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Chair

Mr. Leon Benoit

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• (1110)
[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good morning, everyone. It's very good to see you here this morning again.

This is the fourth meeting of the Standing Committee on Government Operations and Estimates. For the first hour we'll have a briefing session on the mandate of this committee—which I think we're all looking forward to—why it was established two years ago, and the estimates process.

In the second hour we'll continue our review of the appointment of Mr. Gordon Feeney to the position of chair of the board of Canada Post. To that end, we'll have Mr. Cedric Ritchie as a witness. Mr. Ritchie is chair of the nominating committee that recommended Mr. Feeney to the minister, and he'll be here today to answer members' questions.

I'd like to start by introducing our witnesses for this first session. This is maybe something that doesn't happen often enough—having our own colleagues from the House as witnesses. I'd like to introduce first Mr. John Williams, the Conservative member of Parliament for Edmonton—St. Albert. He's also chair of the public accounts committee and the co-author of the Catterall-Williams report. My assistant may be in trouble here because he's got the Catterall before the Williams and I'm introducing John Williams. That doesn't seem right, but we can talk about the order another time.

The report is entitled “The Business of Supply: Completing the Circle of Control”. We'll be talking about this report.

As well, we have Ms. Marlene Catterall, member of Parliament for Ottawa West—Nepean. She is presently chair of the expenditure review committee and co-author of the Catterall-Williams report.

Thank you both for being here.

Joined by Mr. Williams and Ms. Catterall is Mr. Paul Szabo, member of Parliament for Mississauga South. He's a current member of this committee and former chair of the subcommittee that produced the report entitled “Improved Reporting to Parliament Project—Phase 2 : Moving Forward”. This report was adopted in June 2000 by the Standing Committee on Procedure and House Affairs.

Thank you, Mr. Szabo, for being here, and thank you all.

We will start with a short presentation from Ms. Catterall, followed by Mr. Williams, if you could work together on that; then Mr. Szabo and his report.

Ms. Marlene Catterall (Ottawa West—Nepean, Lib.): I think I'll do my presentation, and John can fill in the blanks.

Just to set the record straight, Mr. Chair, the clerk and I wrote the report. We allowed Mr. Williams and other members of the committee to propose amendments and to do some editing. The result was a very good report, I think, and I'm glad to share credit for it.

Mr. John Williams (Edmonton—St. Albert, CPC): It is a good report.

Ms. Marlene Catterall: The main purpose of the committee being struck in the first place was that it seemed that every five to ten years there was a new initiative to try to get a handle on the estimates process for Parliament. There was dissatisfaction with it, and I think that still remains. The main recommendation of the committee was to establish a committee just like this. I'll come back to that and its mandate in a moment.

The purpose is to look at ways to strengthen the role of Parliament in both holding the government accountable and influencing government expenditures. We concluded that committees have all the tools they need; they just lack the incentives and motivation to use those tools to really understand what the government is spending money on, where it's doing well, where it's not doing well, and to have some influence on future budgets. Those three tools are mainly the plans and priorities reports, the performance reports, and the estimates themselves.

To try to get past this business of setting up a special committee every few years to tackle the estimates process and try to improve it, our subcommittee recommended the creation of a committee on estimates. Then Parliament would have an ongoing way of looking at how effective the estimates process was and recommending changes on an ongoing basis, instead of trying to tackle it once every few years. It would also provide support to standing committees in their responsibility to look at the estimates, and it would look at those areas of estimates that don't fall under any standing committee but cross-cut many government departments, or are out of the purview of the standing committees for one reason or another.

Part of the recommendation was that this committee should be provided with a permanent, highly skilled staff to assist it in its work, which it could then use to assist and support other committees in their work on the estimates. You've all had the recommendations on the responsibilities to the committee, so I won't say a lot more about that.

The second group of recommendations, starting at about 12, has to do with committees themselves. What we were looking at was incentives for committees. As you know, very few committees actually review the estimates. When they do, it's usually a brief two-hour shooting gallery, as I call it, where the opposition takes pot shots at the minister, and the government members either ask about projects in their riding or say things to make the minister look good. That's not very effective control of expenditure. So we recommended a number of ways to make the committees' work more worthwhile.

Part of that had to do with how the government operated, and that's basically the third set of recommendations. That is key, because it basically asks the government to take into account the work of its standing committees in its major reports. When it's reporting on plans and priorities, it should also include how those plans and priorities respond to the work committees have done. In its performance reports, it should include reference to all Auditor General's reports that have been done and how it's responding to those. Often the standing committee or this committee would never hear about a department's response to Auditor General's reports, but that's obviously a key part of the accountability role and good management of money.

I won't go into the details on any of these, and I think I'll leave it to John to talk about the evaluation process, because that was a very important part of our recommendations on cyclical evaluations of programs.

• (1115)

The expenditure review process that's currently going on in government is to some extent following what was recommended by the committee, because its aim is to look at everything a department is doing, to look at things that are of lesser priority and can be either cut back or abandoned in favour of things that have become a greater priority. I'll let John talk in more depth about our concerns about program evaluation and regular review of programs.

The whole point here is to set up this committee to support the work of Parliament on the estimates—not to take over the work of the standing committee, unless asked to, but to support them in their work and to give real bite to Parliament's role as the body that determines how much the government may spend and what it may spend it on.

The Chair: Thank you very much, Ms. Catterall, for your introduction to this report. Let's now have Mr. Williams elaborate, somewhat briefly.

Mr. John Williams: Thank you, Mr. Chair. It's a pleasure for me to be here with my colleague from Ottawa West—Nepean to talk about the Catterall-Williams report, which has the potential—I say “potential” at this point in time—to be a seminal document that can actually make some serious change in the way Parliament holds government accountable for the way it spends its money. It's not there yet, but I would hope this committee, the government operations and estimates committee, would recognize this is an opportunity for you to change and to have a serious effect upon the way Parliament examines the estimates and the spending of government.

The report basically can be broken down into three segments, even if there are about 50-odd recommendations. The first concerns

the creation of the estimates committee. You are here, and therefore that has been achieved. The second one is program evaluation, and the third one is to amend the Standing Orders and the way Parliament can look at the estimates when they are tabled before us.

Let me deal first with program evaluation.

Everybody knows there are billions being wasted by government. When I hear that phrase I say, yes, that's so, but tell me where and I'll root it out, find it and put a stop to it right now. And nobody can point a finger and say the waste is here, or the waste is over there, or the waste is somewhere else. But we will find it, if we're ever going to find it, Mr. Chairman, in program evaluation.

I had a private member's bill that's most clear in my mind, but I will draw to your attention—and the clerk is going to distribute it in both official languages—a press release issued jointly by the Treasury Board of Canada Secretariat and the Department of Finance, dated December 16, 2003, at which time the government set up the expenditure review committee, which you chair, don't you, Ms. Catterall?

• (1120)

Ms. Marlene Catterall: No, I chair the caucus committee to provide advice on the subject.

Mr. John Williams: The government set up a pro tem expenditure review committee to try to identify a few billion dollars in savings. They set out seven criteria, which are here in this release—the public interest test, the role of government test, the federalism test, the partnership test, the value for money test, the efficiency test, and the affordability test—as the criteria by which programs are evaluated.

I will use my own terminology, Mr. Chair, because I'm more familiar with my own. In my private member's bill, which is reflected in this government release, I said first of all that each program has to set out its mission. What is this program designed to do for society, anyway? Once we know what the program is designed to do, then we can ask the second question: how well is it doing what it's supposed to do? It seems fairly simple, logical stuff. Third is the question of whether it is doing it efficiently and effectively. Fourth is this question: is there a better way in this rapidly changing world to deliver the same results?

These four points are reflected in the press release by the Department of Finance and Treasury Board last December. If these evaluations are being done on an ongoing basis, then we're going to be able to ensure that programs are focused on addressing the issues in society that they're supposed to address.

Let me give you an example. There was an Atlantic freight rate assistance program set up in 1921 to subsidize the movement of goods on the rails from Atlantic Canada into Quebec and Ontario. In 1991—and I will compliment the government and the Prime Minister and the Minister of Finance of that time—they did a program evaluation. They evaluated the program, which was costing \$109 million a year in 1991, and found it was providing absolutely no economic benefit whatsoever, and they cancelled it. We saved \$109 million, and as the Auditor General pointed out and as I quite often say, there were two poor people down in Atlantic Canada who I'm sure were a little upset because the program was cancelled—I believe one was called Mr. Irving and one was called Mr. McCain—because, as the Auditor General pointed out, they were able to manipulate the program. It appeared they were getting well served by the program.

