs of our customers and the government. That is very much what we focus on as a daily way of operating our business.

The mission for the corporation states:

"We are a Crown corporation with a community presence throughout British Columbia."

We do have a pretty widely based organization.

"Our mission is to support effective service delivery of government ministries, agencies of the Crown and other publicly funded organizations by providing real property and accommodation infrastructure solutions. We do this by efficiently planning and managing the provision of solutions, providing stewardship of the assets and resources entrusted to us and providing knowledgeable advice and expertise.

"In carrying out our mission, we contribute to the sustainability of communities and our environment. Our mission is achieved by our diverse and motivated team of highly skilled employees working with the private sector."

There are a number of very important roles that the corporation plays in helping its customers deliver their programs.

Our corporate positioning statement is: "We are a shared services provider to public sector organizations for real property and accommodation infrastructure services. We differentiate ourselves through our customer relationships, distinctive knowledge and effective work with the private sector. We offer our customers choice, and we earn their loyalty. We provide 'best solutions for best value.'"

[1330]

The first statement is particularly important, because it really emphasizes three core competencies and

strengths of the corporation. That is, we understand our customers' business, we understand the public policy framework within which they work and their service delivery requirements, and we also understand the full elements of real estate and accommodation, because that's our business. We've got 25 years of history in working effectively with the private sector. We see ourselves as playing a very pivotal role in helping our public sector customers — ministries and others — get good value from the private sector. I think that's a very important role we can play that's important to our customers and also to the government.

In that second statement we talk about how we offer our customers choice and earn their loyalty. We've been very successful in retaining our non-ministry customers almost without exception. We think the time will come over the next several years, as the shared services model evolves within government, that all of our customers will have choice. Our future state is that our customers will be offered choice, and we will earn their loyalty. In other words, they will stay and continue to use BCBC. This is really extremely important positioning for us, because this is where we see our business and where it's going.

The corporation has a complex set of core values by which it operates, and it represents our corporate and individual behaviours and defines how we treat our customers, suppliers and each other. It's a very involved set of statements that includes such things as treating all individuals with fairness, dignity and respect to being open and honest and demonstrating integrity in everything we do — and a number of other statements like that.

The key challenges within which we're working are grouped under six items there. As part of the environmental scanning that we did in developing our service plan and the context setting within which it was done, we looked at a number of key elements from socioeconomic and the economy, the government goals in governance areas, customer needs and service delivery needs, human resources aspects, technology and e-business, portfolio stewardship, facilities, property management, the real estate market and environmental stewardship.

We also did a strengths, weaknesses, opportunities and threats analysis — a so-called SWOT analysis — to help frame our service plan. The key challenges that were derived on the governance side were to ensure that the Crown model and BCBC's mandate and supporting governance structure continue to provide the best approach and meet our customers' needs as well as government's needs.

On the service delivery side: to make sure that we continue to deliver services effectively — that we have a structure, processes and practices that are best practices to maximize value; to become a strategic partner with our customers and not just a transactional service provider, because we can add far more value if we work more strategically with our customers, and that's the way we're driven; to assist them to deliver their

programs successfully, particularly as they go through very significant change; to enhance our current shared services model by providing more choice for our customers and by developing service level agreements so that the choices they get — in which services and in levels of services — will evolve ultimately to full choice in determining their service provider; to increase the use of the private sector in delivering real property and infrastructure services.

As I mentioned before, we have a long history of very substantial work with the private sector. We're looking to increase that level further — currently from around 80 percent to get that to 90 percent — and looking at a variety of things we can do, including so-called P3s, outsourcing and enhancing contracting-out and so forth.

In the socioeconomic conditions area, meeting the capital funding and budgetary constraints of government to finding more creative solutions, including P3s and alternative service delivery; streamlining our operations to address the revenue reductions to reduce our overall costs as well as unit costs to go beyond just the impacts of downsizing and to take it further.

On the stewardship side: to achieve best value for our shareholder on the sale of surplus and selected other properties and to expand the role that BCBC can play through the newly created asset leveraging and strategic disposition initiative, which I think is an important initiative of the government in which BCBC is prepared to play an important part; to optimize value to ensure market efficiencies and public policy values are applied to efficiently plan government's real property and accommodation infrastructure needs throughout communities.

With the government accommodation restructuring that's going on right now, this creates some real opportunities. There are 12 teams that have been set up across ministries, working in 16 communities. This will help to redefine a lot of what gets done, and we're playing an important part in that.

We want to continue to manage our energy costs and greenhouse gas emissions. We've been internationally recognized as a leader in that, and we think that as we have the largest single portfolio of properties in the province, it behooves us to continue to provide leadership in that area.

[1335]

We, like many other organizations in the public and private sectors, have human resources challenges to continue to increase our overall corporate performance, and managing the restructuring and downsizing of government will have a lot of demands. But as the boomer bubble goes through our corporation, we need to continue to build our skills and our workforce to address new competencies that are required and to also build new kinds of relationships with our customers and to enhance leadership and management competencies.

Technology, of course, is impacting our organization as it is many others and our customers. We're looking forward to expanding our use of technology to

improve our performance, to provide greater customer access to BCBC information, products and services so that makes the whole system more efficient and to help our customers integrate technology into workplace solutions.

Our strategic objectives in our service plan basically are grouped under four areas: customer success, strengthening our foundation, high-performance culture and increasing shareholder value. Under No. 1, providing best-value solutions and service delivery which contribute to our customer success, the themes are that we'll work with our customers to achieve significant accommodation cost savings. As a matter of fact, under the GARI initiative, we're expecting that the total savings over three years will be in the order of \$145 million, ultimately becoming \$60 million a year at the end of the third year, and that should go on.

We will seek innovative solutions to ensure that the workplace solutions we provide support the delivery of their programs and that our shared services model will be enhanced to provide broader choice options for our customers.

Under strengthening our foundation, where the theme is to strengthen the corporation's shared services provider role and continue to implement best practices to optimize corporate performance, we will reposition our corporation to respond to the changed business level activities and higher utilization of the private sector and, again, strengthen the shared services role by implementing service level agreements with our customers, separating the governance functions from service delivery functions within the corporation, providing our customers more choice and working with ministries to eliminate some of the residual duplications that exist right now in the system.

Under our high-performance culture, we'll undergo a significant change as we reposition ourselves for the future. We will invest in our people so they can continue to acquire the competencies in leadership management skills they require, and will ensure that we continue to have a high level of alignment between the corporation's objectives, employee performance goals and individual learning plans.

In terms of increasing shareholder value: capitalizing on opportunities available to BCBC to rationalize inventory, eliminate duplication and overlaps, facilitate co-locations wherever possible; maximizing the use of affordable and innovative workplace solutions; bringing economies of scale and scope to the management of properties and facilities; and continuing to apply the principles of sustainability.

The next map here is something we've developed based on some of our inquiry into balanced scorecards and some of the best practices that have been followed in leading private and public sector organizations. Working from the bottom up, if you will.... Again, we want to have our strategy presented in four perspectives: customer; shareholder; internal processes, and learning, people and technology.

The foundation is the learning, people and technology part — having a high-performance culture with

well-performing employees and information technology solutions providing a lot of that support.

Moving up, for internal processes and perspectives: to be focused on customer success, strengthening our foundation and increasing shareholder value. Those are some of our main strategic objectives. Then, the top line, if you will, taking the high-level customer perspective: vital to our customer success, part of our vision statement. Complementing that on the shareholder side: to be indispensable to the shareholder for the way we manage the portfolio and meet those objectives. This really puts kind of a graphic face on our corporate strategy.

The overall corporate strategy has five main action items that are built into our service plan. There are 19 individual strategies under those four strategic objectives, but this was really what was driven out of the core review when we went back in February for the second phase: to lead the rationalization of government accommodation, increase the role of the private sector and use of alternative service delivery, dispose of assets strategically, strengthen the BCBC shared service model and focus on health and education and efficiency on government's overall real property system. The individual strategies that we developed all kind of tie those five action items together.

[1340]

On the next slide is a time line. This is an important slide. This slide was used in our core review, as well, and ties into our service plan for '02-05. The diamonds all represent key milestones. As you can tell, there's a disproportionate number of milestones in 2002-03 because a number of our initiatives, to use our expression, are very much front-end loaded.

You can see it going across the top line. The GARI initiative is the government accommodation restructuring initiative. We're targeting building occupancy charge reductions of \$31.5 million by the end of this year, growing to \$54 million next year and \$60 million in '04-05 and ongoing. A number of initiatives have already been underway here to make some good progress towards that.

Under the second line, ASD, which stands for alternative service delivery, we've already shifted to the customer-owner's agent role to sort of take a higher-level view of working with projects from pure project management.

We're taking steps right now to enhance our current supplier management and the current contracting-out model to achieve some further economies of scale in our approach to dealing with contracts now. Then, starting next year, we'll launch a number of outsourcing pilots to evaluate whether outsourcing has some further potential benefit for the corporation. The work we've done with other public sector organizations and talking to our consultants.... Oftentimes there are benefits through outsourcing, but the business case has to be sound. We're coming off a pretty high level of achievement now with our contracting-out model. We'll also then, later on, assess the outsourcing pilots

and expand them if the business case is sound for doing so.

Under the asset disposal side, we've already been very aggressive there. The initial sales are over \$60 million. We expect that the sales of the two properties will close at the end of this month for a total price of \$64 million. That exceeded our expectations.

We've got plans in place now for dealing with surplus courthouses. We're working actively with the Ministry of Transportation and the service contractors for the sale of a number of Highways yards. A number of other Highways yards will be sold to the public. We're developing plans for a number of the Corrections facilities. Ultimately, we'll look at Forests facilities, once their plans become firmer there, and we'll have some ongoing disposals happening over the next three years.

Under the shared services initiative, the pricing policy for the corporation has been reaffirmed by the Treasury Board, and the market pricing model which we believe makes the most sense for government has been accepted again by Treasury Board.

The FWP MOUs. That stands for full workplace provisioning. We're just ready to sign an agreement with the common information technology services group in government. We'll be working with the Purchasing Commission, as well, so that'll allow us to expand those services.

The SLA stands for service level agreements. We are doing some best practices research now in terms of how we operationalize and develop effective service level agreements. We use a common accommodation agreement now with our ministry customers. This will allow for a much greater level of customization, allowing choice at different levels and better meeting the needs of our customers. Ultimately, we'll be doing annual assessments through surveying our customers to see how we're doing along the way.

The new business, health and education. We're building on the successes we've had with our Health Services group, working with a number of the health authorities and talking to a number of the school districts, as well, to see how we can better expand the role of the corporation and some of what we've learned, particularly in a lot of contract management and infrastructure areas.

That's the time line that we're working on right now. It's very aggressive and ambitious, but it's consistent with what else is going on within government right now.

