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—
Chair

The Honourable Shawn Murphy

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•(1100)

[English]

The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)): Order. I want to welcome everyone here.

Colleagues, this meeting is called pursuant to a motion made on March 13 of this year that the committee call certain witnesses to review certain select contracts made by the Department of Finance. As I think everyone is now aware, today's meeting will be broken into three segments. In the first segment, which will last one hour, we will hear from the deputy minister, who is also the accounting officer with the Department of Finance, Mr. Rob Wright. Also, we have the Secretary of the Treasury Board, Mr. Wayne Wouters.

Welcome. We understand that each of you has an opening statement. Perhaps we will go to you first, Mr. Wright.

Mr. John Williams (Edmonton—St. Albert, CPC): On a point of order, Mr. Chairman, you mentioned that we'll have three segments, the first hour being the gentlemen we have here right now, followed by two individuals, followed by, from one o'clock to two o'clock, the Minister of Finance, the Honourable Jim Flaherty.

I've mentioned this to you before, Mr. Chairman, but I have a really hard time with these three-hour meetings. Standard meetings for all House of Commons committees is two hours.

I have issues to deal with. I have constituents in town I'm supposed to have taken for lunch. Because somebody decided that we're going to spend three hours of the entire committee on a simple little contract of some \$120,000, I am really put out by this. I really would like you to take control of this committee and make sure that we abide by two-hour meetings every time, because MPs are busy, they all have things they want to do. And as I say, I have constituents who are going to go back home and say their MP didn't have time to talk to them, because I'm here doing a simple little thing, with three hours and 13 people focused on a \$120,000 contract.

I need to know. I'm quite sure that our member on the steering committee didn't approve the three-hour meeting. If you had supported him, there would have been no agreement that the steering committee have a three-hour meeting. So I want your assurance that these things are not going to happen from here on in.

The Chair: Mr. Williams, first of all, you're wrong on your assumptions. This matter was decided by the committee as a whole

Mr. John Williams: Well, it shouldn't be. The steering committee runs the meetings.

The Chair: Please let me speak.

This meeting was discussed, debated, and ruled on by the committee, it was voted, and they voted to have a three-hour meeting.

Mr. Wright, the floor is yours.

Mr. Wayne Wouters (Secretary of the Treasury Board): Perhaps, Mr. Chair, I could go first.

The Chair: That's fine.

[Translation]

Mr. Wayne Wouters: Mr. Chairman and members of the committee, good morning.

I was invited to appear before this committee today to address your questions on the role of the Treasury Board and its secretariat in regards to government procurement.

[English]

As the government's management board, one of the Treasury Board's key responsibilities is to set the rules, standards, and performance expectations for public sector management government-wide. If I could, I'll take a few minutes to give you a quick overview of the management responsibilities for federal institutions.

The Treasury Board Secretariat supports the Treasury Board in its role through a number of activities. This includes setting management policies and assessing management performance in departments through the management accountability framework. The secretariat also supports departments by providing guidance and tools and developing capacity in key functional communities through learning and development activities.

Deputies have the responsibility to ensure that the day-to-day management of their departments comply with Treasury Board management policies. They are also responsible for ensuring that appropriate controls are in place for the sound management of the institution's human and financial resources.

Ministers are also accountable to Parliament for the use of funds in their institutions and their offices. They are also accountable for complying with and ensuring that their exempt staff comply with the *Policies and Guidelines for Ministers' Offices*. This document sets out financial, personal, and administrative guidelines and policies that govern expenses incurred by ministers and their exempt staff, including contracting. The guidelines clearly stipulate that unless specifically exempted, ministers and ministers' budgets are subject to Treasury Board policies and regulations.

Procurement is one of the key management functions in the government. To give you a sense of the significance of procurement in the Government of Canada, in 2006 the government attributed close to 400,000 contracts, for a total value of more than \$12 billion. Of the total number of contracts, 4,700, or 1%, are sole-source contracts over \$25,000. A well-managed procurement function is essential to the effective and efficient operations of government. Upholding the principles of fairness, openness, and transparency to achieve value for money for Canadians in contracting is the foundation on which the Government of Canada's contracting policy is built.