From 1921 to 1991 is 70 years. When we evaluate it, we find out we were wasting all of our money.

It therefore seems to me we should be doing this on a more regular basis than once every 70 years, and that's why I call for a regular cycle. I would suggest to this committee, Mr. Chairman, that you ask the government to deliver those evaluations that they have been doing under the expenditure review committee, and that you ask to see these reviews; also, that you start a call for the government to set up a process by which all programs are reviewed, maybe on a "once in ten years" basis, so that we can answer the questions: are they effective; are they efficient; are they addressing the issues in society they were supposed to address?

Another example, more recent, is the heating fuel rebate program set up in the year 2000. The Auditor General reported that this program cost \$1.4 billion. It was a short-term program, but only \$400 million went to people who, by the government's own definition, were entitled to it; and \$1 billion went to people who were not entitled to receive it, by the government's definition of who needed it; and 90,000 Canadians who should have received it, by the government's definition of need, didn't see a dime. Where was the focus of the program in doing what it was supposed to do? It just wasn't there.

This is the type of information that needs to be brought out, and that is where you will find the billions of waste in government. This is a committee that will look at that. All other committees look at non-statutory spending, but you have the responsibility in your mandate to look at all statutory spending in conjunction with the other committees.

Of tax expenditures, the best one and the most obvious one is registered retirement savings plans—a huge public policy. We forgive millions and billions in tax revenue. The money doesn't come in to the government; it's deducted off your income tax before you send your taxes in. So there's no revenue and there's no expenditure: it doesn't show up anywhere in the books of the Government of Canada.

• (1125)

It's a huge public policy and a very valuable one, but there is nowhere where these tax expenditures can be examined except here. That is your job as the estimates committee.

With loan guarantees, crown corporations, foundations that receive money from the Government of Canada, as the Auditor General pointed out, there's \$8 billion or \$9 billion parked in bank accounts: we authorize them to spend it, and they put it in a bank account and it's sitting there. They need to be accountable, and this is a committee that has the mandate to demand accountability.

The third aspect of the report, Mr. Chairman, is the capacity for committees not only to recommend reductions in expenditure, but to move money within a department, up to 5%: instead of putting it in program A, we want you to put it in program B. There is also a capacity to regularize, legitimize, and provide some structure to Parliament's capacity to recommend change by causing committees to report to Parliament. That would then cause the Treasury Board either to agree and bring in an amended royal recommendation or to table their objections. Now you have both sides of the argument tabled in Parliament, and now you can have the debate. The committee recommends a reduction or a movement, the government recommends that it remain the same, or whatever they say, and these are the two sides, with the reasons. Now you can have a legitimate debate rather than a political partisan process of sending in motions to reduce that are sometimes nonsensical, but nonetheless, that is how the process does not provide the motivation to do it properly.

So the Catterall-Williams report was designed to try to bring some structure to the process that would bring some real examination. Because in the final analysis, Parliaments were created to examine the expenditures of government; that's why they came into being in the first place, and this Parliament, the Canadian Parliament, hasn't looked at an estimate seriously in 20 or 30 years. Therefore, we are failing the general public by failing to meet our responsibility.

Thank you, Mr. Chairman.

The Chair: Thank you very much, Mr. Williams.

Mr. Szabo, could you present an overview of your report?

Mr. Paul Szabo (Mississauga South, Lib.): Thank you. This is a good point of departure.

Prior to taking on the subcommittee that was basically the follow-up, Bob Marleau, who is the former Clerk of the House of Commons, wrote an op-ed piece for the *Hill Times*. It was on the front page, and he said members of Parliament were ignoring 50% of their responsibilities, and he's absolutely right. The problem was that we didn't have the resources, and as has been indicated, review of the estimates at committee had become a question period for the minister in 80% of committees. We're not reporting back estimates to the House, and if they're not reported back, they're deemed to have been reported back without amendment. So there were no consequences of not doing them. That was the starting point. You need to understand that.

The objectives—and this is basically following up on the Catterall-Williams report—were basically to improve horizontal or interdepartmental reporting. A lot of things that we spend on in government aren't in a department. They have collateral or related expenditures that go into other cost centres or other departments. With, for example, aboriginal and Indian affairs, you will find expenditures in many departments, and you really don't know how much has actually been spent. So how do we get more information horizontally through the silos of spending?

The second issue was with regard to simplifying reporting to Parliament. If you've looked at the estimates, it's like looking at a telephone book. It's very difficult, with very few words there. You need a lot more words to explain what's happened, to identify big changes, significant events, etc., things to help you focus on the meaning. Members of Parliament should realize that about two-thirds of the spending of the government is legislated spending. There's no discretion, whether it be EI or OAS or whatever; those things must happen, you can't cut them back. So when we're talking about \$180 billion spending and two-thirds of that, there's \$120 billion you can't touch. So when you're going to do some work on expenditure review, you're really talking about one-third of the spending, and a lot of the items represent sacred cows to a lot of people. It's a very difficult process.

The third item was to revitalize parliamentarians' involvement in committee activities, basically for the reasons I mentioned, that we weren't doing 50% of our job. I don't know how you can do it if you have continuing changes in the committee membership and you don't have a permanent location. In the United States, for instance, every committee has a permanent committee room, a permanent clerk, permanent research people. They have office space where they have all their documents. They have people there with tenure, and they become some of the most important people in Congress. These committees are very influential. I'm not saying that we should emulate the U.S. model, but I think we should understand that the commitment they make to the committees having some continuity and doing their work is very important for us to consider.

Our report has 12 recommendations. Interestingly enough, one of them was that the government should reconsider the Catterall-Williams report, because in fact, it was not embraced in the first round. So we had to come back again and say, look at this again, please, particularly with regard to establishing a full standing committee, which we're working on.

You have access, I believe, to the report and the recommendations. Let me also refer you to a subsequent effort of the subcommittee that was headed up by our then vice-chair of the committee on government operations, Tony Valeri, on meaningful scrutiny and improvements to the estimates process. The point I want to make here is that this committee isn't responsible for reviewing everybody's estimates. Our mandate is more in monitoring the process of review and helping others to do a more efficient, effective review of the estimates on an ongoing basis, not once a year. It is a continuous process. You should have those department officials and the minister in regularly. Don't wait until they table their estimates and plans and priorities. Committees have to be inextricably linked to the department they're related to, so that they know what's going on, they can sense things, and they can have this ongoing dialogue.

•(1130)

Our committee has developed, we think, models much like what the Auditor General does. You don't do a review of every department every year; you sample. You look at. You target. You review on a revolving basis, and you try to focus your efforts so that even in terms of the investment you make in auditing, it turns out to be value for the time spent. You don't have to do it 100%.

We did Public Works as a pilot project. Public Works is very large. To discharge our responsibility to review Public Works, we picked the realty property section, the section of Public Works that actually manages and owns and deals with lease property, etc. We did a very good review. Then we said, around the table we're not going to be members of this party or members of that party. Let's agree that we're going to sample. We'll give them a heads-up, tell them we're looking at them, and ask them to send us all the documents they have so that we can prepare for this review.

They came in, gave their presentations, and we said, all right, thank you very much, but go away now; we'll have you back when we've assessed your representations and the information we have, and then we'll have a final meeting. Actually, it turned out to be two meetings to do the realty properly.

They came back to us and told us they appreciated the process, because it helped them to get to know each other, to establish a relationship, and to do meaningful work. On top of that, the committee was more harmonious. We decided we wouldn't follow the normal practice, where this party asks a question, and then this party. We said let's divvy up the work so that one person does past Auditor General reports, one does current, one does plans and priorities, one does the numbers. Everybody on the committee who was going to be involved in that review was going to have a responsibility, and do it well. They would be the lead on the questions on this area. This meant that as we prepared for this, every member of Parliament wouldn't have to try to prepare to ask questions on whatever, with no idea of who might ask the same question.