We have developed in our service plan a series of performance measures for each of our strategic objectives. The strategic objective dealing with customer success has a series of goals, dealing with everything from increasing customer satisfaction through various surveys and how we hope to have that increase over the next number of years, to customer retention, achieving building occupancy charge savings — that's under that GARI initiative that grows to \$60 million — and meeting customer needs for choice and full work-

place provisioning. Again, how well we do in meeting their needs will be measured through surveys.

[1345]

Under strengthening our foundation, implementing the shared services model. Again, having service level agreements in place with all customers throughout the planning period, increasing efficiency and decreasing overall and unit costs.... We've set targets to reduce our general and administrative expenses by up to 20 percent by the end of the three-year planning period. Operations and maintenance costs per square metre for owned office buildings will grow to at least 5 percent below private sector comparables. Our leased costs will also beat the benchmarks. Our corporate operating margin will grow over the term of the plan as well. Our ratio of area managed per operations and maintenance employee will grow as well. In other words, we'll be utilizing the private sector more.

We'll reduce energy intensity. We're coming off a very high base. Our average energy intensity is about 55 percent lower than it was when we started over 20 years ago. We actually see ourselves further reducing energy costs as well.

Ultimately, increasing the use of the private sector from the 80 percent level we're at now to 90 percent, and also taking steps to implement cost-effective information technology solutions.... That's an area where we still have to develop the performance indicator.

Under the high-performance culture, a series of goals ensure that we have the appropriately skilled and diverse workforce to achieve our business objectives. We need to develop an indicator on return on human capital. We will continue to maintain very positive rates of absenteeism, which will be very low. We need to develop an indicator for investment in training per employee. We have targets in place for percentages of employees from designated equity groups.

To achieve full employee participation in our performance development process. This is a best-in-class performance development plan we developed from working with people who have been very successful in the private sector. Our goal is to ultimately get every employee in the corporation on it.

Achieving a high level of understanding among our employees about how their work contributes to the corporate service and strategic plan. That'll be done through a survey. Increasing employee satisfaction will also be done through surveying our employees.

Under the strategic objective of increasing shareholder value, we have a number of targets. First of all, to ensure that we meet our net income targets for the year. This is an important indicator of financial success and something the Minister of Finance will certainly be watching closely. We also will measure our return on investment and set targets to have that number and our return on equity, as well, grow over the planning period.

Maintaining our office vacancy rates below market. We manage our vacant office space very aggressively and will continue to do so. Our goal by the end of the

planning period is to ensure that our vacancy rate is less than half of the market.

Environmentally, we'll reduce environmental risks and hazards and manage our environmental liabilities. We are targeting to have 90 percent completion of either sites remediated or management plans in place by the end of this year and to be at 100 percent next year and thereafter. This has been a very large multi-year activity. The corporation has had many challenges, particularly with Highways properties in remote locations in the province.

Also, to make sure that our percentage of pollution-prevention operating practices is maintained at at least 95 percent in all BCBC-owned properties.

As an indicator for increasing the utilization of public-private partnerships, or P3s, and maximizing private sector contributions, we've got goals there regarding dollar value of contracts.

Maximizing value on property sold. This contributes directly to our bottom line and, in turn, government's bottom line. We've set targets on our budgets for net gains on disposal of properties over the next three years.

We need to enhance overall performance of the owned portfolio. We manage our portfolio aggressively, making sure, through using market pricing on our various expenditures, that we do get market-comparable returns. We have been working with some targets that we need to further refine, and that'll be done over the year.

We also need to develop some indicators — the 4.7 there — to support health, education and the other government sectors for real property and accommodation infrastructure. We haven't really had a chance to size that opportunity yet, but it's very much a priority for us.

[1350]

The next slide just gives you a very high-level view of our financial summary, working off our actual financial results. These have been audited, and we did give you the audited financial statements. They will be going into our annual report, which will be published shortly.

The corporation's net income, although it drops a little bit in '02-03 from the previous year, actually shows some pretty healthy growth over the next three years in spite of the fact that we're going to be losing a fair bit of space out of our inventory through government restructuring. It's about three million square feet, which represents that \$60 million that I talked about. We're going to be aggressive about expanding our business in some other areas. Very aggressive cost management and sales of surplus properties will help to allow us to not only remain profitable but grow the profitability, which I think is important and something we're placing a lot of priority on.

The financial highlights overall. I mentioned the building occupancy charge savings. That results in reduced revenues for our corporation. We think that number will grow to \$60 million per year by '04-05 and be ongoing. We're going to be very aggressive about

shrinking our general administrative expenses by 20 percent compared to, on an apples-for-apples basis, '01-02.

The strategic asset disposition. We're expecting to sell properties in excess of \$116 million and achieve gains on disposal of over \$37 million over the years. The two major properties that I mentioned have already been sold. Again, our net income will be growing by 48 percent from the numbers in '01-02 to, ultimately, '04-05. I think this indicates that we're planning on making significant structural changes to align the corporation with a significant reduction in revenues, which we think is a good thing in a governing context. We're moving aggressively forward to make sure that we continue to be effective in what we do.

We've also made sure, in setting our goals and objectives and strategies for the corporation, that they align strongly with government's strategic plan and with three of your government's main goals: a strong and vibrant provincial economy; a supportive social infrastructure and safe, healthy communities; and a sustainable environment. We did provide you with a document that showed alignment between those objectives and ours and so forth. I think there is a strong level of alignment, particularly in our work with the private sector and the accountability aspects, working with public-private partnerships, introducing the shared services model, more innovation and entrepreneurialism and so forth. I think those are things that are all very tightly linked to your objectives.

The accountability loop, we believe, is a strong one within BCBC and government. We have a solid service plan with goals and objectives that align with government and performance measures that are meaningful and that will drive the corporation to perform effectively. We have a strong annual report system that reports out on what we've accomplished, and that is very transparent so that not only yourselves but other members of the Legislature and the public can be satisfied that we are reporting out and performing and achieving what we said we would.

Benchmarking against industry standards. This is something that borders on an obsession with our corporation — to benchmark ourselves and compare our performance to the private sector, and also to measure our customer and supplier satisfaction. We are expanding the amount of work we're doing with the private sector. We want to make sure we're doing it effectively from their perspective as well. Measuring customer satisfaction is important to us as well. I think that's the accountability loop, if you will.

That really comprises the presentation I wanted to make to you, both verbally and through the slides and all the printed and electronic information we've given you. I look forward to having a discussion, Mr. Chair, with you and your committee.

K. Stewart (Chair): Thank you very much. That was a very good presentation. It's certainly quite a broad overview.

Maybe you just want to take a few minutes to refresh your coffee. I know that after that exhaustive presentation, you wouldn't mind maybe taking a step up from your chair. Let's just give it a couple of minutes, and then we'll start in with the questions.

The committee recessed from 1:54 p.m. to 1:57 p.m.

[K. Stewart in the chair.]

K. Stewart (Chair): I thought that how we could continue with the questions, in an orderly fashion, is basically go around, starting with our Deputy Chair, Bill Bennett, and just move around the room. If we could limit it to one question and possibly a supplementary, first, and then we'll go through so that everyone has an opportunity to have a question or two. Then we'll continue the process until it's complete.

We'll now open the floor up to questions and allow Bill Bennett an opportunity to start.

B. Bennett (Deputy Chair): My first question is: what are the criteria that BCBC uses to assess a building as saleable? You referred to strategic dispositions. What makes it a strategic disposition?

D. Truss: That's a very good question. I'll start to answer, and then Lak might want to add something to it. In fact, it's something that we're just actively getting our board of directors engaged in right now, but we actually have a decision model that we use. We're in the process of some further refinement to look at how it lines up with meeting program needs for our customers.

Does it have to be owned? Can it be acquired elsewhere in the marketplace? What are the government's likely future needs, the client's future needs? In other words, it's looking at a range of programmatic fit, as well as financial considerations like: what are the financial implications of ownership versus selling it? Are there some other considerations? Does it look like a property that over the long term might not be needed? Is there an opportunity to divest of it early, perhaps by enhancing its value with a leaseback on it? To look at it from that kind of a strategic perspective....

[1400]

B. Bennett (Deputy Chair): I noticed somewhere in the documentation you gave us that you indicate that your profit margins, the things that BCBC does.... Correct me if I'm wrong on this, but I think you indicate that the things that BCBC does now have a slimmer profit margin than you used to have. Can I assume from this that if you've got some particularly profitable types of buildings, that's not necessarily going to be the reason to hang on to them?

D. Truss: No. Actually, the bulk of the return we make in the corporation is from renting real estate. What we're finding is that that will probably plateau

or, in fact, decline as government gets smaller and we dispose of some real estate. A lot of the expansion the corporation has had.... We've been doing some advisory service work for others — like the health authorities, school districts and so forth and people like that — that we do work with. Any work like that is of a lower margin, if you will, than the ownership of real estate. The corporation will be profitable long into the future. It's just that the rate of the margin goes down just by the nature of the mix of the work.

B. Bennett (Deputy Chair): So the more buildings you get rid of, essentially, the slimmer the profit margins will be?

D. Truss: Yes, that's right.

K. Stewart (Chair): John, do you have any questions?

J. Nuraney: I'm sorry I missed your presentation, but in looking through the papers yesterday, there was a matter of you beginning to subcontract. Did I read that somewhere in your strategic plan?

D. Truss: One of the things we've done for a long time in the corporation is to very substantially use the private sector. If I could maybe make just a mild political observation, we did say we were at 80 percent. We were at 80 percent before the NDP was elected, and we didn't go backwards over ten years — just as a little observation there. The fact is that we're looking to expand that to 90 percent over the next three years, so we're already at a fairly high level of contracting out.

J. Nuraney: In dollars and cents, is that a net saving, or is it just political?

D. Truss: We believe that if it's done properly, it is a net saving. That's what we've been motivated to do. We don't want to just shovel out the work if we're not going to do it more efficiently. That's where we've tried to get the balance between some of the work we've done with our own people and very substantially using the private sector.

A number of years ago, when we had done some calculations.... If you go back historically, there were over 2,300 people doing what we do now. We've reduced the population of people within the government, like our corporation, by something like 65 percent. We're down to below 800 now, but the amount of space that we manage has gone up 71 percent. So the space managed per employee is up by 300 percent. We estimated some years ago that was probably saving about \$40 million a year. Every time you move incrementally on that path, you're going to want to do it to save money, and we think we can do that. We think there are some further economies that we can still target that we can get.

L. Parmar: If I could just make this one more comment. In our implementation plan in the core review, we said we were going to try more outsourcing, as well, in the pilots. Now, we also put a rider on that: only if it makes business case sense. Like, 80 percent is quite a bit contracted out already. By going the extra 10 percent, we do want to kind of look at it carefully and make sure that there is the business case to expand it to 90 percent.