I mentioned the management accountability framework. The MAF is used to assess, on an annual basis, the management performance and capacity of each department. This assessment is used to establish priorities and plans for management improvement. In fact the Clerk of the Privy Council uses the MAF as an integral part of his performance assessments of deputy heads. We have been using the MAF now for five years, and procurement management practices is one of the areas we have been measuring since the inception of MAF. One key element that we measure is whether departments have the right oversight and controls in place. Although there is still room for improvement, when we look at procurement through the MAF lens we find that institutions have strengthened their contracting controls and practices over the last three years. As a result, the number of organizations rated positively has risen.

With the coming into force of different components of the Federal Accountability Act and the implementation of key initiatives from the federal accountability action plan, we have taken further steps to strengthen contracting practices in government. For example, an overarching statement of principle in procurement that commits the government to promoting fairness, openness, and transparency in the bidding process has been incorporated into the legislation through the Financial Administration Act. Also, since 2004 all contracts over \$10,000 are proactively disclosed on government websites. The proactive disclosure of contracts contributes to the principles of openness and transparency, strengthens accountability in government, and ensures fairness in contracting activities.

Furthermore, the government adopted a new code of conduct for procurement in September of last year. As well, a procurement ombudsman designate has been appointed, and draft regulations to define the scope of his duties and functions were posted in December. The ombudsman's mandate is to review procurement practices across government, handle complaints from potential suppliers, review complaints regarding contract administration, and ensure the provision of an alternative dispute resolution process for contracts.

We're also making sure that practitioners have the tools, skills, knowledge, and expertise they need to do their work. That's why we are further developing capacity in the procurement, materiel, and real property management communities. Our professional development and certification program is one example. Finalized in 2006, it is designed to provide learning tools to approximately 10,000 functional specialists involved in the acquisition and management of assets and services. The program includes a competency standard and web-based assessment tools, a program curriculum, and a certification component to give federal government practitioners a

professional designation from the Canadian General Standards Board.

• (1105)

Mr. Chair, I hope that this quick overview of the role of the Secretariat of the Treasury Board and of some of the activities we are conducting is useful for the committee. I will be happy to answer any questions you may have.

Thank you. Merci.

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

We're now going to hear from Mr. Wright. Please go ahead, sir.

[*Translation*]

Mr. Robert Wright (Deputy Minister, Department of Finance): Thank you, Mr. Chairman.

I am pleased to be here today. Thank you for giving me this opportunity to make a few comments. I read the committee's motion and welcome an open dialogue on these important matters.

[*English*]

In this respect, I would note that my department had two contracts with Mr. Hugh MacPhie that predate his work for the minister's office in Budget 2007.

In the fall of 2006, Mr. MacPhie was engaged by the chairperson of the expert panel for the children's fitness tax credit, Dr. Kellie Leitch, to assist in drafting the panel's final report and recommendations. This was an independent panel operating at arm's length from the department. It was to provide the minister with timely advice on the definition of programs that should be eligible for the children's fitness tax credit proposed in Budget 2006.

• (1110)

[*Translation*]

The contract was managed by officials in the department's Tax Policy Branch.

[*English*]

Mr. MacPhie was subsequently hired by our communications branch in the Department of Finance to provide strategic communications advice and to assist in drafting the fall 2006 Advantage Canada economic plan that accompanied our fall economic statement. The decision to engage Mr. MacPhie was linked to his strong knowledge of the minister's communication style and our experience with him on that earlier project. I had some contact with Mr. MacPhie personally on this project and can attest to the quality of the work. In fact, when I briefed my deputy colleagues on Advantage Canada, I referred to the job he did in communicating this in quite a unique and helpful way for us.

Separate from these two contracts, the minister's office also issued two other contracts related to the two witnesses you have called before this committee, one with Mr. MacPhie and the other with Sara Mintz.

According to guidelines set out for ministers by the Privy Council Office, ministers, and I quote:

...are personally responsible for the conduct and operation of their offices. They hire their own office staff, who are known as "political" or "exempt" staff. The staff are outside the official public service and are exempt from Public Service Commission staffing and other controls.

They are not my staff. Treasury Board, as my colleague mentioned, issues policies and guidelines for ministers' offices based on these PCO guidelines. Part 4 of these guidelines states that

Ministers are individually responsible and accountable for...expenditures made for their offices—whether by them directly [or] by their staff...