So if you are assigned or you take an area that you feel you can get excited about, chances are we'll all do a very good job in our area. And collectively, the committee will have done a very good job on that. It makes eminent sense.

Our job now is all of this, the Catterall-Williams stuff and the government buy-in with regard to not only expenditure review but also departmental review and all types of government agencies and anything linked to government.

Marleau, which is where I started from, says that 50% of your job is being ignored. Now we have a suggestion on how we might deal with it. This committee's responsibility—and I recommend it to the committee—is to reconvene a meeting with the chairs of each and every one of the standing committees of the House of Commons to sit down and talk about this. I think it'll be an important investment of our time in improving the review of the estimates process.

Thank you, Mr. Chairman.

• (1135)

The Chair: Thank you, Mr. Szabo.

We have only 25 minutes for questions, so I would ask everyone to keep their questioning as tight as they can, starting with Mr. Preston.

Mr. Joe Preston (Elgin—Middlesex—London, CPC): Mr. Szabo, you just made one recommendation, that we reconvene the chairs of the other committees to get their input. You also mentioned that there were twelve other recommendations in your report. Have any of them been acted on?

Mr. Paul Szabo: Yes. One of the significant areas was the adoption and implementation of accrual accounting for the Government of Canada. That has happened.

One of the twelve recommendations called for a three-year planning period, and they are doing that. As for consolidating reports under a single heading, that's very difficult, because now all of a sudden we have logistics problems of gathering information between departments. I don't think they talk to each other as well as they should. We have work to do there.

In terms of all types of government entities, I think we're there. The establishment of this committee is done. On the review of the supply process and the estimates process, I'm asking this committee to follow up to make sure that happens. Three of the recommendations had to do with accrual accounting, which has been done.

So I think we've made some progress. We still have some work to do.

Mr. Joe Preston: The other comment is that you said the estimates reads like a phone book, and needs to have an awful lot more words in it. I take it that process has at least been suggested. This was my first time looking at the estimates, and I think you were kind in your assessment.

You also mentioned a regular cycle situation, not doing it 100% but picking and choosing, as you did in Public Works—i.e., pick one department, do it this time, and another time do another. I believe in the Catterall-Williams report, which you also mentioned, they talked about using a regular cycle.

Is it the job of this committee to recommend that and to make sure that happens? Is that where it lies? Does it need to be pushed forward?

Mr. Paul Szabo: It probably is the most important part of the mandate of this committee. We are responsible for ensuring that parliamentarians as a whole conduct an effective review process—not do it ourselves, but the process.

Ms. Marlene Catterall: I would say that there are two important things a committee can do. In some ways, I think the government—in that it's doing certain things—has responded better to the report than have committees and parliamentarians. I would agree with Paul that one of the most effective things that could be done is perhaps put together a briefing paper for the committees, based on the recommendations here and in the two subsequent reports, on how committees can be more effective. They have the tools to not only keep a closer eye on government but to actually influence future government spending. They're in a perfect position right now, because the main estimates, for a weird reason, have just been retabled, the plans and priorities reports are there, and next year's budget is in preparation. This is a perfect time for committees to look at what's in the budgets of the departments this year and what their plans are for next year, and to see whether or not you agree with those plans.

The other side, though, is that I think you should go back to the government. It was recommended they do a number of things to give committees better information with which to work. Go back to them and ask them to appear before you to indicate precisely what they have implemented—or what they haven't implemented, and why not.

Mr. John Williams: I am just going to make a quick comment, Mr. Chairman.

You're right, it's impossible to do justice when you can't get your mind around these estimates. They are convoluted, complex, and difficult to understand, and they give you a bird's-eye view. There's no detail there for you to ask specific questions. If you want the detail, it would fill the room, and you wouldn't find it anyway. So we have this conundrum.

That's why, as Mr. Szabo was saying, you do it on a test basis, as auditors do it on a test basis. That's why the expenditure review committee is going to have these documents with these seven tests, seven points, answered by the government. That's the document you want, one that gives you a complete analysis. I would make the comparison with the Auditor General's report in that all the facts are there.

Now you can read it and have a real understanding. Now you can bring in the witnesses, examine them, and ask them, "What are you doing if you find that the public interest test is off base, that it's not meeting that test? What are you doing?"

Focus the program, hold them accountable: that's our job.

• (1140)

The Chair: Are you finished, Mr. Preston?

Mr. Joe Preston: Yes, thank you.

The Chair: Madame Thibault.

[Translation]

Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you very much,

In terms of setting a timetable and achieving the desired level of efficiency, what would you recommend to the committee to ensure that its study takes into account the very best elements? I'm trying to group these three elements together. There is the timetable to consider and the best choices to make to achieve optimum efficiency. What kind of timetable do you have in mind?

Ms. Marlene Catterall: In my opinion, the suggestion made by my colleague Paul Szabo is the most important. Committees must be encouraged to examine the budgetary estimates submitted. We need to meet with the committee chairs to discuss our report's recommendations and to encourage them to take certain steps. Perhaps they could undertake an in-depth review of some of their department's operations.

Ms. Louise Thibault: Do you seriously believe that the different committees are as enthusiastic as you were when you made these recommendations? Were they as enthralled as you were on reading the report and did they feel the same desire to make a genuine contribution to the process?

Ms. Marlene Catterall: Given the time of the year and the ongoing preparations for the upcoming budget, I believe there is a very good reason for wanting to convince committees to do the work they have to do now, even if it means focussing on only part of their department's operations. We all have a great deal of work to do. This is always a very busy time. Perhaps the committee could look at the feasibility of modifying the House calendar.

In Australia, for example, two weeks are set aside solely for the purpose of examining the estimates. One committee can review budgetary estimates in depth for 12 or 15 hours a day over two days.

Ms. Louise Thibault: Have we ever given any thought to proceeding in this manner? Has this option ever been discussed by the committee?

Ms. Marlene Catterall: I don't believe so. However, one problem I foresee is that members may use this two-week period to return to their ridings.

Ms. Louise Thibault: Thank you. I have nothing further at this time.

[English]

The Chair: Excuse me, Mr. Szabo, Mr. Williams had indicated he wanted to respond. Then I'll go to you. Thank you.

Mr. John Williams: I want to get back to the estimates documents. As they're presented to committees, the estimates documents are too complex for the average member of Parliament to really get a handle on.

Two, as I said, they're bird's-eye views that contain no detail on which to ask questions. If you wanted the information, then you would be swamped in paper.

The third one is, where is the motivation for parliamentarians to become involved? The Standing Orders make it virtually, if not absolutely, impossible for parliamentarians to cause change at the end of the day, because the government says a reduction in the estimates is confidence, and therefore the process is such that it is not really possible for parliamentarians in the end to cause change.

So they say, "Why do I do this exercise? I'd be far better getting into the policy issues and the other issues of the committee".

Therefore, because they can't make any difference in the end results, they say, "Why bother?"

That's the job of this committee, to recommend changes to the Standing Orders, to make it a real opportunity, and if it is desirable and in the public interest to cause change in the estimates, then cause change in the estimates. Remember, that's what parliaments were in the first analysis: they were created, and they developed and evolved, to control the expenditures of government.

• (1145)

The Chair: Thank you, Mr. Williams.

Mr. Szabo, you would like to respond as well?

Mr. Paul Szabo: We cannot do this subject matter justice here, but I hope that what we've done is what the appetite of members so that we should talk about this a little bit more. Even to read these reports, it's a little difficult to synthesize them.

If I were going to make a further recommendation to the committee, it would be to come to the consensus that this committee has more responsibilities than it can possibly discharge. That's a fact. If we want to discharge our responsibilities, we must consider ourselves to be a different committee from other standing committees, just as the Board of Internal Economy is a different committee. It has a lot of power.

We have, I believe, the mandate to be the most powerful, influential committee on Parliament Hill. If you believe that, then we have to start building this committee to that point, which means that there should be a full-time staff, a full-time office, dedicated to government operations and estimates. That's where the focal point will be.

This will take some time, so we have to chunk it into steps. I think the member is quite right that the timeline is what we want to make it. The starting point is, let's at least get the other committees committing to a reasonable approach to the estimates, while we consider the next step. I think the next step is, either change the mandate of this committee down to something that we can reasonably achieve, or give it the resources that it needs to do a good job.