J. Nuraney: That's the question I was going to ask. It's not just a political decision. It is a decision that makes dollars-and-cents sense.

L. Parmar: Yes.

D. Truss: I've already received that direction from my minister — that he would expect me to do that on a business case basis only.

J. Nuraney: Can you give me a couple of examples as to what kind of contracting-out you do?

D. Truss: Everything from janitorial work to landscaping work to electrical, plumbing, fabric maintenance, a lot of the real estate advisory services, appraisals. We lease space. We do business. We have about 1,300 leases in the province. We deal with over 1,000 landlords — 1,300 leases. Construction contractors, large and small, to do either large or small projects — you name it; it's there. We literally deal with about 7,000 different firms in a given year.

J. Nuraney: Is it an open bidding system?

D. Truss: It's a combination of things. For projects, depending on the size.... We would use a public tender process for construction projects of, I think — what? — \$50,000 or more.

L. Parmar: It's \$50,000 or over.

[1405]

D. Truss: If they are between \$5,000 and \$50,000, we will invite pre-qualified firms to bid. If they're \$5,000 or less, we would do an estimate and then perhaps allocate it. Service contracts like cleaning contracts usually are typically for three years. They're actually a tender process, going through a pre-qualification first so that people who are bidding are pre-qualified, and then we will take the lowest qualified price. We have a high level of rigour in terms of the public process that we use for that.

I. Chong: I have a number of questions, and I'll just go around and ask some financial ones. I appreciate Mr. Bennett already asking one of them. That saves me some time.

Looking at your service and strategic plan 2002-05, particularly on page 19, which is also in your presentation — the financial summary outlook — one area that just struck me in particular was taxes and grants. I notice on the flip side, page 20, that you do have the key assumptions and your forecast...

L. Parmar: Yes.

I. Chong: ...which I appreciate.

You're saying that the status quo for paying grants in lieu for owned properties is obviously what you have premised your financial summary on — that the status quo states. However, as you indicate in your forecast, should that move to payment of full taxes, a \$14 million hit on your expenses. So my question is, because we're here to look at your performance plan and your financial report, if that were to change.... Because your status quo is that it won't happen to 2004-05... But if it were to change, what mitigating circumstances have you in place that would allow you to meet your objectives of your net income? There doesn't seem to be any other possibility other than your net income would drop by \$14 million.

D. Truss: Well, that's a good question. We're hopeful that if we do get into a full tax situation, there'll be enough lead time that we can put it into our budgets. We set up what we call a client budget. In other words, our revenue budget is our ministry customers' expense budget. So, what we would like to be able to do then is to build in. So, we recover the \$19 million that we have now. We actually recover that from our ministry customers in the rents we charge. Hopefully, we would get enough lead time that we could build it in so that it would be neutral to BCBC — okay?

Now, if we got caught in a situation where there wasn't enough time and we were having to stick with the budget — we actually precommit to a budget and then live with the budget for the year — we could get caught out. It's possible, if there was no relief given to the corporation, that we could take a \$14 million hit in one year. I'm optimistic that we'll get enough lead time that we could build it into our budget or otherwise get it covered so that it would still be neutral to BCBC.

I. Chong: Just quickly, on a supplemental on that: why would you not then, because you're...? Seventy-four percent or 78 percent are dealing with ministries?

D. Truss: Yes.

I. Chong: Why would you not make the assumption that the status quo will not be there? As you know, that is a comment the Premier made last year — that we would be moving to full property taxes. Why would you not make the assumption that the ministries' service plans could accommodate that, so therefore you would be revenue or net income neutral — you know, zero-sum gain on the bottom line, more or less?

I suppose hoping for a transition and actually being assured that's going to take place puts you in that bind. I guess my question would be: why would you not have factored that in now? If, in fact, it wasn't implemented — that you weren't required — then it would in fact show up. You would end up with a more optimistic profit than not — as well, giving the ministries an opportunity to now build that into their budgets.

D. Truss: I think that's a good point. I think what we'll do is that CFO Lak and I will talk to the Treasury Board people and make sure that we're kind of doing that, because it is kind of an intragovernment situation there that we need to do with the ministries. Maybe we can plan something out with them and work that through with them.

I. Chong: There is that domino effect, you know, to the ministry service plans.

D. Truss: Yes, and we have a vested interest in making sure that we don't wind up eating it for a year or two. It's a \$14 million hit.

L. Parmar: We're involved in a committee that's looking at it. It's been taking a little bit longer than we had anticipated. It's not really clear yet as to what the date would be, so that's why it's an assumption.

As Dennis explained, we provide a fixed-price quote to the ministries basically in September for the following fiscal year. So if we miss those time lines, then that's where we may get caught in our bottom line, but eventually the ministry programs will have to absorb the additional costs.

I. Chong: Thank you. I do appreciate the fact that it hasn't been requested of you, but it's just in planning out and knowing that it's coming — just would have wanted to have that scenario factored in — the fact that it affects all the other ministries and they could all be looking at changes and that.

I have other financial questions. I'll wait for the next round, Mr. Chair.

[1410]

K. Stewart (Chair): Thank you. Pat?

P. Bell: I am going to have to deviate from my originally intended question because Ida hit upon something here that I find intriguing and somewhat disturbing.

When a ministry relies on your organization to acquire some office space, do they sign a lease of some term, or is it a lease that is reviewed annually based on the needs of BCBC's budgeting processes?

D. Truss: We have a process where they, in fact, would sign a document that authorizes us, if you will, to go and find the space. What is that form called?

L. Parmar: That's an accommodation proposal.

D. Truss: An accommodation proposal. So they sign it, we sign it, and we'll go out and get the space for them in the marketplace. We go and negotiate, depending on how much space it is or knowledge of the market. We might advertise or not, depending on the circumstances. We get the space, then we charge them for the space — for the base rent, the operating costs that are incurred — and then we charge them a fee for doing the negotiation and a small administration cost ongoing. So that's how the system works.

We don't actually get them to sign a formal lease agreement for each tenancy. We've used a blanket accommodation agreement approach where there are certain rules in place. Any ministry that's in market-comparable space with BCBC, whether it's owned or leased, essentially is deemed to be on a one-day perpetual lease with a six-month notice period. I mean, that's how it works.

If they go through some significant change, and government decides it's going to abandon a program or something like that or they're going to downsize and cut it in half, they can give us six months' notice that this is going to happen. We then take on the problem of the space, as it were, if they cut it in half or eliminate it.

If the market falls away in something, we've signed a five-year lease, and they say, "Well, the space is now cheaper across the street," they're not free to go and do that, because on a good-for-government basis, that doesn't help. But for legitimate business changes, we in fact use a six-month notice period or rent in lieu.

P. Bell: So as a supplemental to that question, then, when you go and acquire space on a lease basis versus a purchase basis, the lease term that you select is determined how? How would you make that decision?

D. Truss: Typically, most leases are done for five years, unless you get into a building with some more customized features in it that you might get a ten-year lease. Mostly it would be five years, unless we know that it's going to be a program of limited duration, in which case you might sign a two- or three-year lease, because it's going to be a special initiative for three years, not expected to go on.

Also in a number of cases, because of the dynamics that have gone on with the space needs of a number of our ministry customers, we've negotiated clauses into our leases whereby we can actually, with certain notice — say, six months — give up 20 percent of the space or something like that. Or we can cancel it with certain amounts of notice, because there's been a lot of dynamics within the ministries, so we've negotiated some flexibility arrangements in some of those leases.

P. Bell: Thanks.

K. Stewart (Chair): Dan?

D. Jarvis: I hope you don't think this is too facetious a question, but what is the purpose of BCBC in the sense that...? Where or in what way do you differ

from the private sector in the sense that...? It appears that you are ostensibly in competition with the private sector, which is good in a way, but also your basis is taxpayers' money. In your benchmarking you say that you go up to industry standards, and you're in competition with them there. Your strategy statement alludes to reduction of your role into the private sector — or your role itself — yet your message also appears to indicate that you are getting bigger and better, which is good. That could probably give you another hour's talk if you wanted to. I was wondering if you could sort of delineate some way for me.

[1415]

D. Truss: Sure. I think one of the things we do.... One of the unique attributes of BCBC is the fact that we do operate extensively in the private sector to acquire space and services that we can get good value for our customers. You get economy of scale, an efficiency factor, by having an organization that's dedicated to doing that, rather than having everybody do their own.

Now, coming to your point, we don't really see ourselves as being in competition with the private sector. What we're there to do is get the private sector to meet the needs of our customers and to do it efficiently and cost effectively. It's the main role of the corporation to do that. Where we in fact are out there negotiating with the private sector for various services or lease space or whatever, we want to make sure that we're doing a good job on behalf of the taxpayer.

That's why we benchmark and compare our performance against what's happening in the marketplace generally. BCBC is acquiring space in the private sector; the private sector is acquiring space in the private sector. We can hire a firm like Colliers to do an evaluation and see how well we are doing it versus others doing it. We want to make sure that we're doing it efficiently and effectively.

Likewise, in our operating costs for running our own office buildings, we've used private sector services for a lot of it. We have our own people do some of it. We can look at our total costs of operating and maintaining and compare that.

We really see this as an efficient way for government to get the space and the services that it needs by having somebody like us, who understands its needs and can translate it into a way that the private sector can respond and make sure that good value is obtained. That's sort of the purpose and *raison d'être* of the corporation.

D. Jarvis: The customer that you're referring to is the government.

D. Truss: Yes, primarily.

D. Jarvis: Although there is a certain sector of your makeup that deals with the public. When I say "public," I mean for your rentals, etc.

D. Truss: Seventy-three percent of our business comes from ministries, and about 27 percent comes

from non-ministry. Most of that 27 percent is other forms of the public sector. It can be health authorities, the federal government, school districts to some degree, municipalities. The largest private sector customers we would have.... We lease space to Highways, road and bridge maintenance contractors — like the highways yards. Even that model is going through some change. That would be our largest bloc, if you will, of private sector customers, but they're there to provide a service to the Ministry of Transportation.

D. Hayer: My question, the first one.... I'm not sure if that's your department. Is the expansion for the courthouses part of what BCBC is looking after, or is there somebody else?

D. Truss: Courthouses?

D. Hayer: Expansion of the courthouses.

D. Truss: At this point, actually, we don't have any expansion going on. We completed a new courthouse in Chilliwack which had been earlier committed. With the changes that the Attorney General ministry is making, we in fact will wind up shutting down 24 courthouses.

D. Hayer: What about one in Vancouver, expansion happening for one of them? For the case dealing with Air India, there was a big expansion, I understand. Is that federal funding or...?