Ministers often delegate some of this authority to their chiefs of staff. They practically always do and should appropriately do so, as was done in this case.

Treasury Board guidelines on contracting for ministers' offices are very specific in terms of processes that must be followed. Under these guidelines, ministers' offices may request advice on contracting procedures from the department, which in the case of these two specific contracts was provided by departmental officials. My officials also processed the payments under the contracts once the minister's chief of staff at the time, who was the contract authority in these cases, certified that the work was delivered as specified, as required under the Financial Administration Act.

I would now be happy to provide answers to the best of my knowledge and ability with respect to any questions that committee members might have for me, whether for the contracts administered by the Department of Finance itself or for the department's administrative support for contracts entered into by the minister's office.

Merci.

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

We're going to go now to the first round. We'll only have one round. There are six examiners at seven minutes each. Before we go to Mr. Wrzesnewskyj, I want to point out to the members that we're dealing with specific issues here. I would ask that you keep your questions short and brief. Similarly, I would ask the witnesses to keep your answers to the point and to be as succinct and as brief as possible.

Also, I want to take this opportunity to remind members, in their examination of these two witnesses before us, of the recent changes made in the Federal Accountability Act, which have codified the rule that the accounting officer—in this case, Mr. Wright—is accountable to Parliament for the prudent management of resources allocated to their department so that it is in compliance with Treasury Board policies, regulations, and standards, and that the Secretary of the Treasury Board has responsibility to ensure that the accounting officers are aware of these obligations, that the departments have the capacity to fulfill these obligations, and that any breaches be addressed.

That having been said, Mr. Wrzesnewskyj, you have seven minutes.

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Thank you, Chair.

Welcome, gentlemen, to the public accounts committee.

Deputy Minister Wright, did you personally know that Minister Flaherty was offering untendered contracts to Mr. MacPhie?

Mr. Robert Wright: In terms of the minister's office, I did know. In fact, they did seek advice from our contracting experts on engaging Mr. MacPhie. They were given some advice. Yes, I knew that they executed that contract.

Mr. Borys Wrzesnewskyj: Through the access to information process we've in fact seen that a number of your officials appear to have been quite concerned. Mike Giles, head of material management in your department, and Sabrina Whelan, senior contracting officer, clearly expressed concern about the process they were being asked to perform and offered advice on how the minister's chief of staff, David McLaughlin, should proceed. Yet this untendered contract to a partisan supporter, in clear violation of Treasury Board rules, just kept rolling on.

Mr. Wright, it seems as though each time the process to have this contract awarded hit a snag, Mr. Flaherty's chief of staff, David McLaughlin, requested one-on-one meetings with members of your staff to move the process along. Is that standard practice?

• (1115)

Mr. Robert Wright: Yes, it is standard practice where the... You have to understand, again, that this is not a contracting process. I mentioned two contracts that were let by the Department of Finance.

Mr. Borys Wrzesnewskyj: We're talking about the contract that ended up costing \$122,000.

Mr. Robert Wright: You're talking about the contract that was issued....

Mr. Borys Wrzesnewskyj: It was for Budget 2007.

Mr. Robert Wright: Exactly. That contract was issued by David McLaughlin. As I mentioned, there's an important distinction in terms of ministers' offices and how they're managed. They are all part of the departmental vote. But the ministers' offices are not populated by public servants. The people in those offices do not work with me.

Treasury Board and PCO have been very specific about the rules that should be followed and have been very specific about the roles of the department and the role of the minister's office in that area.

In this case, for the budget of the minister's office within that departmental vote, the minister has delegated authority to contract directly from the Minister of Public Works. He may delegate that to his chief of staff, David McLaughlin, which he did, and sensibly did.

I want to just make one other comment. I alluded to it earlier. Perhaps my opening comment should have been more expansive. Within that budget allocation, the minister has delegated authority for issuing contracts to his chief of staff. That chief of staff is encouraged to seek advice from the department, but he is not required to. That's what he did. He sought advice. He was given advice.

Now, the early advice on that, from Mike Giles, was that this is how you deal with an issue like that, and this is how you approach it. But we did not discuss and we did not release specific advice on this contract, as it is contrary to our approach.

Mr. Borys Wrzesnewskyj: Mr. Wright, how many employees are there in the communications branch of the Department of Finance?