The Chair: Thank you very much, Mr. Szabo.

Next questioner, Mr. Scarpaleggia.

Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.): Thank you, Mr. Chair. Congratulations, obviously, on this initiative.

Mr. Williams, you said modestly that it is all just a matter of simple logic, but somebody has to put the simple logic forward for people to see it, or it's not much good.

My question ties in with Mr. Szabo's comments. There's rarely a dearth of good ideas for improving the state of affairs of the government, or of anything really. I'm sure all of us have great ideas for issues that we can study and evaluate. In your work, did you do any comparative study—maybe you just didn't have the time or resources to do this—of what resources committees in other jurisdictions, like the United States and the U.K., for example, have at their disposal to do the job? My impression has always been that American committees—and I know it's a different system—have so many more researchers to help the members with the evaluation and study of issues. Your general comments on that would be appreciated.

Mr. John Williams: The Canadian way is always to do it on the fly and do it on the cheap, and that very much applies to the way the committees work here.

I understand senators in the United States each have, individually, a staff of the better part of 100 people. I've been down in a congressional office and there are about eight or 10 people in a congressional office, plus whatever they have back in their constituency, about which I have no idea. Plus, as you say, each committee is fully staffed with 10 to 20 people and their own room and a press office. They have it all.

Here we don't even have a dedicated room for ourselves. We are thankful and appreciate the work of the Library of Parliament and the clerks; they provide wonderful services to us, but it is a bare bones process, there's no question about it.

Mr. Francis Scarpaleggia: So you would agree that committees need more resources to do better—not necessarily approaching what they have in the United States, because as I say, it's a completely different system—but we do need more resources if we want to do a better job.

• (1150)

Mr. John Williams: If you want to be effective, you have to have the resources, and we don't have the resources other than to be a superficial fly on the elephant's rear end, type of thing, and that's why we can be brushed aside by the government any time they want.

If Parliament is to be the institution of accountability to hold government accountable, it needs the resources. I'm pleased to say I think the liaison committee will, at its next meeting, be discussing a report, which didn't move forward because of the election last spring, to bring more resources. But I'm quite sure that even that will just elevate us back up to something bare bones too. It's not going to be a luxury model, for sure.

The Chair: Thank you, Mr. Williams.

Mr. Scarpaleggia, more questions?

Mr. Francis Scarpaleggia: That's it, thank you.

The Chair: Madame Marleau.

Hon. Diane Marleau (Sudbury, Lib.): There's another challenge we have, as Canadian parliamentarians, which is that over the years I've been here I've never seen continuity in membership on committees—you're here one time, another time it's someone else—so people who have a lot of expertise by and large end up being moved to another committee. That's done by the parties, of

course, but I happen to think that if you spend some time on a committee you then develop a lot of expertise.

There should be a recommendation that as much as possible, at least between elections—because if you lose a lot of members you don't have any choice—the makeup of committees be very stable. That's the other big issue, because as soon as one Parliament ends, that's it and you're starting over again, and that's where having each committee having their own staff and their own researchers would also bring continuity. Even if the members changed, the backup would be there. That's a big thing.

Ms. Marlene Catterall: It was one of the recommendations in our committee that there be more stable membership on committees. The problem is, the members themselves make it hard to do that because they want a change of committee.

Tell me how many of you around this table don't want to move to foreign affairs some time? That's just an example.

But the other big difference between the American committees and ours is that the life expectancy of a member of Parliament in Canada is very short. Our election expenses laws and the limits make it very easy for members to be challenged and defeated. In the United States, once you've spent \$1-million-plus to get elected, it's very hard for somebody to take you out, and you tend to be there for 20 years or longer, so stability on committees is a real possibility in a way that it is simply not here. So you're right, and that's why that core staff, dedicated to that committee, is extremely important.

Mr. Chair, can I just add one other thing? John and I had a fundamental disagreement as we were working through this report—not many; I convinced him on most things—

The Chair: You two are different, Ms. Catterall.

Ms. Marlene Catterall: You've heard me say that members should be able to change the estimates, and I don't have a problem with that. The recommendations are in here by consensus from all the committee members.

But I think a more important role for members of Parliament—that's why I say this is opportune, that you have the main estimates before all the committees right now—is to say now what you would like to see in the budget that comes down in March. Then, if you have said, even for certain areas of the department, this is where you think the priorities need to shift and that's not what you see in the budget and in the estimates in March, then you're darn well entitled to an explanation.

Also, now is perhaps the time for this committee to go back through these recommendations as to what government should be including in its reports, in its plans and priorities or its estimates, in terms of responding to issues the committees have raised. If you wrote right now and said these recommendations were made five or six years ago and you'd like to make sure they implement some of them when the estimates are tabled in Parliament this coming year, that could be very helpful.

• (1155)

The Chair: Thank you, Ms. Catterall.

Mr. Williams.

Mr. John Williams: I have a very quick point. There are two recommendations along that very line, and it's absolutely important that we say, change the motivators and you change the results. In the United States if you're on a committee, you're there, and it's based strictly on seniority who ends up in the chair. But in the last 10 years I've been here, the chairs on the government side have just been musical chairs, and therefore there's no expertise developed. There's no presence in the country at large where you speak because you're an expert on the issue, and therefore, again, committees are weakened by the fact that the government keeps moving the chairs around.

I think this is a policy the committee can speak to on behalf of Parliament, because the government shouldn't be dictating to Parliament who should be the chairs. Parliament should be deciding its own chairs.

The Chair: Thank you, Mr. Williams.

We'll go to the next round of questioning. Mr. Martin, we only have about six minutes, so if you can, keep it as brief as possible.

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Mr. Chair, and thank you to all of you for being here.

I think this has been useful in a relatively newly struck committee. As one of the founding members of this committee, I know we've always been seeking direction as to really what it is we should be able to do.

There was great fanfare, really, with the creation of the committee on the government operations side; there was a lot of interest in looking at how government works. On the estimates side, I was hoping and took it to mean—and correct me if I'm wrong—we would be introducing a new type of oversight and scrutiny to this Parliament similar to what some of the provinces do. In my view, our oversight and scrutiny is ass-backwards; it all falls to Mr. Williams and his public accounts committee to look at the spending after the fact, and very little attention is paid to the estimated spending and the justification for that spending.

Where I come from, Manitoba, the minister comes before the committee with his or her estimates and is grilled, often into the night, line by line as to, why do you intend to increase this budget line by \$100,000? It has two advantages. One, I think the public is well represented, but two, it forces the ministers to become truly knowledgeable about their portfolios.

Maybe you have been through some of this while I was out of the room, but are we heading in that direction through recommendations of your committee, or do you see the value in heading in that direction?

Ms. Marlene Catterall: I don't think it needs the recommendations of our committee. Every committee has that power now, but they're not using it.

Mr. John Williams: I think that's more of a political process, and as you say, it causes the minister to know his estimates line by line, but what you really want is to be effective. This is why I am proposing that on programs with statutory spending—because you have statutory spending as part of your mandate—you demand and request these reviews that are done by the government and cause this to be made a continuous process on a cyclical basis. These in-depth

evaluations, very similar and akin to an Auditor General's report, contain the facts regarding an individual program. Then you can really burrow down, as Mr. Szabo was saying they did at Public Works on real estate, and make the real recommendations that save the billions of dollars everybody knows is somewhere but nobody can point their finger to.

That is where it's your responsibility, in my opinion, to be effective. It's not to go line by line, because you're not an expert on how much money should be spent on a hospital or how much money should be spent on something else. If it's in there, how can you just examine the minister and say something is a waste of money? It is the overview or the in-depth analysis of the program in its entirety that we need in order to hold the government accountable, and that's why I would like you to move in this direction.

Mr. Paul Szabo: Let me close it off, Mr. Chairman, if I may.

Pat raises an interesting point. You will see in the recommendations of Catterall and Williams as well as in the subsequent reports that the review of the estimates has always been used as...this is the time of year you do it. It is not the time of year; it happens to be one in the cycle.

This is ongoing. You have to realize that committees can and should be doing this regularly, calling in departmental officials and the minister just to keep and build that relationship. Every committee should "calendarize" or make a commitment. At least four times a year you have to have the departmental people there so you get an update on what's going on. You can't do it all at once. You have to build that relationship with your department on stuff like this.