D. Truss: Our customer on that, if you will, is the Attorney General ministry of the province. They're getting funding from the federal government, which is between them. What we're doing there is that we're actually taking four courtrooms in the Vancouver law courts and converting it into a much higher-security courthouse within that building. It's actually eliminating about two or three courtrooms overall within the Vancouver law courts building. It's spending money to increase security, not really adding to the building as such.

D. Hayer: But the costs are still in the budget.

D. Truss: Well, the costs have gone up a bit because, as they've learned.... We started that project before September 11, and of course that changed things. Some of the security requirements went up. That changed it.

It's on track now. I think the new budget is \$7-point-something million — is it?

L. Parmar: I can't really remember.

D. Truss: I think it's just over \$7 million, as I recall.

D. Hayer: When you were making the presentation, most of the stuff you have done has obviously been

coming in under budget. This is the one I have read in the paper saying that it seems to be running over the budget. There must be some projects that run over budget, and some come under to balance it out overall.

D. Truss: The balance has been under. That's one where the scope changed on us quite a bit as well. We would have been on budget with the original scope, but I think our customer had a legitimate reason to change the scope on that one too. So yes, instead of it being about \$5 million, which I think was the approximate cost originally, it's something around \$7 million now.

K. Stewart (Chair): Any further questions, Dave?

D. Hayer: My other question is on the financial summary. Can I ask it now, or do you want to me come back later on?

K. Stewart (Chair): Why don't we start with you and go back this way again, so everyone gets their opportunity in?

D. Hayer: Sure.

K. Stewart (Chair): I guess, though, before you start, I have an opportunity for a question, too, as we move around the room...

A Voice: The Chair doesn't get questions.

[1420]

K. Stewart (Chair): ...if I may. Don't I have some prerogatives here? [Laughter.]

Just quickly, how much government-used space is leased outside BCBC for direct government agencies, excluding hospitals and schools? Any idea?

D. Truss: Well, if you mean ministries...

K. Stewart (Chair): Yes.

D. Truss: ...then we do virtually all of it. I think the Ministry of Forests runs a little program for fire-fighting. They do that.

K. Stewart (Chair): That was my question — yeah.

D. Truss: I think there's a small piece in the parks branch that looks after parks, but that's about it.

K. Stewart (Chair): Basically, we don't see ministries going outside. You have the wrap on ministry leases.

D. Truss: Yeah.

K. Stewart (Chair): Okay.

The other question was sort of clarified, but I just want to clarify it again along the same lines. The other leasing you do outside of that is generally government agencies also.

D. Truss: Yes.

K. Stewart (Chair): You don't lease out to a private insurance company or to lawyers' offices downtown.

D. Truss: No. We're not in the business of doing that, and we don't build any space to do that. But if we have some space that's surplus and we don't have an indicated need from a public sector tenant, rather than letting it sit vacant, we'll lease it out to somebody else, whether it's a not-for-profit or a private sector firm. We do some of that.

K. Stewart (Chair): Right. What percentage of your business would that be — very small?

D. Truss: Very, very small.

K. Stewart (Chair): Less than 1 percent?

D. Truss: Lak is telling me it's about \$10 million out of \$450 million revenue, so it's a little over 2 percent.

K. Stewart (Chair): Okay. Thank you very much. We'll go back to Dave.

D. Hayer: On the financial summary page at the bottom, I'm looking at interest charges for the year 2001-02 of \$39 million. The next one is \$40 million. Then it goes to \$32 million and \$32 million. But when you take a look at the income gains, in the year 2001-02 you have \$30 million, and then the next year the income goes down to \$27 million and \$29 million. Then all of a sudden in 2004-05 it goes to \$38 million. The interest is consistent, and the gains on the properties on the bottom seem to be going up.

Do you think you can really achieve these results when interest is consistent? You seem to be selling more property.

D. Truss: Well, the interest is going down. After this current year it drops down by about \$8 million. The primary reason it drops down is because by selling the properties, we're going to pay off some debt, so our interest charges will go down.

I think we are probably able to refinance some of our debt too. With interest rates being historically still at relatively low levels, as some of our debt matures, we'll be able to refinance it at lower rates. That's why our interest rates go down.

The gains on sale of properties are largely dependent on what properties are sold, whether they're surplus and what have you. We've set up certain expectations on what properties we would sell over a period of time, and we can see that number increasing over the plan.

D. Hayer: Yeah, it seems like from 2002-03 to 2003-04 your sales are going up by almost 50 percent...

D. Truss: Yes.

D. Hayer: ...and then another 50 percent again after that.

D. Truss: We're expecting, for example, in '03-04 to be able to sell the New Haven property and one or two tranches in Burnaby, and achieve some sales of the Woodlands property in New Westminster. That gives us good blocks of space that we can sell.

D. Hayer: You think you can achieve these results.

D. Truss: Yes. It'll be hard work, but we think we can do it — yes.

D. Hayer: Thank you.

D. Jarvis: I assume that BCBC has a large maintenance staff, probably about one-third of your.... Or do you just go out and contract all the work to be done? I'm referring to the fact that it's been suggested that there's been a lot of upgrading due to building envelope damage, water damage, etc., of all the BCBC buildings.

Do you have your own staff on hand, who are engineers that you call on? Or do you go out into the public and attend to those things?

D. Truss: The first thing I'm happy to say is that we haven't had the leaky-condo syndrome. It hasn't hit our properties, so we haven't had that as an issue. We do have a wide mix of properties, some of which are very old. Of course, we have a good preventative maintenance program that we use to make sure that we do the upkeep work that has to be done.

A relatively small proportion of the work is done by our own people, but most of it is in fact contracted out.

[1425]

D. Jarvis: What I was alluding to with this was that you brought up the fact of the schools. You do work on schools.

D. Truss: No.

D. Jarvis: You don't do any work?

D. Truss: Well, what we did for the schools was actually manage the construction of three schools within two school districts. Then one of the school districts asked us to project-manage five other projects, some of which were renovation, so we've done fee-for-service work to manage getting some schools either built or renovated. We haven't done any work within the schools, though, for any of their maintenance program.

A number of school districts have come to us, saying: "Look, we've now had our legislation changed. We're now free to contract out the work." Within the school system, the work was all done by in-house staff, so if they're looking at ways in which to contract, they have no experience in doing that. They're coming to us and saying: "Can you help us do that?" We've started to have some discussions with them, and we probably will set up some contractual arrangement so that we can help them with that.

D. Jarvis: Were you bidding for those management...?

D. Truss: No.

D. Jarvis: They came directly to you.

D. Truss: Yeah, they came. We won't bid on work, if it comes to that. I don't believe we should be openly competing with the private sector. If they come to us and say, "Look, we'd like you to help us, and we'll sign a contract with you to do certain work for us," we're happy to do that. If they feel they need to go out to tender, we'll actually help them design their tender documents, and we'll help them evaluate the proposals they get, but we will not respond to it. I just don't think we should be openly competing. We have a business principle that says we won't.

D. Jarvis: Could we assume that your cost to those school districts was less than what the private sector would be?

D. Truss: Well, it depends on what they ask us to do. At this point we're just having discussions with a number of districts. If we set up a contract to do some work for them and it turns out to be advisory work, I think we'll give them very competitive prices, because that's what we do.

D. Jarvis: Okay. Thank you.

K. Stewart (Chair): Next, Pat.

P. Bell: I don't know whether you'll be able to answer this question, so you may have to get back to us. On a percentage-of-GDP basis, how do we compare to other provinces in Canada in terms of the number of square feet rented as it relates to the gross domestic product of the province? I don't really expect you to answer that question.

D. Truss: We'll have to get that.

P. Bell: It would be wonderful if you could. I would be very impressed. I would like to know where we stand as a province in terms of our consumption level of square footage of space throughout the public sector. You're going to have to reach beyond simply office

space into something that can be compared. I'd be interested in knowing that. Perhaps I'll just leave that with you, because I don't think you're going to be able to answer that one.

K. Stewart (Chair): If I could just interject, Pat's brought up a good point at this time. We do have the opportunity.... I was going to bring it up at the end. If you think of a question after today, or there's something that you just felt might be too complex — you could ask, but if you would rather wait — we, through the Clerk's office, send any question, query or request for further information. He will get it back to the agency — in this case, BCBC — and back to you. Just as a note, if there is what you think might be a very complex question, don't hesitate to ask it either now or later, because there is the opportunity for the members of the committee to ask for supplementary information or answers to questions.

P. Bell: Are you okay with that one?

D. Truss: We'll have to do some digging to get that information. We have to get it from each of the provincial jurisdictions. We can find from various sources what the size of their relative economies are, but getting the right inventory...

P. Bell: ...could be tough.

D. Truss: It'll take some work.

P. Bell: The second question I had is: as a percentage of total revenues to BCBC, not including sales of properties — rent revenues — what is your overhead cost? It looks like about 2-and-a-bit percent. Am I reading that right or not?

L. Parmar: Are you looking at the external statements?

P. Bell: The financial statements.

[1430]

L. Parmar: There are two ways to look at it, I guess. What we report on the external statements is what I would call our true general administrative expenses: overhead which is basically finance; group HR costs; president's office — those kinds of things. So in that aspect, there's about \$9-point-some million over the \$450 million of revenues. So, that's the true overhead, I would say.

There are some other administrative functions that are used for the line departments as well.

P. Bell: I'm interested in knowing in terms of the actual costs of putting the deals together and the negotiating strategies — so the actual costs of providing those services to the ministry.

If the Ministry of Human Resources came to you and wanted to rent 10,000 square feet in Kamloops, what would be the proportion of their rent that was reflected in terms of the services that BCBC provided to them? That's actually what I'm looking for.

L. Parmar: It would be in the 2-to-3 percent range, but what happens on lease negotiations is that we charge a fee for that work that we do in terms of negotiations. When the lease actually gets put into place, all they do is just pay rent. What we charge is a lease administration fee for just dealing with the bills, and so forth, that come in.

P. Bell: How much is that fee?

L. Parmar: The fee is 4.5 percent for administration. So, that's based on a total lease cost.

P. Bell: And for that, do you actually provide...? You're not paying utilities or anything like that. That's strictly an administrative expense.

D. Truss: Right. They pay the utilities as part of the gross cost. That includes administering the lease, doing follow-ups, any action that needs to be taken with the landlord, doing periodic quality assessments, paying the bills to the landlord — all of those kinds of things.

P. Bell: Yup. And for that you get 4.5 percent.

D. Truss: Right.

I. Chong: I don't know where to start — too many questions — but I'll go back to the financial statement, and now I'll go to the actual year ended March 2002, which we have received. I'll refer you to the notes, because in financial statements often there's opportunity when looking at the notes to get clarification.

There are three notes that I would like to bring to your attention, which I'd like some clarification on: note 2(h), note 13 and note 16.