Mr. Robert Wright: I don't know the exact number, but—

Mr. Borys Wrzesnewskyj: Approximately.

Mr. Robert Wright: —I can get that. It is maybe 50 or 60, I guess. I'd have to check. Somebody will get me the number right away.

It is 60.

Mr. Borys Wrzesnewskyj: In your opinion, would there have been officials within that department with the capacity to prepare the communications, the budget speech, in 2007?

Mr. Robert Wright: Well, quite possibly. I think this contract was not let to do the department's work. The contract was let as part of the minister's budget in the minister's office. It was not the department's budget. The expenditure was made from the minister's office to assist him with the political management of the budget preparation, including comments on the speech, liaison with other departments and ministers, and whatever they do in that area.

Mr. Borys Wrzesnewskyj: Then the question arises, in the eight requests that were made.... The cover for this particular process was provided in the contract request form, in part 1(e), and I'll table this particular document. It asks whether this work could be performed by an employee. What it states is that "There are no employees with the required skills and expertise."

What's particularly worrisome is that someone has taken the time to write in the margin—obviously someone wanted it on the record, it's handwritten—"On advice of Mike to issue contract".

You've just told us and indicated to us that you feel that there are individuals in your communications branch—there are 60 individuals—who are highly qualified, who could do this. Yet in the contract request form it clearly states that there are no employees with the required skills and expertise.

Mr. Robert Wright: I'm very proud to be the Deputy Minister of Finance. We have some great employees with all sorts of skills, but there's no employee on communications who I would let work in the minister's office on the political design, defence, and preparation of a budget. That's a political function. It's in the minister's office, where there are exempt staff, and we connect to them in a supportive way.

The budget was let from the minister's office for political support. And no, departments don't do that.

• (1120)

Mr. Borys Wrzesnewskyj: Mr. Wright, on January 22, 2007, following a meeting with the minister's former chief of staff, Mike Giles, from your department, wrote to Mr. McLaughlin and told him, with reference to the pursuit of tailoring the contract for Mr. MacPhie,

Communications is a fairly widely available commodity, and therefore, it would be difficult to come up with a reasonable rationale that would allow you to proceed on a sole-source basis.

It goes on to warn Mr. McLaughlin that a contract of this nature typically undergoes significant scrutiny.

Mr. Robert Wright: That part of it was certainly right.

Mr. Borys Wrzesnewskyj: Does that indicate that the first part is not?

Mr. Robert Wright: No, it's correct. I think there was an initial meeting, and Mike gave the same response that he would to a department official or someone from the minister's office who was seeking to do this sort of thing, to advise of the options available and the pros and cons at a very high level.

Mr. Borys Wrzesnewskyj: So you're now trying to provide a reasonable rationale, which he indicated at that time was not available for—

Mr. Robert Wright: I'm not trying to provide that. I think Mr. McLaughlin provided that. The onus was put on him. He's the one who was delegated authority. And the message to him early on was that if you're going to do something other than a competitive process, you'd better justify it well.

The Chair: Okay.

Mr. Wrzesnewskyj, your time is up. We're going to move on right now. Thank you, Mr. Wrzesnewskyj.

Thank you, Mr. Wright.

Monsieur Laforest, seven minutes.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chairman.

Mr. Wouters, you said in your opening statement that an overarching statement of principle on procurement allowed you to take further steps and follow up with respect to the Federal Accountability Act. You state the following:

[...] an overarching statement of principle on procurement that commits the government to promoting fairness, openness and transparency in the bidding process has been incorporated into legislation through the Financial Administration Act.

Is anything provided for cases where there was no call for tenders despite the fact that there should have been? The act states that contracts above \$24,999 should be put out for tender. Pursuant to the legislation, there should be transparency in the bidding process, but is there?

[*English*]

Mr. Wayne Wouters: When it comes to the contracting policy or the regulations of the Treasury Board policy, there are a number of conditions that apply. Departments are given certain authorities to contract up to a certain limit, and that depends very much on the nature of the contract. For example, the Department of National Defence has much higher authorities than other departments.

When it comes to sole-source contracts, basically departments, or in this case a minister's office, have the authority to enter into sole-source contracts up to \$100,000. They can also make one amendment up to an additional \$50,000. In this case, when you look at those authorities, you'll see that essentially this contract was in the authorities. Now, the minister has to ensure, or a department has to ensure, when letting the contract, that they comply with the conditions of a sole-source contract.