Committees aren't doing that. They have no idea that is what they are supposed to do. That's why it's important that we should be meeting with the chairs of other committees, to get a buy-in.

Finally, this committee has had an excellent reputation since it started. I think, Pat, you will agree we have earned a very good reputation. It has been earned because of one thing: we transcended partisan differences and we stuck together. I think that's an important consideration all members should keep in mind on this committee. If we work together, we're going to do a much better job.

• (1200)

The Chair: Thank you.

Mr. White, a very short question. We only have a minute or so.

Mr. Randy White (Abbotsford, CPC): Thank you.

I really wonder why this committee is necessary if the other parliamentary committees have actually done their job of monitoring and managing themselves. To put a committee in place to manage or monitor committees is the ultimate in government, in my opinion. I can appreciate the mandate and what can be done, but I must say I'm extremely disappointed that standing committees of the House of Commons don't do their job in the first place.

I guess I come from that point of view. That's my statement.

The Chair: Mr. Williams.

Mr. John Williams: I would just agree with Mr. White that many committees are taken up with policy and bills. This committee is going to be freed from that responsibility and can therefore develop real expertise. I hope you take that and do so.

Ms. Marlene Catterall: Can I just add, Mr. Chair, that I encourage all members of the committee to read the recommendations. You don't really have to read the whole report by any means, but the problem we saw is that there are a number of problems that can't be addressed by the committees.

What's the reporting relationship with crown corporations to Parliament? I know Treasury Board is looking at that, but this committee should as well. How do we get at cross-government expenditures? Say we want to know everything that's being done, as Paul mentioned, for aboriginals, for the environment, or for health. It's not all under one ministry. One committee is only going to be looking at its department. This committee has the power to break down those silos and to look at how government spending on certain topics is integrated and focused. If it's not focused, it can be a great source of spending that isn't necessary.

The Chair: Thank you very much.

I have to cut things off for this part of the meeting.

I'd like to sincerely thank all of you for coming. I think you did a very good job in summarizing your reports and in answering questions. It is very valuable to this committee. Thank you very much.

Ms. Marlene Catterall: I can come back any time, Mr. Chair.

The Chair: We'll have a short recess, about two or three minutes, to set up for the next group.

• (1203) _____ (Pause) _____

• (1210)

The Chair: Good afternoon, everyone. Again we've reconvened the meeting, and the purpose of this meeting is pursuant to Standing Orders 110 and 111, to review the order-in-council appointment of Gordon Feeney to the position of chairman of the board of directors of Canada Post Corporation.

This was referred to committee on October 13. We have had witnesses, but today we have Mr. Cedric Ritchie, director of Canada Post board of directors and chair of the governance and nominating committee.

I would like to thank you very much, Mr. Ritchie, for coming on such short notice. I know it interferes with the schedule that you had in place already, and I very much appreciate it. If you would like to make some opening comments, I would welcome that, and then we will open up to questioning.

Mr. Cedric Ritchie (Director, Canada Post Board of Directors and Chair of the Governance and Nominating Committee, Canada Post Corporation): Thank you, Mr. Chairman. I'm glad to have the opportunity to assist the committee in its work. Canada Post and other crown corporations are a very important part of the fabric of our system. The involvement of committees in the House of Commons in the government's process is therefore of great importance.

The chairman has informed me that you wish to discuss with me the way in which new guidelines announced on March 15 were applied in the selection of Mr. Gordon Feeney as the new chair of Canada Post. I understand and appreciate that the issue is entirely process related. I have not heard of any doubts being expressed as to Mr. Feeney's qualifications for the position.

The President of the Treasury Board, Mr. Alcock, wrote to Ms. Vivian Albo, the then chair of Canada Post, on April 23 to tell her of the new guidelines. I read this letter and also the overview description that was attached, which provided more details on the process. The details in the overview description included words such as "where appropriate" and "normally", which made it clear, at least in my mind, that there is some discretion in the application of the guidelines.

In August Ms. Albo indicated to the minister responsible for Canada Post, and subsequently to the board, her desire to step down as chair of Canada Post because of increasing responsibilities related to her business affairs. In the light of Ms. Albo's decision, the minister called me as chair of the Canada Post nominating committee to request that we put forward names of prospective candidates for the chair position. He communicated a sense of urgency asking that the names be provided by September 30.

The board of directors shared the sense of urgency felt by the minister. Most importantly, Canada Post has not had a permanent CEO since February, and it was essential to have, at least in my view and in the view of the board, the new chair in place to lead the process of the selection of the new CEO.

It would not have been possible to deliver suggested names within the timeframe that the minister suggested while also completing all elements of the process generally applicable, including advertising the position and engaging a search firm. I discussed this conclusion with Ms. Albo, then with the corporate governance and nominating committee, and then with the board, who agreed.

Within the timeframe set by the minister, we were able to suggest to him two candidates for chair whom we considered to be exceptionally well qualified, and I'm pleased to be able to say that Mr. Feeney was one of them.

That's the end of my comments, Mr. Chair.

The Chair: Thank you very much, Mr. Ritchie. We'll start the questioning with Mr. Preston, seven minutes.

Mr. Joe Preston: Mr. Ritchie, thank you for coming today. And you're right, there's no question of Mr. Feeney's qualifications. That isn't really what we're talking about here today. We're talking about the process that was followed or was not followed in the appointment of Mr. Feeney.

I'm reading the same guidelines as I'm sure you had to look at from the Treasury Board release, saying that "...we are taking specific steps to ensure an open, professional and merit-based process to select senior executives for Crown corporations. This effort is further strengthened by confirming that parliamentarians will also play a key role in these appointments."

Let's look at some of the steps in there and see if you can answer some questions for me. I think you have answered some of them in your preamble, but let's see if we can talk about them.

You talked about being the chair of the nominating committee of the board of Canada Post. Is that a permanent nominating committee?

•(1215)

Mr. Cedric Ritchie: Yes, it is. Last April, I think it was, when the directive came out from the Treasury Board that there be a permanent nominating committee, the board at that time had a corporate governance committee but not a nominating committee. The corporate governance committee fulfilled, in essence, the same role as the nominating committee. At the suggestion of Mr. Alcock, I believe, it was decided that the board would roll the corporate governance committee into the nominating committee, and the nominating committee then would become a permanent committee.

Mr. Joe Preston: So we've established that the first piece was at least somewhat done in that piece.

The second clause in the first of the four steps was to establish criteria for candidate selection, and I'm certain we've gone that route. But I'll ask a few questions, and if you give me answers to them all at once, perhaps we'll save ourselves some time during the questioning process.

The second one is that a professional recruitment firm will be engaged to assist these nominating committees and that, as a part of that, advertisements will be posted in newspapers and in the *Canada Gazette* for all openings of positions of chief executive officers or chairs of corporations. I believe you stated in your preamble that this may not have been done.

Mr. Cedric Ritchie: That is correct, sir, because in the minister's letter of April—I don't have the exact date—to the chair of Canada Post, it says: In undertaking its work, the nominating committee will need to rely on rigorous processes involving the use of a professional recruitment firm as well as public advertisements for the selection of the CEO and chairperson. The attached overview provides details on the process.

The attached overview, or the attachment outlining the process, reads, on the nominating committee: In undertaking its work, the nominating committee will need to rely on rigorous processes involving the use of a professional recruitment firm, where appropriate, as well as public advertisement for the selection of the CEO and chairperson. In particular, it will have to develop selection criteria for the CEO and chairperson... the positions would normally be advertised in the *Canada Gazette* and national newspapers. For all positions, including those of directors, the nominating committee will normally seek the assistance of an executive search firm.

Mr. Joe Preston: So the letter you're using as your guidance for this process is different from the Treasury Board's guidelines?

Mr. Cedric Ritchie: Well, I'm sorry, but this is attached to the letter from the Treasury Board giving the details of the process to be followed.

Mr. Joe Preston: So we have a difference between the two. Will we be able to table that letter?

Mr. Francis Scarpaleggia: It has been requested.

Mr. Joe Preston: Thank you.

The Chair: Just excuse me a minute.

Go ahead, Mr. Ritchie.

Mr. Cedric Ritchie: You're absolutely right, sir, that you can interpret the guidelines, but it seems to me that the minister, in this letter, refers to the process to be followed as outlined in the guidelines.