Note 2(h), regarding the accounting policy, accounting estimates. You make reference to an allowance setup for doubtful accounts. I wondered what kind of allowance you would set up for doubtful accounts, seeing that you deal with ministry and non-ministry, where they should not have that occurring. Maybe I could get clarification on that.

The other note, 13, the cash and cash equivalents: your cash on hand is in a deficit position, and you've got your temporary investments there. More substantially, is that just because of timing and your bank indebtedness, even though it's in an overdraft position and happens sort of periodically? Or is it in fact costing us in short-term interest costs that are far greater generally than the temporary investment interest income you would receive?

The last item, note 16, is the early retirement incentive plan, which you indicate a \$5 million cost to this year. Can you advise how many people are affected,

and have you an idea of...? I should rephrase that. Has that taken into consideration all the early retirement incentive packages that are available, or will there be more significant amounts over the course of the next three years in your financial plans? Those are all.

D. Truss: Okay. Maybe the easiest one to answer would be the last one first, if we could.

I. Chong: Okay.

D. Truss: We offered an early retirement incentive plan, and 118 people signed up for it, so that \$5.1 million covered that. They're leaving at various times. Some have already left, but we didn't want 118 people to leave on March 31. That would be a pretty big hit, so we actually have worked it out so they would leave in a staggered amount over the next year. We recorded the full amount of the incentive last year, so that was a charge there.

Can you just give me the...?

I. Chong: Cash and cash equivalents, note 13 — and your bad debts.

[1435]

D. Truss: Well, the cash.... I think on a book basis.... You see, we're able to maintain what I would consider in reality to be a float — okay? So on our books we might show that we would have a deficit, but in reality on the bank statement it would be rare that we would have a deficit situation. In fact, we work closely with the Ministry of Finance by investing surplus cash through them, and they would do some off-sets for us. This is really just taking advantage of the flow.

I. Chong: I just wanted to make sure that there wasn't undue interest cost. A lot of small businesses do that. They play with the float, as you can appreciate, and there's more interest cost associated with a small amount than the larger amount, which is invested at a smaller return.

D. Truss: That's right.

I. Chong: The other item was your allowance for bad debts. I don't understand the significance of saying that you make an allowance for doubtful accounts when I can't conceive who would be the doubtful accounts.

L. Parmar: Part of it might be the highways contractors, which we talked about. It's not a big amount. I can't remember the exact number, but it's a very small amount. Sometimes we've had certain situations with health authorities, as well, where we've disputed some costs. It's not a big number at all.

J. Nuraney: Just a couple of questions. Is there any way I could get a list of properties that we own — the

real estate, not the leased aspect — just the real estate that we own?

D. Truss: The short answer is yes.

D. Jarvis: You could just list them off to us now. [Laughter.]

D. Truss: Well, no. There are literally thousands. In the total portfolio there are 3,500 properties, about 1,000 of which are leased. There would be 2,500 buildings. Some of them would be in complex.... It would be a very long list. If you had a particular interest in....

J. Nuraney: Regions?

D. Truss: If you wanted a list for any properties within your riding, for example, I could pull that off. Easy enough. Is that really what you're interested in?

J. Nuraney: Just them, yeah.

D. Truss: Okay. In fact, we would be able to do that. I could give you a list of owned and leased properties within your riding. I'd be very happy to do that.

J. Nuraney: And the properties that we own outright.

D. Truss: Yes. Owned and leased within your riding. Is that what you're...?

J. Nuraney: Owned and leased.

D. Truss: Yes. I'd be happy to do that. If any members would be interested in that, I'd be happy to do it. It's something we can pull off quite easily.

J. Nuraney: That figure you just mentioned when, I think, Pat asked the question was 4.5 percent on the lease negotiations that you make. I read a figure of some \$400 million in lease rents.

D. Truss: The total rents that we have amount to about \$450 million. That would be what we call base rent, recovery of operating costs and taxes, administrative charges and so forth.

L. Parmar: The leased part of that is only \$135 million.

J. Nuraney: So you only make about \$5 million on that.

D. Truss: Revenue, yes.

J. Nuraney: Thanks. That's good.

K. Stewart (Chair): Bill, I guess you get two questions — being at the end of the line.

B. Bennett (Deputy Chair): I'd like to get some clarification on the summary financial outlook. You're

showing — under income from operations in 2004-05 — \$71,000,193, which is roughly the same as what you show for this past year, I guess. This is sort of a question getting at another question, but when you put this together, did you assume that your asset dispositions were all going to take place at year-end?

L. Parmar: No, but the key rationale for that — why the income goes down in the middle two years — is that government is restructuring. There are a lot of surplus properties that are coming up, and we're going to have to deal with the vacant space. Vacant space is hitting our bottom line, because we don't recover the costs for that for six months of it anyway in this area. In the last year what we're committing to is that the vacant space problems will be substantially handled by the corporation. Also, a lot of the general administrative expenses will have gone down to restructure ourselves to the reduced revenues that we're going to have.

As Dennis mentioned, the building occupancy charges that the ministries pay are going to be going down by \$60.2 million. Well, that \$60.2 million hits our revenues, so our revenues are down by \$60.2 million. We've had to make quite a few adjustments internally to keep to the bottom line — in fact, to show an increasing bottom line.

[1440]

B. Bennett (Deputy Chair): Your major expense reductions, besides lease costs, are client projects and customer service and administration — fairly extensive drops in expenses there. I just wondered how you.... Can you just give me some sense of what constitutes those two categories?

L. Parmar: Well, the client projects are discretionary projects that we do on behalf of the client ministries. Over the next couple of years there'll be quite a few of them because as you downsize, you may have to do some renovations to downsize, to make some space available. After these two years are done — because there has been a fund set up centrally to handle some of those projects — we think, generally, those client projects will go down dramatically in the last year. It'll go down to \$21 million, whereas the actuals this year were \$35 million.

In customer service and admin — that's the general administrative expenses — we feel we have to reduce to coincide with the reduction in revenues of \$60 million. We're reducing them from \$46 million to \$32 million — that's the 20 percent reduction that Dennis talked about — plus another \$5 million of that is the early retirement costs that were in this year's actuals. Overall, we're reducing G and A by 20 percent over the three years to align with the major reduction in revenues for the corporation.

B. Bennett (Deputy Chair): And you say that you didn't assume that the dispositions would take place at year-end.

L. Parmar: Some are assumed at year-end, but some are also.... We've got a schedule saying we'll assume that such-and-such building will be disposed of in September, something in November.... There's a schedule there. It's not all at year-end.

B. Bennett (Deputy Chair): I just noticed your taxes didn't go down.

My second question goes back to my very first one about strategic dispositions. If you look at the three core services that BCBC is responsible for, most of what BCBC does could be done without owning any buildings. I mean, one of your core services is the portfolio of core service management stewardship of real property and accommodation infrastructure. Let's say two-thirds of the business of BCBC could be done without owning any buildings at all. But if you did get rid of all the buildings, if you disposed of all the buildings that BCBC owns, I take it from your earlier comments that the profitability or, let's say, the revenue that BCBC generates for government would be severely diminished.

I'm just wondering if you have modelled out that hypothesis to see what it would look like. If you got rid of all of the buildings — I know there'd be short-term income, obviously — what would happen after that?

D. Truss: We haven't modelled it out to dispose of everything. We've looked at the commercial space and what the implications of that are, but most of our space tends to be of a specialized nature, like courthouses. We have much more invested in courts and corrections than we do in office space.

Our view is that it would be in the long-term best interests of government to continue to own that kind of property, because the only way you could sell them is to lease them back for, say, 25 years, in which case your overall costs would go up as opposed to down. And you'd keep them on your books, too, because you'd create what are called capital leases, and you'd have to keep those assets on your books even though you've sold them. In fact, what you'd wind up doing is creating what I would consider to be a more expensive form of borrowing.

We haven't modelled out getting rid of everything, but we have looked at what would be the implications of selling off more of our commercial space. Over the long term it would have a hit on our bottom line, but it wouldn't put the corporation in jeopardy or anything like that.

B. Bennett (Deputy Chair): What's the percentage of office space of all the buildings that BCBC owns?

D. Truss: Seventeen, I think, is what we showed.

L. Parmar: Nineteen.

D. Truss: Nineteen percent of our owned space is office buildings.

B. Bennett (Deputy Chair): Thank you.

I. Chong: I'd like to pursue some areas in terms of your performance measurements and targets, rather than financial. One thing that intrigued me in your presentation was shared services. The other was lower occupancy costs and moves and that.

[1445]

In the first area of shared services, I realize that you're trying to accommodate with all the ministry offices or various ministries, whatever they've got. Are you pursuing that on your own plan? Are you actually working that in conjunction with the Ministry of Management Services? What kinds of projects do you have in the area of shared services?

The reason I raise that is because I serve on the Select Standing Committee on Finance and Government Services as well. As you probably have read in an article that was recently printed as a result of a meeting that we had, the independent officers, for example, were looking at shared services. I'm wondering what role your Crown corporation had or should have had, perhaps, in that kind of a study. If you didn't have any involvement, then where would you have involvement in the future so that people looking at shared services actually understand the concept and the process where shared services should be followed?

D. Truss: The corporation did provide some information and assistance to the work that was being done. I believe those three officers of the Legislature had a consultant that they jointly engaged to look at it for them. We provided information to them, certainly from the space and all of the accommodation side, but I think they were looking at it from not just accommodation; they were looking at it from the perspective of other office support — human resources and other financial services which are outside our realm, if you will.

At the end of the day, as I say, we made a contribution to it. I'm not sure how they ultimately made their final decision, but I think space was only one element that they looked at. They looked at a whole range of other services. What the Ministry of Management Services is looking at is a number of shared services opportunities within human resources, but also within financial and payroll and other areas as well.

I. Chong: Is that going to hinder you in the future when you're dealing with shared services with other ministries? Are you strictly looking at your component, which is going to be the occupancy costs? Is that how you're going to contribute to the shared services model that the ministries are looking at?

D. Truss: BCBC is a long way along the path of being a shared services provider now, just because of the fact that most of the work is consolidated within the corporation. We already charge for the space and the services we provide. We already have a form of an agreement with them and so forth.

Where we're looking at enhancing the model is to go to service level agreements that provide higher lev-

els of choice, moving into full workplace provisioning and a few things like that which will further evolve, if you will, the shared services model for accommodation and infrastructure services.

Now, we're working closely with the Ministry of Management Services, the deputy minister and the head of PSERC to help them create their shared services models that they're doing by pulling all of those various functions they're responsible for out of ministries and to start moving in that shared services direction. Whereas we're pretty far along the path of being a shared services model, they're very much just starting, if you will. It's a new concept, really, for them. For us it's a fairly mature concept.