Overall, that is the way the contracting policy works. If there are contracts over a certain limit, then they must come to the board for approval.

[*Translation*]

Mr. Jean-Yves Laforest: Section 16.4 of the act states:

(a) the measures taken to organize the resources of the department to deliver departmental programs in compliance with government policies and procedures;

Are you stating that the \$122,000 contract is not a breach of the applicable administrative regulations?

[*English*]

Mr. Wayne Wouters: What I've said is that the minister had authority to enter into a contract up to \$100,000. In exercising that authority, the minister has to ensure, if it's a sole-source contract, that the bidding process is required, except in four circumstances where a sole-source contract can be provided. One is that it must be a pressing emergency—for example, an ice storm, where the government has to move very quickly. In that case a department or a minister's office can enter into a sole-source contract up to \$100,000. Another is when it is low value. As you know, for under \$25,000, sole-source contracts are allowed. Another is when it is not in the public interest to do a bidding process. That's normally for national security reasons. Finally, it's allowed if only one person is felt to be capable of performing the work. That's usually linked to intellectual property.

So in exercising that authority—

• (1125)

[*Translation*]

Mr. Jean-Yves Laforest: I would like to continue in the same vein.

I have a question for Mr. Wright. Essentially, the secretary of the Treasury Board Secretariat just told us that there are four possible exemptions that could apply in the granting of a \$100,000 contract. According to the legislation, Mr. Wright, you are the accounting officer, and if there is a disagreement with the minister in any particular case, you must ask for advice from the secretary of the Treasury Board Secretariat. You did not do this, from what I gather. Would this mean that you agreed with the minister as to the granting of this contract?

How could you justify, at \$122,000... Was it an emergency? The contract was not under \$24,000. You also stated that it could have been done by someone in-house. How can you explain that a contract such as this one, of a value exceeding \$100,000, in fact worth \$122,000, was granted without a call for tenders, despite the fact that in all probability, the act does not provide exemptions for this type of case?

Mr. Robert Wright: That is a key point for our review.

[*English*]

I think I will just give a little context for it.

First of all, as the accounting officer, I make sure that I have adequate controls for the entire budget of the Department of Finance, including the review and accounting for the minister's office. The budget of the minister's office is not managed by public servants, and

the people in that office are not accountable to me. The guidelines from the Privy Council Office and the Treasury Board minister are very clear in that regard.

Just to step back from this contract, and further to the comments from your colleague from the Liberal Party, the minister's office wished to engage in a contract above \$25,000. They asked about the rules to do that, and were given a high-level response from Mike Giles, which is the same advice we would get within the department: this is what you should consider as you are going forward; there is no law there, but these are the guidelines for how it should be done. That was the advice given.

Now, the question was, is there something unique about Mr...? And this is a judgment, by the way, delegated properly to the chief of staff of the minister to make. The judgment was: was this unique, and should there be a request for proposals?

Well, it is quite unique: you don't go to the public with requests for proposals to ask somebody to come in and work in a minister's office at budget time to manage the political interface with others. That was a key factor that the person responsible and accountable, David McLaughlin, considered. It's the same consideration. The department itself has had some direct contracts above \$25,000 with individuals for personal services. It's a consideration that we've made, and it's a consideration of judgment.

Following the rules of the Treasury Board and the Privy Council, the person authorized to make that judgment was the minister's chief of staff. He sought some advice on some parts of that contract, the department reported it, and he made his decision. And there was no difference between me and the minister in this regard. I did not discuss this with the minister, and he did not discuss it with me.

The Chair: Monsieur Laforest, thank you very much.

Mr. Williams, for seven minutes.

Mr. John Williams: Thank you, Mr. Chairman.

I noticed that neither of you acknowledged in your opening statements that you are accounting officers who are accountable before Parliament for the administration of your departments. So let me ask you, do you both acknowledge that the Financial Administration Act delegates to you, as deputy ministers, the administration of your departments?

Mr. Robert Wright: Mr. Williams, I have acknowledged that to you in this committee before—and before the act existed. We're ready to be accountable for our administration.

Mr. John Williams: And, Mr. Wouters, do you acknowledge that responsibility?

Mr. Wayne Wouters: Yes, I do.