•(1220)

The Chair: Thank you very much, Mr. Ritchie. That's helpful.

Mr. Preston, we have a copy of the letter, but we have to get it translated before we can circulate it.

Mr. Joe Preston: Super.

The next step in the process that we have is that the nominating committee will make recommendations to the board of directors, and the board will provide a short list to the minister.

Mr. Cedric Ritchie: Right, sir.

Mr. Joe Preston: I take it that was done.

Mr. Cedric Ritchie: It was, sir.

Mr. Joe Preston: Okay, and the appropriate minister would then make the appointment—and in Mr. Feeney's case, that was done—and then the appropriate parliamentary committee would review the candidate.

Mr. Cedric Ritchie: I understand that was done yesterday.

Mr. Joe Preston: Okay.

You said there was a letter received saying that there was some urgency to the process.

Mr. Cedric Ritchie: Right.

Mr. Joe Preston: Has Mr. Feeney reported for work at Canada Post now?

Mr. Cedric Ritchie: I believe he was in the office yesterday afternoon. As a matter of fact, he is at a board meeting of Canada Post as we speak.

Mr. Joe Preston: So the urgency that was stressed in the letter sometime in September from Mr. McCallum, I guess, who would be the minister in that case, about this happening—we're past October 26; Mr. Feeney is going to work now—was prevalent but certainly didn't need to be as rushed, perhaps, as it was?

Mr. Cedric Ritchie: I guess that's a matter of judgment, sir. Here is the seventh-largest corporation in Canada, Canada Post, with 60-odd thousand employees—a very important corporation to all Canadians. It has been operating without a CEO since February or March. I forget the exact date.

Mr. Joe Preston: I recognize that; it was operating without a chairman, and a CEO too. I was going to get to that piece, if I might, because my time is very limited.

The Chair: On a point of order. Mr. Scarpaleggia.

Mr. Francis Scarpaleggia: We have an extremely esteemed member of the business community appearing before us today, a member of the Order of Canada, a self-made individual. He's trying to answer a question, and Mr. Preston won't let him get a word in edgewise. I'd just like to register my objection to that.

The Chair: Mr. Scarpaleggia, I'd like to let the questioning go as the member sees fit. If it is out of line, I think the public would judge it accordingly.

Mr. Preston, would you continue, please.

Mr. Joe Preston: I apologize if I'm interrupting. It's a time constraint problem I seem to be up against. I do apologize and in no way mean to offend.

I take it that as the chair of the nominating committee you'll be involved in the process of hiring the new CEO also?

Mr. Cedric Ritchie: In making the recommendations, yes. But if I may pick up on the point you were making before, to try to bring this whole process into perspective, there was a degree of urgency—at least in my view, and I think the view of the board—and I sensed very strongly the view of the minister that the issue of the CEO should be addressed. This was accentuated by the fact that in late August or early September Ms. Albo, the chair of Canada Post, indicated that because of business pressures she wanted to step down.

It seemed to the nominating committee and the board that because Ms. Albo wanted to step down there was a degree of urgency to get a replacement as chair, because in our view, if Mr. Feeney was to be the new chair—or whoever was to be the new chair—it seemed to us only appropriate that the person be involved, and involved very heavily, in the selection of the new CEO.

You mentioned that he only attended yesterday, but I think his appointment was announced at the end of September. Mr. Feeney, as I understand it, did not wish to attend any functions until the clarification relative to his appointment had been made through its being examined by this committee. That was my understanding.

●(1225)

The Chair: Thank you, Mr. Ritchie.

Mr. Preston, your time is up.

Madame Thibault, you have seven minutes.

[Translation]

Ms. Louise Thibault: Mr. Ritchie, you talked about the urgency of the situation from the department's perspective. I listened closely to what you had to say on the subject. Let's disregard for a moment this perception. Do you agree with the appointment process—and given your job, this is an especially important question—as described earlier by my colleague Mr. Preston?

[English]

Mr. Cedric Ritchie: Under normal circumstances it is a process that is quite time-consuming, but it's effective. But I don't think it should be carved in stone.

[Translation]

Ms. Louise Thibault: You're talking about a normal situation. In your job, I imagine situations are rarely normal. You must be dealing with emergencies fairly often, just like other boards of directors, ministers' offices and so forth. If you're talking about a normal situation, when do you expect the situation to be normal? We have to follow the procedures that are set out.

I have no doubt that your job is to influence the minister. Since you do realize that this is an important process, could you not, on the contrary, suggest that despite the urgency, a process such as this one based on the merit principle should be followed?

●(1230)

[English]

Mr. Cedric Ritchie: Perhaps if I had to do it all over again, in the light of what has been happening in the last two to three weeks or a month, I would raise that issue. But I make that comment with all the benefit of hindsight.

[Translation]

Ms. Louise Thibault: Perhaps you could let us in on the criteria that you use? You say that two candidates were considered. What criteria did you use to make your selection, considering what you told us about the urgent nature of the situation and considering that you likely had to cut out some steps in the process? What basic criteria did you use? Was functional bilingualism one of the criteria?

[English]

Mr. Cedric Ritchie: I have in front of me here the broad outline of the terms of reference of the job. It requires, obviously, at least in the view of the nominating committee, someone with a fair degree of experience who also understands corporate governance, who understands the nature of a retail operation, such as what Canada Post handles. It requires someone who has the ability to effectively conceptualize and articulate corporate vision and business direction, because things are changing in the postal system; the ability to build constructive relationships and facilitate information sharing and meaningful dialogue among the board members, the senior management, and the stakeholder; the ability to effectively understand and monitor corporate performance; and personal stability. These are some of the characteristics that I think one is looking for, or which could be incorporated in the terms of reference.

[Translation]

Ms. Louise Thibault: Do you feel that this statement of qualifications or that these criteria are much too broad for a position of this nature, or would you say that these criteria are specific to the mandate assigned to the position incumbent?

[English]

Mr. Cedric Ritchie: I'm sorry, but I didn't catch the latter part of your question.

[Translation]

Ms. Louise Thibault: Is what you've just described specific to the duties that the incumbent, whether male or female, will be called upon to perform in society? Are we talking about very specific, or very broad, criteria?

You haven't answered my question as to whether bilingualism was a criteria. I didn't hear you give an answer, so I would imagine that having a unilingual francophone or anglophone incumbent would also have been a satisfactory choice for you.

[English]

Mr. Cedric Ritchie: I think you have a very valid point. There is not a language requirement built into those terms of reference. However, I would point out that in the terms of reference, which I don't have with me, for the CEO of Canada Post, one of the requirements is that he must be fluently bilingual. That is for the president and CEO, but that is not in the terms of reference of the chair.

[Translation]

Ms. Louise Thibault: Lastly, do you find all of this normal?

[English]

Mr. Cedric Ritchie: Do I find it normal? I don't quite know what you mean by normal.

[Translation]

Ms. Louise Thibault: There are two recognized official languages in Canada, where since 1967, the Official Languages Act has been in force and where many programs were brought in to make leaders and heads of departments, corporations and boards of directors bilingual. Do you think it's normal that after nearly 40 years, the government is able to recruit a unilingual person, whether francophone or anglophone, to head up an organization such as this one?

• (1235)

[English]

Mr. Cedric Ritchie: Well, I think we have to be careful that we don't get hung up on that issue, because there is a very distinct process followed by Canada Post at any board meetings, committee meetings, and what not, in that there is complete access in both languages to any material provided to the board and complete translation services in both French and English. In the board meeting this morning at Canada Post that I spent some time at, the first five minutes was in French.

The Chair: Thank you.

Mr. Szabo, please, for seven minutes.

Mr. Paul Szabo: Thank you. I'll be splitting my time with Mr. Powers.

Mr. Ritchie, thank you for being here. Prior to receiving the communication from Minister McCallum with regard to these guidelines, what guidelines were the board operating under with regard to recruiting directors or other officers?

Mr. Cedric Ritchie: Prior to the instructions from Mr. Alcock, the Treasury Board went out to all crown corporations relative to—

Mr. Paul Szabo: Did you read that thing about “where appropriate”, etc.? Prior to that, what rules were you following?