I. Chong: The other area that I just was mentioning at the very beginning was about the occupancy costs. Again, this has to do with your performance measures. What criteria do you use or do you have in place that allow you to make a decision to move into, I guess, the lower-cost occupied space versus one that is there?

For example, you have a ministry that is now leasing space in downtown Victoria and then decides to move out, maybe, to the Saanich Peninsula. You must have some criteria as to the savings that are associated with it. Are your savings on a long-term basis or a short-term basis, if the savings are such that they're, you know, \$500,000 over five years? Are those your criteria? Or is it \$3,000 over six months? There is a saving, I understand, when you move. At the same time there is a disruption to services, and it changes the entire impact of an economic region if you experience a lot of moves. I'm wondering what kind of criteria you use, or have you developed new criteria that are in your performance plans that I didn't see?

[1450]

D. Truss: The first thing we would do is, in fact, work with the particular ministry to determine what their program need is and see how the combination best responds to that. We can give them some choices and options. For example, if it's very important for them to be serving a particular geographic area.... If it's a human resources service delivery area, and they have a number of them around, and they need to be in a particular geographic area, we present that information to them, and they can determine how we can best meet their space needs. We can go out into the marketplace and meet that need.

Now, if it's a function like an administrative function which does not need to be in a particular area, we can show them the implications. In downtown Victoria at Fort and Douglas or something like that, it would cost this much; it would cost this much less elsewhere. If they're interested in pursuing that, if there are savings available, then we would work with them to help them do that.

I. Chong: The questions come from the ministry to you requesting that service as opposed to the other

way around. You're not out there looking at possibilities.

D. Truss: We're very much focused on helping them meet their program needs or their administrative needs, but we're also very much aware of what the markets are in various other parts of the city. If they're looking for ways to save money and they're saying, "Give me a desk. We don't have to be at Fort and Douglas; we can be somewhere else," then we can respond to that and say: "Here's what it would cost if you were at Selkirk; here's what it would cost if you were on Shelbourne Street."

We know those markets and can present the costs to them. If we can save them \$4 per square foot and they're leasing 10,000 square feet, that's \$40,000 a year they can save. We would respond to that.

We wouldn't say: "Look, you're going to save \$4 a square foot on Shelbourne, so start packing." We don't take an aggressive view like that. We think it's better to work with them strategically to meet their needs and plan it out effectively.

I. Chong: Just one thing. They eat the cost of the space that they vacate. Is that right? That ministry does. It's not on your financials; it's on that ministry's financials.

D. Truss: I'd have to say that it depends. They have an obligation to keep us whole up to that six-month period, but if it's market-comparable space, they have the right to give us six months' notice and vacate. That's if they're changing their program or the program is being downsized. If they decide that they can get cheaper space across the street, that's not on, because that's no saving to government. That's a higher cost to government.

I might just add as a sidebar that as part of the promotion of trying to make sure that government overall gets the best bang it can for the restructuring that's going on, we've waived that six-month notice period right now. We've done so periodically to try to encourage ministries to be very proactive so that they don't have any reason for not identifying space. It hits BCBC's bottom line, but the sooner we get it, we can work it to help get it out of the system. We think it's better for the taxpayer, so we're motivated to do that.

P. Bell: How would you describe yourself, BCBC, as a company? Would you describe yourself as a realtor, a developer, a builder, a contract manager or a leasing agent? How would you describe BCBC?

D. Truss: There are little bits of all of that.

We're not really a builder as such. The facilities that we get built actually do get built by the private sector. For the next little while, anyway, that will be very much a diminishing role for the corporation. We play a role. Coming back to the shared services model, we look after providing real estate and accommodation

infrastructure for our customers. That requires us to access the full menu of real estate planning and the various forms of accommodation service that are required, accessing the leasing market, so we are a leasing agent. We're very substantially a contract manager, though, because we're getting most of those services provided through the private sector.

P. Bell: Can you draw a comparison to a private sector company in B.C. or in Canada that does a similar sort of thing to what you do?

D. Truss: I don't think anybody does it to the degree we do. There are a lot of full-service real estate companies that can do buying, selling, leasing and so forth, but they wouldn't do a lot of the upfront planning work that we do with the customers, a lot of the scenario developing or a lot of that strategic relationship up front. They wouldn't do that shared services role to get that more holistic look at the customer needs. Most of them are there to provide property management services and/or leasing services and so on. They tend to differentiate themselves in certain lines of specialty.

P. Bell: Who would be the closest example?

D. Truss: Colliers would do a lot of it, but not nearly to the same extent that we do.

[1455]

P. Bell: Second question, then.

It strikes me that there's a constant conflict that goes on. You refer to the customer, and you refer to the shareholder. Helen's position, shareholder relations, obviously directly relates to government. Yet I see the customer and the shareholder as one and the same, with BCBC kind of standing in the middle of that.

How do you offset that, knowing that the customer and the shareholder really are one and the same, and yet referring to them as different entities? When it comes to a management decision, where you can't accomplish the needs of both, how do make that assessment?

That's a very high-level question, and I know it's difficult to answer.

D. Truss: It's also part of our daily life. There are challenges, but you have to take both perspectives. We want to satisfy what the customer needs to deliver their programs. Yes, the customer has the same shareholder as BCBC, and they need to get space that they can deliver their programs or run their administration out of, and so forth.

The shareholder may have a somewhat stronger expectation than the pure customer in terms of making sure that we're getting good value, that we don't leave a lot of vacant space around, that we're being fair to the marketplace we're dealing with so that we're embodying the principles by which the government wishes business to be conducted, and so forth.

There's a tight linkage, to be sure, but we can actually do certain differentiation of certain things that are of interest more to the shareholder than to the customer. Are they totally divorced? Rarely. Trying to satisfy both, at times, can be a real challenge, because sometimes there can be some incompatibilities.

Usually we can work through, if we have to negotiate a bit with the customer to try to do something that's going to satisfy the shareholder's interest as well. We are very much focused on customer success, so we want to make sure that they're getting what they need to deliver, but we have to balance the two. I think that balancing is a challenge, but that's the trick we've been able to do over the years.

D. Jarvis: You mentioned earlier that you were going to try to lessen the property management role of BCBC. How are you going to go about that? How does that relate to that land you're holding for development?

D. Truss: I think there are two pieces to your observation on that. Right now most of the work that's done in the property management field is in fact done by the private sector. We're looking to see how we can further expand that from where we are now to where we think we will get to in three years.

We're looking at either further contracted-out work or doing what is called outsourcing, which is basically taking much larger blocks of service within a geographic area and dealing with one or more contractors to do it, rather than a bunch of individual contracts providing individual services in particular buildings. We're looking at seeing how we can further evolve that on a business case basis. That's where we're heading with property management.

The land held for development is basically land we have in our portfolio that has some future development potential that may be used for some alternate purpose right now, like parking lots. We own a series of parking lots around Victoria that are in that so-called land bank, which we get a little bit of revenue off but which can be developed at some future point in time.

D. Hayer: My question relates to your slide No. 6, "Our Portfolio — Office," which relates to ownership versus lease space.

D. Truss: Yes.

D. Hayer: Currently, in British Columbia BCBC has 29 percent ownership versus 71 percent lease space.

D. Truss: Yes.

D. Hayer: What do you project it to be over the next three or four years?

D. Truss: Well, I think the 29 percent is going to go down. I think that, because we've just sold and are in

the process of closing on a couple of office buildings. My sense is that it would be the government's view that we should continue to reduce that ownership level. We haven't extrapolated it out, but I would definitely say that in three years' time we'll be less than 20 percent and perhaps trending even further down.

D. Hayer: Later in your financial statement summary you have gains on sale of properties, so you must be able to somehow relate those gains on sale of property versus the ownership — right? Do you think 18 or 19 percent after three years?

[1500]

D. Truss: Yeah, we haven't factored in anything more for it for now other than the sale of those two assets.

D. Hayer: But at the same time you are projecting sales of \$13 million, almost \$14 million....

D. Truss: Yes, but those are gains on disposal. That's the amount we're going to make, the gross proceeds less our expenses, less the amount we have the assets on our books for. So those are the gains now.

D. Hayer: So you must identify some sort of building to come up with those figures.

D. Truss: Yes, we do, but that includes a combination of things. It includes selling off, for example, the New Haven site in Burnaby where we're selling, basically, land or selling some land and buildings on which we're not going to take any kind of a leaseback. If we project selling that.... I think we've booked something in the order of \$8.3 million as a gain for New Haven. We can book that gain once as a complete sale.

To differentiate, though, if we sell a building such as these two office buildings, which we're going to sell on the strength of a ten-year leaseback with the property in Vancouver and a 15-year leaseback on the property in Victoria, we have to take the gains on those two properties and amortize them over the leases. The gains that we get will largely depend on the kind of asset that we're selling and any lease that's on it. The accounting rules require us to spread the gains over the leaseback period if there is one.

D. Hayer: So you think that issue will come up closer to 20 to 80 percent? Twenty percent ownership, 80 percent....

D. Truss: I think that probably over the next three years the number would be less than 20. What it is at this point, we don't know. We're going to be doing some work with our board of directors and looking at some modelling and so forth. I expect that we will continue to sell some other commercial properties, but at

this point I don't know what the answer's going to be because I don't know what the business cases will be.

D. Hayer: My other question relates to the same question here, the same slide, where you say Ontario is 49 percent ownership, 51 percent leasing; Manitoba, 50-50; and Alberta has 50-50 — right?

D. Truss: Yes.

D. Hayer: So we will be a much lower ratio in ownership rather than leasing. Is there any way you are able to relate the total cost to the taxpayers in Alberta providing the same services? What's the cost for British Columbia and how would it relate, even though we have such a difference in ownership versus leases? Can you look into it and provide some information? Why is there such a difference if the cost is lower? Are they paying a lot more money by keeping more ownership?

D. Truss: That would be a hard question to answer. We'd have to give that some thought to answer your question for you.

It's hard sometimes to get comparative information from one jurisdiction to another because Alberta, for example, runs their business out of a ministry. They don't capture all of their costs, and so to try to get the full costs involved.... At BCBC we have all of our costs, so we know what everything is because it all flows through the corporation. The Alberta ministry of Government Services wouldn't keep all of the costs, so if you try to do a comparison it's very hard to get apples-for-apples costs.

D. Hayer: So these comparisons are not real, then. When you have examples of Alberta and Ontario....

D. Truss: Well, it's more to provide an indicator that British Columbia has a position where it relies more on the leased market than do other jurisdictions. Okay? It's given us more freedom and flexibility to do that and to be able to take advantage of the lease market rather than having an equal emphasis, if you will, on owned space.

