

Public Works Act

intends to have Public Works manage and operate real property assets under an agreement between the two.

The second amendment to Section 9 of the act, Mr. Speaker, will permit the department to perform work on all properties adjacent to properties which are the subject of attention by the department and other ministries of the Government of Canada. It covers property not belonging to Canada but which, for example, may require an access road to a property in order to permit work and expenditure of moneys by Canada on those properties not owned by Canada. It goes without saying, of course, that such work would have to be with the consent of persons involved. This legislation demonstrates the need for continuing operational flexibility essential to the execution of contemporary complex commercial developments. I can think of many developments by the government in large urban areas where it is necessary to enter into arrangements with adjacent property holders in order for work to be done.

The third amendment affects both the Public Works Act and the Public Lands Grants Act. The amendment permits the department to dispose of property which may still be required for public purposes under a lease-purchase arrangement. The federal government has since 1974 used lease-purchase on a very limited basis as a means of providing accommodation. Its use has been questioned on two occasions by third parties involved in the transaction; that is, in the financing. Doubt has been expressed as to whether land could be leased when it was still required for public purposes. In both cases the doubt was overcome by a special vote wording in the estimates. Our purpose in coming forward at this time is to comply with the ruling which I identified by page number in *Hansard*.

The lease-purchase process is an important tool of real estate development. It is widely used internationally both in public and private sectors. As I indicated, Public Works has used it since 1974, with good results based on a comparison of costs per square metre of space. But this is only one aspect of lease-purchase. Also important is the fact that lease-purchase is a means by which the department can harness the skills of the strongest real estate development firms in the country—Canadian firms, Mr. Speaker. They are recognized internationally as the best in the business, and we need them to assist us with part, but an important part, of the evolving program of accommodation plans by Public Works. In most cases this involves complex projects in commercial and central core areas.

Mr. Baker (Nepean-Carleton): Do you use the tender system?

Mr. Cosgrove: The repeal of Section 39 of the Public Works Act and paragraph 4(1)(a) of the Public Lands Grants Act, and the substitution of the new provisions set out in Bill C-91, would enable the government to use federal property in order to facilitate lease-purchase of federal accommodation. I have already outlined that, although procedurally what gave rise to the legislation before you is in my opinion housekeeping, it does give an opportunity to talk about the development of the

very complex and always changing area of commercial construction, especially in the cities. I thought I should touch briefly on the thinking behind these two department policies, how they are necessary in the context of the department's responsibilities, why they benefit the taxpayer, and how they fit into this rapidly evolving field of real estate development.

The office accommodation policies and practices, including lease-purchase and adjacent property improvements, which have evolved over the past ten years must be viewed in the context of the department's mission, which is a varied one. First of all, it must manage the existing realty interests of the federal government, both those which it owns and those leased from others. Secondly, it must arrange for new accommodation for federal departments and agencies. Third, an integral part of its mission is the responsibility to contribute to social, economic and environmental objectives. I think, for example, of the leadership Public Works has shown in the conservation of energy in public buildings, which has resulted in the benefit of having this expertise transferred to the private sector. This aspect of our mission distinguishes us, perhaps, from the more straightforward responsibilities of a private sector real estate operator.

However, as a provider of federal accommodation we must also operate as part of a larger framework—the real estate industry and its markets, customs, constraints and evolving commercial practice, in particular the fast changing downtown office building side of the industry. The reason is that part of our requirements involve the provision of space for agencies and departments which must be located in these areas of major metropolitan centres to better serve Canadians. This side of the industry has experienced rapid change in recent years, as I am sure many members know.

For a long time Canada has been an international leader in downtown redevelopment, starting, of course, with Place Ville Marie in Montreal almost 30 years ago. That was among the first and largest projects of its kind since the war. I might note, Mr. Speaker, that this innovative project was executed under an instrument called an emphyteutic lease which shares some of the features of the lease-purchase I talked about. For a variety of reasons Canada has had the good fortune to have the strongest and most sophisticated real estate development industry in the world. A small number of firms, perhaps two dozen, some of them giant enterprises internationally active and recognized, are world leaders in their field.

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I say all of this not necessarily in praise of the real estate industry and certainly not as my main motive, but I do not mind saying that it is an industry of which Canada is proud and it deserves recognition and credit. But as it relates to the fact that we are a partner in this complex and developing industry, we must move along with our techniques, modify them and be able to compete and co-operate in a varied and complicated developing industry. Our department, Public Works, has had to keep up with the technical changes brought about by the industry generally. It is this evolution which is the