Mr. Cedric Ritchie: Yes. Prior to that, there were no specific instructions that I saw relative to what the process should or should not be of such a specific nature. However, there is and was, in the bylaws of Canada Post, a process to be followed or a process relative to directors as to qualifications, etc.

Mr. Paul Szabo: Good business practice.

Mr. Cedric Ritchie: Yes, good business practice.

But those bylaws also used the words “may” obtain the outside services of an expert and/or a search firm or consulting firm.

Mr. Paul Szabo: That helps.

Is the letter you received and that you referred to here the only official communication that you have received with regard to the government's guidelines for recruitment?

Mr. Cedric Ritchie: As far as I know.

Mr. Paul Szabo: You are the chair of the nominating committee, so you would know.

Mr. Cedric Ritchie: No, I have only been here a year and a half or so, and there could be—

Mr. Paul Szabo: Okay, but you are aware of what they are dealing with now.

The question is, given this is the only communication that you as the chair of the nominating committee received with regard to the guidelines, are you satisfied that you complied with that communiqué fully?

Mr. Cedric Ritchie: When?

Mr. Paul Szabo: Have you done your job in accordance with the memo that you got?

Mr. Cedric Ritchie: It depends on how you interpret that letter, because their operating instructions relative to that letter, at least in my view, gave leeway to the board, to the committee, to use the words “may” and “where appropriate”. In my view at least, and in the view of the board, in light of the somewhat urgent nature of the matter, we felt that we should move on it.

Mr. Paul Szabo: Okay, you are basically saying yes, you have effectively—

Mr. Cedric Ritchie: If you had all the benefit of hindsight and all the time in the world, I think certainly you can go through this process. But let's be frank, it's going to be a couple-of-month process. By the time you hire the search firms—

• (1240)

Mr. Paul Szabo: I understand that.

But the issue is whether or not you discharged your responsibilities in accordance with the regulations required.

Mr. Cedric Ritchie: I consider that I have, in light of that letter and the instructions attached.

Mr. Paul Szabo: I think that's helpful. The nominating committee has discharged its responsibilities in a proper fashion.

This is my last question. If a member of the board of directors or the chair has a retainer of something from \$15,000 to \$20,000 or \$25,000, a nominal amount relatively speaking to a CEO of a corporation, what would it cost to hire a recruiting firm to advertise in newspapers across the country and to do a full executive search?

Mr. Cedric Ritchie: Probably between \$100,000 and \$150,000.

Mr. Paul Szabo: So do you think that it's reasonable, in replacing a director, say, of your corporation, to actually go and get a search firm and spend \$100,000 or so?

Mr. Cedric Ritchie: I ran an organization where, I guess, we have been criticized for running a very tight ship.

Mr. Paul Szabo: Sure.

Mr. Cedric Ritchie: I would not at any time spend \$100,000 unless there were a very distinct reason for it.

The Chair: Thank you very much, Mr. Ritchie.

Two minutes to Mr. Powers.

Mr. Russ Powers (Ancaster—Dundas—Flamborough—Westdale, Lib.): I have three quick questions, sir.

What was the time interval between when the issue was given to your nominating committee and the time that your report was referred to the minister?

Mr. Cedric Ritchie: It probably was about two weeks, give or take, but I don't have the specific dates.

Mr. Russ Powers: That's fine, sir. You talked about urgency. So obviously if it was within the two weeks, there clearly was an urgency.

How many candidates did you consider?

Mr. Cedric Ritchie: We considered three.

Mr. Russ Powers: Thank you.

What process did you utilize in order to determine the best candidate—in your case, the best candidates—to pass on to the minister for his consideration?

Mr. Cedric Ritchie: The knowledge of the individuals, their c.v.s, and the reputation and knowledge we had of their performance.

Mr. Russ Powers: Did you interview them at all, or were there any tests or reference checks, or things like that?

Mr. Cedric Ritchie: There were no reference checks. It was from the knowledge of the individuals and their past performance, which is a matter of public record.

Mr. Russ Powers: Certainly.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Powers.

Now for seven minutes, Mr. Martin.

Mr. Pat Martin: Thank you, Mr. Chair.

Good morning, Mr. Ritchie.

I have a simple question to start with. Who put Mr. Feeney's name forward to be considered for this position?

Mr. Cedric Ritchie: I believe it was me who put the name forward. When Ms. Albo indicated that she was stepping down, there was a sense of urgency. When we looked at the specs or requirements and qualifications required, I mentioned to the minister that an individual such as Mr. Feeney would fit the bill and could well be considered.

Mr. Pat Martin: That's interesting. Thank you for that.

Mr. Feeney, as the chairman of the board, will have at least some business or some oversight over the investments of the pension plan of Canada Post, which, as I understand it, is either managed by or has a direct relationship with the Royal Bank. Seeing as you're the chair of governance as well as the chair of the nominating committee, in the interests of good corporate governance, should Mr. Feeney recuse himself from any decisions associated with the pension investment if there's any involvement by the Royal Bank of Canada? Do you see that as a conflict from a corporate governance point of view?

Mr. Cedric Ritchie: The process you just outlined, sir, could well result in a perceived conflict. From my experience with, and the judgment of Mr. Feeney, he would be very conscious of any perceived conflict and would excuse himself and not be part of any of the decision-making.

●(1245)

Mr. Pat Martin: Frankly, it's that mindset that's got us into so much trouble in the public and private sectors in terms of at least the perception of conflict. I only raise the question. I don't need a detailed answer. I would hope that you would ask him not only to be cautious in and around those investments, but to get out of the room any time the Royal Bank is dealing with the pension fund's money, because he's so freshly from a senior management position at the Royal Bank.

Mr. Cedric Ritchie: On the situation that you just outlined, from my experience with the bank I ran, where there was any perceived conflict for any director of any investment or credit, he not only did not vote, but he was not present at any discussions relative to the transactions.

Mr. Pat Martin: Well then, is he a suitable choice to be chairman of the board if he has to get out of the room every time—frequently—this massive pension plan's future is being talked about? That's the question I would raise.

I'm running out of time, so I have one other question. You were the chairman of the board of the Business Development Bank at the time that Michel Vennat was president, and he of course was kicked out for his role in ousting the previous president. What process...? Did you follow the Treasury Board's guidelines in your search for a new president in that capacity or did you interpret it to mean that it was optional then too?

Mr. Cedric Ritchie: No sir, we followed that process.

Mr. Pat Martin: Which process?

Mr. Cedric Ritchie: The process of a search firm. I believe we ended up with five to six names. Insofar as the search firms are concerned, we went through the whole process of interviewing them.

Mr. Pat Martin: How much did that cost?

Mr. Cedric Ritchie: I don't have the bill yet, but you're not going to have much left of \$100,000.

Mr. Pat Martin: You saw it as necessary or advisable to follow the Treasury Board guidelines in that case when you were chairman of the board. Why would the same logic not apply in this recent candidate search?

Mr. Cedric Ritchie: There are two issues here. The issue of a search for a CEO who is responsible for the day-to-day management and running of the corporation is different from a part-time chair who probably spends one or two days a month chairing meetings. The requirements and time commitments are much different. Secondly, insofar as the BDC is concerned, certainly we have gone through a very extensive process there, the difference being that we do have an acting president who has operated de facto as number two for many years in BDC, and we had a chair who was not stepping down at that time.

Mr. Pat Martin: Thank you, sir. But you can see our problem here.

Mr. Cedric Ritchie: Yes, I can understand your problem.

Mr. Pat Martin: You, as the chair of the nominating committee, were the one who put forward the name of Feeney, who just happened to be an old working friend—I won't say buddy because I don't want to be derogatory—of the minister. I mean, that is just too close a connection at both ends for the public to be satisfied that there was an objective process followed here.

Mr. Cedric Ritchie: Mr. Chair, I've noticed in the press the question of the buddy system and things of this nature. I would like to point out that I have a great respect for Mr. Feeney, but I am not a buddy of Mr. Feeney. I happen to have been a competitor of Mr. Feeney's, and while we can at least be civil, we still have never lost sight of the fact that he was a competitor, and I still would take as much business as I could from him.

The Chair: Thank you, Mr. Ritchie.

Mr. White, seven minutes.