D. Hayer: Is there any other province or state that's doing the same type of approach as British Columbia?

D. Truss: In terms of lowering its ownership of commercial space?

D. Hayer: Right.

D. Truss: I think generally there's more of a trend towards less versus more ownership in the provinces, from what I understand. Interestingly, in the federal government — which is a 40 percent ownership, 60 percent leased — we're seeing some evidence of them

wanting to own more space. So they might change their balance the other way.

Any of my colleagues that I've talked to in other Canadian jurisdictions and also with the federal government, the general services administration in the U.S.A., tend to be trending more towards leasing more. In other words, they're shifting the balance more towards leasing and less ownership.

D. Hayer: Have you looked at the effect of any changes you're making now, positive and negative, over the next ten, 20, 30 or 40 years?

D. Truss: Yes, we have done some modelling on that.

D. Hayer: You can get some information, maybe.
[1505]

D. Truss: Yeah, we could provide some information on that in terms of some of the work we're continuing to do and will continue to do, because it's something that is obviously interesting to my board of directors as well. We're preparing information for them.

D. Hayer: Thank you.

D. Truss: Maybe once we in fact have some discussion.... We're actually going to meet with our board next month and discuss some of this, and once we get through some of that and get whatever advice our board gives us to sort that out and do some of that modelling, maybe we could make that available to you.

K. Stewart (Chair): As we continue on here, we have set some time, although we're not married to the clock. I do have another question I'd like to ask first. Are there other questions still remaining out here that we'd like to continue for a little bit longer? Okay, I see that there is an interest to do that, so I'll just continue with the questions for a bit longer.

Are you available to stay for us? No difficulties there? Thank you.

The question I have is a very general question. I've heard you discuss today about your business inside of government and how you're looking after the interest of government, almost sounding like a ministerial adjunct. I've also heard you discuss about the outside of government, what other companies or corporations do that is similar to the type of work you do.

Given what we've heard, we have basically three levels that we are involved with — outside agencies and internal agencies. One is that we have ministries — nothing new to you. We have ministries. We have Crown corporations. Then we rely on outside government agencies.

Given the type of work that you do, the direction that you see yourself going in the future, where would you best categorize where your work should be done — given your experiences? Should you be (a) part of

government, directly involved with government; (b) a Crown corporation; or (c) an outside agency, outside of government altogether, independent of government?

D. Truss: In other words, a privatized model?

K. Stewart (Chair): That's correct.

D. Truss: My view is that we should be an entity within the government, either similar to what we are now or something perhaps with a little bit more autonomy. I think it needs to remain within government, because I think government needs to have an entity to ensure that it's getting what it needs from the private sector, that's looking after the government interest, that's the steward of the properties, that is making sure the private sector is delivering for you and giving you the value you need.

I think that function is best performed within a public sector entity as opposed to just outsourcing it outside, because if you do that, then you have all of your various ministries and others that are setting up their own little entities to go out and get it. I think that's where you'd lose economies of scale. It flies in the face of government's stated objective to basically promote shared services.

As a shared services provider, my view is to take the current model and find ways to enhance it further, to rely more on the private sector and to give it some additional freedom and flexibility, because I think it can perform effectively for you.

K. Stewart (Chair): Further to that, the supplementary would be, then: other than heritage buildings, which of course have a special public interest, in a very short sentence or two what is the rationale that you would give in having the government own buildings such as offices, etc., considering that...? Look at some of the work that's been done in some of the other agencies. You indicated the correctional facilities, the value there.

We can look at some examples in New Brunswick, where they've gone out with their schools completely to private companies. We've looked at Ontario, where institutional corrections have been put out to private companies. Given that thought, can you summarize as to why we should be owning all these buildings?

D. Truss: Well, first of all, in the commercial space we are leasing most of it. We own most of our courthouses but not all. Corrections facilities — we essentially own all of them, except we're shrinking them down. I think a lot of it depends on the program delivery, for example.

I know that Ontario has recently completed or is completing a major correctional project to, in fact, have the private sector operate the system. My understanding is that the provincial ministry here isn't inclined to look at that model. Interestingly, the state of California has said that its privatization role in corrections has

been a mistake, and they're taking steps to take them back.

[1510]

I think the jury's still out for some of that. I think that for specialized properties — courts, corrections, hatcheries, a number of facilities like that — the long-term benefit of ownership is there. In commercial, you can make some argument that you get some financial benefit, but if the space is available in the private sector at similar cost or not too much additional cost, there could be more of an argument made that the government needs to own very little commercial space. I think that's probably the direction we're heading in.

K. Stewart (Chair): Thank you.

Just looking to the committee. How many people here would like to ask further questions? Okay. We might as well start with Dan and work our way back down.

D. Jarvis: You were talking about increased values in the sales. Is that ostensibly because you're doing upgrades to the improvements? Or is it just that market conditions suddenly have gone forward or increased, causing that natural sort of inflation or rise...?

D. Truss: Well, it's a combination of a number of things. In some cases, obviously, markets rise and fall, and if we can capture an upswing in the market, that obviously is to our advantage. In other cases, we may try to add value by going through some level of rezoning or some process that can add value to the property so that we can exit it and gain some additional value out of it.

In the past we have actually been the developer, although I don't see ourselves continuing in that role of being an actual developer. We will bring the private sector in sooner rather than later. There usually are some advantages to government for us to enhance value before selling it. Without being the full-scale developer, we can take some steps to enhance the value of the property.

D. Jarvis: I'll add on, just to finish off my questions. In that section that you had about shared service provider to the schools and hospitals and all the rest of it, and that you would be asked to do a service contract to supervise the building or some of that....

D. Truss: We've had some conversations with a few health authorities and school districts to see whether there was a way that BCBC could help.

D. Jarvis: Okay. See if you can answer and straighten me out. I'm just a poor city boy, so I just don't understand some of these questions sometimes.

Ostensibly, the money for building a new hospital or a new school is coming from the government. As of now it goes, ostensibly, to the municipality or the school district and/or the regional health district, and

they make the decision as to what is going to be built or not. They put that out for public tender, I'm assuming. Now, if they came back to you to do a contract, do you not think that would be a conflict for those out there that might get the contract but not get the service contract on top?

D. Truss: If the health authorities and the school districts are going to build anything on a traditional model, the role that we've positioned ourselves to play with them is to help them get the work done in the private sector. In many cases for some of these — a school district, for example — the secretary-treasurer is doing it off the corner of his or her desk and doesn't have much experience. In the past we've done work to project-manage a number of schools.

We've repositioned ourselves to say: "We won't do that work. It's available for you in the private sector. We'll help you get it in the private sector so you'll get the right approach to get that done. We'll help you get that engaged." We can help some organizations do that. In fact, I've done some of that.

Taking a step backwards, though, the government has signalled that it would really like to find more innovative ways to get projects built. In fact, it is looking at so-called public-private partnerships and is challenging the health authorities, school districts and others to find ways to get their facilities built without government capital going in. That's why the new organization has been set up and financed and so forth. We can help facilitate that too.

P. Bell: I want to take a bit of a step out of the box here, if I can, Dennis. If BCBC were a privately owned company, if you had Dan and Pat and Ida on the board of directors, and if we were holding you accountable for a profitable entity to provide long-term returns to your shareholders, what would change between what you're doing now and what you would do under that model? What would you do differently?

[1515]

D. Truss: I guess one of the things I would do is make sure that I got every one of my employees to become a shareholder in the company and properly incited them to do that. I think that would make a lot of sense.

I guess, to some degree, we would probably become more selective in some of the business that we would do. One of the things.... As the shared services provider for government, we provide the services wherever they're needed. If this was our business entirely, unless we had some other offsetting things, we might become more selective in terms of where we would pursue things versus where we wouldn't and be more focused on margins and so forth.

I think that we have most of the elements there right now, frankly, to give government the best of all worlds in the sense that in the public sector we've got an organization that behaves very much in a private

sector kind of way. The changes that I would make would be relatively subtle. Having broader-based employee ownership would be one of them, for sure.

P. Bell: Would anything change in terms of the amount of property that you lease versus what you own? Now you're being accountable to three or four shareholders. Would anything change in that light?

D. Truss: Well, we would obviously be active in the marketplace much like a private sector company is. Right now we typically don't speculate in the marketplace. We do sell, but we don't buy properties with the idea of holding them for a few years and then selling them.

If we were in the private sector, we would probably look for more opportunities, look for some market opportunities where there might be something that is undervalued right now that we could do something with — buy it and perhaps enhance its value in some fashion and then sell it. A lot of the private sector real estate companies are in the business of doing just that, depending on what their focus is. A lot of them do that. Obviously, if we were a well-capitalized private sector organization, I think we'd look for opportunities to add additional value in a number of different other ways like that.

P. Bell: Do you think you would actually own more real estate under that model than you do currently?

D. Truss: A lot of it might depend on the....

Interjection.

D. Truss: Pardon me?

P. Bell: I'm sorry. Go ahead.

D. Truss: That's a hard question to answer, because it would be determined by your private sector model, what the capitalization of the company was and how you were able to basically satisfy your shareholders but also satisfy your banker in terms of what you could do. I think that you'd look for selective opportunities to add to shareholder value. In the private sector that would be entirely different than it is in the public sector.

P. Bell: A well-capitalized private sector company that was operating — the reason why I was going to interrupt, I guess — would vary, obviously, depending on the marketplace. If you sensed a market reduction, then you'd liquidate.

Overall, would you see an increase in the amount of owned real estate? Is that what I'm sensing from what you're saying? I don't want to put words into your mouth.

D. Truss: I think that you would own, but a lot of it would be transitional ownership...

P. Bell: More short-term.

D. Truss: ...because you'd look for opportunities to keep changing the mix of the portfolio. You also probably would concentrate more of that ownership in larger communities, because it's riskier being in smaller communities than in metropolitan areas, so you'd probably shift that focus too.

P. Bell: Last question: do you own or lease your house?

D. Truss: I own it.

P. Bell: I thought so.

K. Stewart (Chair): Ida?

I. Chong: A couple of local questions, first of all. St. Ann's Academy is not owned by BCBC; that is managed by BCBC. Is that correct? It's owned by the Provincial Capital Commission?

D. Truss: It's owned by the Provincial Capital Commission. We manage it. We also have a 50-year lease on it, because we invested the money to upgrade it and so forth, so that gives us a long-term interest in it. For all intents and purposes, we treat it as an owned property, because a 50-year lease is tantamount to ownership, but technically we do not own it.

I. Chong: The reason I asked is that I wanted to find out whether or not.... I know it's a heritage building. I'd like to understand if you have other properties similar to that, and whether you do a separate accounting for the cost maintenance and the revenue to see whether or not that is a revenue-generating property or one that actually takes away from your overall operations.

