



## **A Crown Corporation's Failure to Safeguard Assets**

**National Capital Commission (NCC)**

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# Introduction

**“...it [the NCC] did not fare well when it came to risk management practices.”**

The National Capital Commission (NCC) is a Crown corporation owned by the Canadian government. The NCC owns and manages over 10 percent of the lands in the National Capital Region.<sup>1</sup> Moreover, the corporation owns and manages several properties, including Canada's six official residences: Rideau Hall, 24 Sussex Drive and Harrington Lake (the homes of the prime minister), Stornoway, The Farm, and 7 Rideau Gate.<sup>2</sup> These six properties hold historic and symbolic significance. They play an important role in enabling the leadership of Canada's Federal Government, Parliament, Official Opposition, Constitutional Monarchy, and international relations.<sup>3</sup> The NCC's mandate is to ensure these properties are maintained and improved overtime.<sup>4</sup>

The NCC has been subject to criticism over its risk management practices, and the amount of money it will cost taxpayers to renovate the nation's official residences. A report by the Auditor General of Canada found that while the Crown corporation “had good corporate management practices for governance, strategic planning, and performance measurement and reporting,” it did not fare well when it came to risk management practices.<sup>5</sup> The report stated that the NCC has a “significant deficiency” in asset management.<sup>6</sup> This has implications for the future of Canada's national treasures — the six official residences. This backgrounder provides a historical overview of the NCC, the current issues surrounding the Crown corporation, and some quick statistics.

# Historical Overview

The National Capital Commission (NCC) was established in 1959 by the Canadian Parliament under the *National Capital Act* — the Federal District Commission and the Ottawa Improvement Commission were its predecessors.<sup>7</sup> The NCC is subject to Part X of the *Financial Administration Act*, and it reports to Parliament through the minister who is appointed responsible for the *National Capital Act*.<sup>8</sup>

The Crown corporation's mission is "to ensure that Canada's Capital Region is of national significance and a source of pride for Canadians."<sup>9</sup> The NCC performs three key roles in the Capital Region: main planner of federal lands, creative partner dedicated to excellence in conservation and development, and principal steward of public places that are unique to Canada's natural and cultural heritage.<sup>10</sup>

The NCC Board of Directors are from the Capital Region and other parts of Canada, and include a chair-person, a chief executive officer (CEO), and 13 other members.<sup>11</sup> In addition, the mayors of Ottawa and Gatineau are participants in board meetings, on an ex-officio, non-voting basis.<sup>12</sup> Board members are appointed by the minister responsible for the *National Capital Act*, with the approval of the Governor-in-Council, and the chair and CEO are appointed by the Governor-in-Council.<sup>13</sup> Their role is to oversee and direct the Crown corporation's activities and assets.<sup>14</sup>

The special examination in 2007 by the Auditor General of Canada found that NCC did not always complete projects in a timely manner that were required to restore the Crown corporation's assets, in part due to lack of funding.<sup>15</sup> More than a decade later, these issues persist. The most recent audit highlighted several of the corporation's weaknesses.

“**...NCC did not always complete projects in a timely manner that were required to restore the Crown corporation's assets, in part due to lack of funding.**”

## Current Issues

**“*Given its condition, the prime minister does not reside in 24 Sussex Drive...*”**

The special examination report published in 2017 found that more than a quarter of the Crown corporation's assets were in “fair, poor, or critical condition,” thereby putting the corporation at risk of not meeting its mandate.<sup>16</sup> Further, the auditor general found that the NCC “continued to have a risk of insufficient resources to restore, maintain, and preserve its assets at an acceptable level.”<sup>17</sup> The risk of insufficient resources was not clearly reported by the Board and management in the annual corporate plan — the annual corporate plan is important as it informs the government of the corporation's problems.<sup>18</sup> In other words, the government did not receive clear information on the risks that the NCC faced, which challenged the Crown corporation's ability to effectively address those risks.

Recently, the NCC released a report citing many issues with the condition of the six official residences, and what is required to restore them. The report stated that it needs \$175M over ten years to restore the properties to good condition, and \$26.1M annually for ongoing maintenance and repairs.<sup>19</sup> 24 Sussex Drive is in the worst condition compared to the other five residences, needing \$36.6M.<sup>20</sup> Given its condition, the prime minister does not reside in 24 Sussex Drive, and instead resides in Rideau Cottage on the grounds of Rideau Hall.<sup>21</sup>

The NCC's problems with maintaining and preserving its assets ultimately undermine the Crown corporation. The future of the corporation's assets, including the nation's historic properties in the Capital Region, may be at risk.

## Quick Statistics

- NCC awards about 4,000 contracts annually (valued at about \$53M) in Canada's Capital Region.<sup>22</sup>
- Owns more than 1,600 properties in its real estate portfolio, including Canada's six official residences; agricultural facilities; commercial, residential and heritage buildings.<sup>23</sup>
- For the 2019-2020 year, the Crown corporation's rental portfolio generated over \$21M in revenues.<sup>24</sup>
- About 74 percent of NCC's building portfolio is more than 50 years old, and about 16 percent of the buildings are older than Canada.<sup>25</sup>
- Assets as of 2020: 6 official residences; 1,700 properties; 145 bridges; 23 urban parks; 125 kilometres of parkways and roads; 75 kilometres of waterfront; 194 monuments, public art and plaques; 300 kilometres of pathways; over 600 different structures (retaining walls, dams, etc.); 39,600 hectares of forested lands and 2,500 hectares of wetlands; 5,600 hectares of farmlands; 2,800 several other assets (mechanical, electrical, water and drainage systems).<sup>26</sup>
- Today, the facility condition index (FCI) of the Official Residences Portfolio is 0.136, meaning a classification of "poor."<sup>27</sup>
- In 2018, the Official Residences Portfolio had an estimated deferred maintenance (DM) of \$83.0M, today the DM for the Portfolio is \$89.1M.<sup>28</sup>
- In 2018, the Official Residences Portfolio had an estimated current replacement value (CRV) of \$615M, today the CRV for the Portfolio is \$653.2M.<sup>29</sup>

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## ENDNOTES

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