Mr. Randy White: Mr. Ritchie, I do find this peculiar myself and out of the ordinary. I don't find it normal. You used the word "normal" a number of times in your references there. In fact, when Madame Thibault asked you a question, you said you didn't know what normal meant. I guess I have the same problem. I'm not sure what normal is when you're hiring a person of this category.

I've been a CFO and CEO myself and have many friends who are and some who would certainly like to be given the opportunity to apply for this job. The qualifications you ran through—experience, corporate governance, corporate vision, relationships, meaningful dialogue—are by no means special at all in the business world. In fact, they are rather standard qualifications. I don't see that an individual would particularly be very special in meeting those standards, because they are rather standard indeed. Executives today are hired on skills, abilities, qualifications, past performance.

I'm really curious how it is, with respect to an organization of 60,000 people, as you say, that you can know you have the best person in Canada for the job when there are so many people who could qualify. In this country, I can assure you, there are more than a dozen who could and would take that job and are well qualified to do it. In particular, as you say, the pension activity with RBC as well—and I want to get to that in a moment—could result in a conflict of interest. In such an important organization, that alone would make me somewhat skeptical of the individual being put in that job.

I'd like you to answer that, please.

• (1250)

Mr. Cedric Ritchie: It seems you're raising two points, as I understand it.

The first one is about Mr. Feeney, about the qualifications of the job, and you're indicating that there are at least 12 other people who could do the job—

Mr. Randy White: There are probably more.

• (1255)

Mr. Cedric Ritchie: I'm not disagreeing with that. I don't know. And you don't know until you get the search. There may be 100. I don't know. But I would raise this question. I'm not sure that there are 12 people available with the skills of Mr. Feeney, insofar as

understanding the delivery of a system like Canada Post is concerned.

I would remind you, sir, that Mr. Feeney ran the retail operation of the Royal Bank, which is probably comparable or near to comparable to Canada Post. He also ran the HR functions of the Royal Bank with its large staff. Those combined suggest to me that he has a complete and excellent understanding of how a retail operation such as Canada Post operates, in terms of a delivery system, a technical system, and a human resource system.

I'm not saying he is the only one, by any stretch of the imagination. The only point I'm making is that the fit seems to be very good.

Insofar as the question of conflict of interest and the pension fund of the Royal Bank is concerned, that's an issue I have not heard raised. But I will repeat what I said earlier, which is that insofar as the integrity of Mr. Feeney is concerned, he's had 45 years in the Royal Bank and has, I know, a complete understanding of conflicts.

That being said—it is an excellent point to raise here—that will be examined in complete detail, both from a legal and ethical question and an operating question.

Mr. Randy White: The fact is that Canada Post doesn't know today that it got the best person for the job.

Mr. Cedric Ritchie: If it had hired 12, would it know?

Mr. Randy White: No, but you would have one heck of a better idea had it been advertised, had you brought in individuals and interviewed them, which is standard in the business, and had you checked their references to see if anybody was in conflict. You would have known that.

But you don't know that today.

Mr. Cedric Ritchie: Well, I think that's a matter of judgment, sir.

Mr. Randy White: Do I still have some time?

The Chair: You have time, Mr. White. You have a minute and a half.

Mr. Randy White: I want to pursue again this pension plan, which is very important. I cannot see the chairman of the board of an organization that size being in conflict of interest and excusing himself from discussions that involve many dollars—in fact, the investment in RBC by the pension plan is fairly significant. How does that get handled with any kind of standard approach by an organization where the chairman has to get out of the room when they're talking about the pension plan?

How do you see that operationally?

Mr. Cedric Ritchie: I'm sorry, it is standard in the financial industry, in the banks, that when the chair or any officer of a bank is involved in any investment decision in which there could or would be a perceived conflict.... I don't have the Bank Act in front of me, but it clearly states what has to be done, that they declare their interest and not be part of the decision-making process.

In the organization that I chaired—for too long probably—when any of those transactions involved a director, the director was not present in the room, even though he declared interests. That's probably the practice followed by the Royal Bank, but I don't know. It is something we will certainly put on the record here.

The Chair: Thank you, Mr. White and Mr. Ritchie.

Mr. Boshcoff, for four minutes.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Thank you, Mr. Chair.

Mr. Ritchie, over the period of time you have been in the business world, how many people have you hired or been involved with in the process, exactly?

Mr. Cedric Ritchie: I'm sorry?

Mr. Ken Boshcoff: Generally.

Mr. Cedric Ritchie: I was in the bank 49 years, so I started out....

Mr. Ken Boshcoff: Would you say many?

Mr. Cedric Ritchie: Yes.

Mr. Ken Boshcoff: After the process was concluded, did you ever second-guess yourself as to whether or not you had the best person, whether you could have gotten someone else, or have you wondered if this was really the decision, because someone else might have come along or been mentioned to you?

Mr. Cedric Ritchie: Absolutely. In many instances the more.... I guess my philosophy on that was if you hire ten people and you're successful six to seven times out of the ten, you're lucky. In other words, if you're betting 60% to 70% consistently, you're lucky. The law of averages says, at least in my view, you're going to miss on two or three.

Mr. Ken Boshcoff: Essentially, if you waited to hire someone until you interviewed everyone possible, would you ever get anyone hired?

Mr. Cedric Ritchie: You'd never get anything done. You'd get paralysis by analysis.

Mr. Ken Boshcoff: I hope this is really going to conclude this matter, actually.

How many other vacancies are there on the board?

Mr. Cedric Ritchie: I think there are a couple.

Mr. Ken Boshcoff: And what process is now underway?

Mr. Cedric Ritchie: I think the issue has to be reviewed in complete detail. In my capacity as chair of the nominating committee, I want direct instructions from the minister as to what process he wants followed, and if he wants to spend \$100,000 to go out and search for directors, then that's fine. In other words, if you want to take the judgmental call out of this, fine.

• (1300)

The Chair: Thank you, Mr. Ritchie.

Madam Marleau, you wanted to follow up with some questions.

Hon. Diane Marleau: There is something here that strikes me as a little odd. You are a very honourable man, and I think Mr. Feeney is a great appointment. I also think Mr. McCallum is an honourable man and a very good person, very intelligent.

When Mr. Feeney was here, he mentioned that he is the chair of the nominating or search committee at the BDC.

Mr. Cedric Ritchie: Yes, he was.

Hon. Diane Marleau: And you are the chair of the nominating committee at Canada Post.

Mr. Cedric Ritchie: Yes.

Hon. Diane Marleau: And you're all bankers.

It sure sends a funny signal.

Mr. Cedric Ritchie: Do you think we should be kicked out of the temple?

Hon. Diane Marleau: No, no. I'm just saying to you that when a person hears that, it suggests a different kind of cronyism—not bad, but that's what it suggests. That's the only problem with what has happened here.

They're all good appointments. There's nothing wrong with the people; I think they'll do fantastic jobs. But I think in future we will have to be careful, different corporations will have to be careful, about the appearance, because not only do you have to get the right person, you also have to have the appearance of non-cronyism or whatever.

Mr. Cedric Ritchie: I think you're absolutely right, because first of all, I don't think you will get many people who will serve on the two boards again.

Secondly, I think you also have to consider that these appointments.... And you can argue the pros and cons of this, but I think there is, in certain elements of the business community...and those who have some time feel that they owe this country something, if they can give it back.

I can tell you one thing. I'm not on these boards for money.

Hon. Diane Marleau: I know.

Mr. Cedric Ritchie: My wife has been asking me in the last month, what are you in this for, and I can't give her a right answer.

Hon. Diane Marleau: Remember, when I made that statement I wasn't doing it in criticism of—

Mr. Cedric Ritchie: No, look, it's a fair observation, and I appreciate that.

Hon. Diane Marleau: You know, I'm a francophone female from northern Ontario, and I don't think you'll see a lot of them around that table if we're not careful. I think you should occasionally have someone that comes from a different place.

Mr. Cedric Ritchie: Absolutely.

The Chair: Thank you, Madam Marleau.

Thank you very much, Mr. Ritchie, for changing your schedule to be here today, and for your very concise answers. It was much appreciated. Thank you very much.

Mr. Cedric Ritchie: Thank you very much, Mr. Chair. I appreciate and enjoy this. I hope you don't ask me back on the same thing, though.

The Chair: Thanks again.

The meeting is adjourned.

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