[1520]

I'm not suggesting that even if it were a loss proposition, it isn't being valuable, because it is a heritage property. But like other Crown corporations.... With B.C. Ferries, you've got some routes that are profitable and other routes that aren't. The ones that aren't profitable are able to be there as a result of the profitable ones. I'm wondering if your bottom line would show a greater profit were it not for something like St. Ann's. Or is St. Ann's, in fact, adding value? Are there separate cost-accounting centres for buildings such as that?

D. Truss: We do, in fact, look at our owned properties — the larger ones, in any event.... It's the old 80-20 rule: you can get 80 percent of the benefit out of 20 percent of the assets. We look at a lot of the properties we have, look at the return we get on them, measure how that's changed over time and how much we are spending on those properties to keep them up. There would be a number of properties in the portfolio that would not be winners. We have a lot of smaller, older properties in more remote locations that have more upkeep associated with them. Markets are soft in those communities, so the opportunity to make any return or a decent return is just not there. Fortunately, they don't

dominate the portfolio. That's why the corporation, I think, is really quite profitable.

To come back to St. Ann's, if we take the investment in St. Ann's, which was in the order of \$17 million, and amortize that over the 50 years of the ground lease and compare that to the rents that we get, I don't think St. Ann's is a hugely profitable property for us. But I wouldn't categorize it as a dog, either, in that sense.

I. Chong: So you don't have or cannot provide the accounting for those cost centres if we were to request it. Or do you have that internally?

D. Truss: No. If you asked me to provide you some information on a given piece of real estate or on several pieces of real estate, we could do that. What we do in our ordinary course of business in our portfolio management areas is look at a number of different properties to see how we're doing. And the ones where we can exercise some influence and say, "Are we in fact getting the best return we can on this? Are we spending too much money on it?" we try to treat much like a private sector owner would, and so forth, so that you're not spending excessive amounts of maintenance on it. You look over the horizon and say: "Okay, if we've got...." Some of the Highways properties.... When you know that the Ministry of Transportation is probably going to downsize a lot of its highways yards, you're probably going to get rid of them. Frankly, we've been starving them for maintenance, because you don't want to be seen to be building a new roof on a property you're going to sell next year. You have to be responsible. We've tried to do that.

I. Chong: Okay, I understand that.

The other property in town, your own building on Douglas Street, your head office.... Is that owned outright through BCBC?

D. Truss: It's leased.

I. Chong: So it's leased.

You indicated that because of early retirements — and 118 people have taken that up.... What are your FTEs down to?

D. Truss: It's transitioning. I think at the end of February we were around 860 or so. I think we're going to report out 850 at the end of March. That would already record some of the people having taken early retirement. At the end of last month we were at 777. It's trending down. We have some others to go. It's heading in the right direction.

I. Chong: That's the entire corporation, not just head office people.

D. Truss: That's everybody, yes.

I. Chong: In terms of head office location, how many reductions of FTEs have been impacted by your Douglas Street location?

D. Truss: I would guess — probably more of an educated guess than an exact number — that our head office numbers would represent about 20 percent of the total. So if we've gone down by eight or nine.... Probably 15 to 20 people in head office.

I. Chong: Do you have extra space in your building, then? What are you doing in terms of looking at that in the long range? Are you going to sublet part of the space that you've got there? That's where I'm headed.

D. Truss: No, that's a good question. What we are going to do is see what falls out of a lot of the changes we've made. We'll also see what falls out of the work we're doing with government ministries now through the restructuring, the so-called GARI initiative. Once we bring down our total numbers to where we think we want them to be, then I think we will obviously do some replanning. I think there will be some opportunity to shake out some space, depending on what the numbers ultimately come down to. If we could free up 30 positions in head office, ultimately, at 200 square feet a position, that's 6,000 square feet, and 6,000 square feet times \$25 a foot is good money to our bottom line, so we'll go for it.

[1525]

I. Chong: Clearly, there is the potential to have free space in that building as a result of the restructuring. You would want to take a look and see who would move into that space potentially. At that point you would consider, perhaps, asking the independent officers if they would like to move into your space.

D. Truss: So that's where that was going. [Laughter.]

I. Chong: Not exactly.

K. Stewart (Chair): We'll leave that decision for someone else another day, I think — as to who's going to fill the space. If I can move on to Bill for the final questions of the day.

B. Bennett (Deputy Chair): I'm just wondering if you could identify the biggest risk, I guess, to BCBC achieving its targets over the next three years.

L. Parmar: I think one of the key things here is the GARI project, the government accommodation restructuring initiative. We have made some assumptions on how that downsizing is going to happen. If the timing doesn't come about, that'll be an impact. The taxes, I think, were mentioned. Going to full property taxes is about a \$14 million hit. The interest rates are also there — if they go higher, which they probably will. Those would be the three big ones, I think.

D. Truss: I think that long term, our biggest risk would be to make sure we continue to have an excel-

lent workforce. We're all going to be challenged in that. We have to make sure that we do all the right things to make BCBC continue to be an employer of choice. We're taking some aggressive actions to do that. I think that's going to be a big risk for the government as a whole, for us and for the private sector, because the workforce is changing.

K. Stewart (Chair): Thank you very much. We appreciate your participation today. Thank you for taking the time out to be here and be so prepared for us. Obviously, there's a lot of information. Just by way of a little housekeeping, the issues that were left with you that you would get back to us, if you could direct them through the Clerk's office.

D. Truss: I will.

K. Stewart (Chair): Also, if we have any further questions, they will come through the Clerk's office. That's our point of contact. Thank you very much for being here today.

We have some other issues to start on. We'll just give a minute for our guests to clear out, if they wish, and we'll start on that. You can be giving some thought to reporting out and also to the subcommittee as we wait for a few moments. Thanks.

The committee recessed from 3:27 p.m. to 3:29 p.m.

[K. Stewart in the chair.]

K. Stewart (Chair): I think that if we are effective and efficient, we could probably get ourselves out of here by our scheduled time of 4 p.m.

[1530]

There are two issues that we have for today. One of them is with regard to the reporting out and how we're going to continue with that process. There's an opportunity for people to give some thought to their comments and then send them in to the Clerk's office. What's going to happen after today.... Obviously, *Hansard* will be out with all the information that you heard today, so you'll have an opportunity to review the questions and the answers for it.

What I would like is for each member to submit some comments with regards to the performance today. There are the reporting principles that Josie just handed out to you. Those come right off our draft report. I think Bill's work on this is an excellent guide for us to do this.

So, with regards to process for the reporting out, if you wish to make some comments at this point in time, you can. They'll be recorded as such and included in today's transcript. Or you may wish to take the copy of *Hansard*, review it, incorporate that background with your comments of today and submit it to the Clerk's office for compilation of a report that we will bring back in a draft form to our next meeting. Any comments?

B. Bennett (Deputy Chair): I think we should try and streamline our processes here on this committee and try and get them down to the point where we spend the least amount of time accomplishing our goals as possible. I'm sure we all agree with that.

Given that this was our first Crown corporation, I wonder if we were to start with table 2, and try and assess — well, not only table 2, but table 1 as well — whether the key questions were answered, and then go through the reporting principles and see whether there are some items that are outside of that table 2.... Then possibly, if we realize that we've missed something fundamental and have to add that to table 2, really try and establish a template that we can work with consistently throughout our exercise here over the next however many years we're doing this....

K. Stewart (Chair): So, are you suggesting homework for people — to take this with them?

B. Bennett (Deputy Chair): No, I'm just saying that when we evaluate today's meeting, let's try and do it within the structure of table 2 and see if there is anything at all that seems to be outside of the structure that we've devised so far.

J. Nuraney: Excellent idea. I think this will also help articulate our questions for the future meetings.

K. Stewart (Chair): Any other comments about the reporting process? Would anyone like to make some comments today, or would you like to include them in this and submit them to the Clerk's office?

It's my expectation that everyone will have some thoughts on the proceedings today, and I suspect there's a time issue that the Clerk's office may have. Maybe if you can give us some direction, Craig, with regards to when you would like the comments back so that we can ensure we have adequate time to prepare them for the next meeting.

C. James: If we have the form in with your comments concerning the draft report a week after the meeting in question, which would mean a week prior to the next meeting so that we could ensure the draft report could be circulated well in advance, that would be very helpful.

I. Chong: Just a comment regarding table 2. If that's what we're going to be using, maybe just have a line on the top as to which Crown corporation it is, so that we know that if they come in late between meetings or if we start doing three in one meeting, we do have our Crowns listed on the top. That would facilitate it for Josie.

K. Stewart (Chair): Yes, and again, I'd just like to comment: please don't restrain your comments to the categories that we have here. I know that we've tried to pick up the majority of them, but this is our first opportunity to have a Crown corporation before us, and the

reporting process will be relatively important to ensure that it's of some use to our purposes.

We have a week, then. If you can take this and add any future comments to it, whether you'd like to electronically... or fax it to the Clerk's office.

C. James: Electronically.

K. Stewart (Chair): Electronically would be preferred. Pat, did you have a comment?

P. Bell: I was just going to request that the form be reproduced electronically so that we can submit it through that way.

K. Stewart (Chair): Okay, a very good suggestion. Again, maybe the changes could be made with regards to the date of the meeting and the tombstone information on it, as such.

P. Bell: Sorry — if we can add room on that form for general comments as well.

[1535]

K. Stewart (Chair): It's electronic. You'll be able to do whatever you want with it.

Any other comments?

B. Bennett (Deputy Chair): One quick one, Mr. Chair.

In going through the guide to operations before the meeting, it just seemed that I should probably mention we're supposed to be evaluating service plans and annual reports, essentially. That's the job we were given by the Legislative Assembly. We're supposed to use the

Budget Transparency and Accountability Act to guide us in that evaluation. I think it's worth keeping that in mind as we prepare for these meetings and as we do our evaluations.

K. Stewart (Chair): I think that's a very good point, Bill. A lot of the questions we had today were maybe a little outside of that tight mandate to give us an understanding of what the organization does, where it's going, maybe some of the thoughts that we had to express around it. When we bring it back, try and keep our mandate in line. Again, we probably had more information than we needed today. There was a lot of information prepared by BCBC, so try and bring it back into the scope. We're not here to define policy; we're here to look at the service they're providing based on the mandate and the strategic shifts they have.

There's only the issue of our next meeting, which was scheduled for July 24. We've had initial contact with the B.C. Lottery Corporation. They weren't overly responsive at the time, but we're still hoping that will be the agency that will be coming before us, and we do have those other alternatives. So it's our hope that on July 24 we'll have the British Columbia Lottery Corporation before us. If there's any change in that, we will obviously contact you. If it's not the B.C. Lottery Corporation, we hope to have one of the other groups that we talked about. But that's the one that we're still intending to see at this time.

Any further issues or discussions?

Just to summarize, we'll be looking for your input by next Monday in the Clerk's office. Thank you very much. I appreciate your participation today.

The committee adjourned at 3:38 p.m.