Mr. John Williams: So we're talking about your responsibility for the administration of this contract. While you seem to put it off to the minister's office, and say these were not your staff, the rules still apply to them, and you administer the rules.

Is that correct, Mr. Wright?

Mr. Robert Wright: Well, there is a very big difference between interfacing with the minister's office on their administration—

Mr. John Williams: No, no. My question was do the rules apply to the exempt staff in a minister's office?

Mr. Robert Wright: Do the rules apply to the exempt staff in a minister's office? Right, these contracting rules apply to the exempt staff in the minister's office.

Mr. John Williams: So they can't say they're political, so the rules don't apply to them?

Mr. Robert Wright: They can't say that at all. They must not; they must be accountable for their decisions.

Mr. John Williams: What I'm trying to say here, Mr. Wright, is that you did not disagree with the minister. You just made that statement.

• (1130)

Mr. Robert Wright: Right.

Mr. John Williams: Therefore, you agree with the way the contract was handled?

Mr. Robert Wright: I believe that a contract of this nature does require judgment, and the person making that decision understood that, and he made a judgment.

Mr. John Williams: No, my question to you was if you agreed with him. I'm not talking about his judgment; I'm talking about your judgment, since you didn't discuss it with the minister, as you're required as an accounting officer if you have a disagreement with a contract. Since you didn't discuss it, and since you didn't go with the Treasury Board, you must have concurred with the agreement.

Mr. Robert Wright: I concurred that the person who was responsible for making a judgment made a judgment, and I didn't disagree with that.

Mr. John Williams: No, I'm talking about your responsibility under the Financial Administration Act to enforce the rules of the department to ensure that the contracting rules are followed. Since you didn't go to the minister, since you didn't go to the Treasury Board, since you agreed with the minister, you must have found the contract acceptable.

Mr. Robert Wright: I did. I thought the process followed to make this contract was acceptable.

Mr. John Williams: And because it was a political document that was to be written and because these types of documents are normally written by people outside your department—as you say, your staff does not write political documents—you agreed with the decision that was made.

Mr. Robert Wright: Well, I didn't disagree with it. It's an important distinction, Mr. Williams. I appreciate your patience on it, but certainly there was nothing in the process... Everybody in the department followed the guidelines. The minister's office and minister's chief of staff made a decision. There was nothing egregious in it. It was a judgment. The judgment was allocated for him to make, and he made it.

Mr. John Williams: Mr. Wright, as the accounting officer in charge of enforcing the rules in the department, since you did not disagree, you obviously agreed, because you didn't go to the minister, you didn't go to Treasury Board. And because it was a political document that was to be written, you certainly wouldn't go out and do a public tender and say "Okay, we'll take one NDP, one

Liberal, one Bloc, and one Conservative and see who we're going to give the contract to". It was a political decision, a political document that was to be written; therefore, communications capacity wasn't the only criterion in a public tender. Is that correct? Presumably, there were political considerations. The political mindset of the contractor would also have been part of the thinking in awarding the contract. Would that be correct?

Mr. Robert Wright: Well, I think, again, there was no disagreement with the minister or his office on what they did. They followed due process.

Mr. John Williams: You're saying they followed due process.

Mr. Robert Wright: Yes.

Mr. John Williams: So, Mr. Chairman, if we followed due process, I wonder why we're even here.

Mr. Wayne Wouters: Can I just clarify? I think due process has been followed, but again, under the Financial Administration Act and the guidelines provided, the minister is accountable here for the funds used in his or her office. The guidelines have stipulated that in the case of contracts, it is the minister or his designate who must ensure the right person is selected for the work, that any particular—

Mr. John Williams: No, Mr. Wouters, I disagree. The deputy minister is an accounting officer, is accountable before Parliament for the administration of his department, as delegated specifically to him or her by the Federal Accountability Act.

Now, the process of managing these contracts falls under your responsibility, Mr. Wright, and you're now saying that because of the political nature of the document and because of the specific criteria required of the contractor, you agreed with the decision to give this contract.

Mr. Robert Wright: I'm actually not saying that. Let me just be very clear on this, Mr. Williams.

As the accounting officer for the department, I want to make sure that all the appropriate due diligence is done, but I also want to reflect the reality that this authority is delegated to the minister and from him to his chief of staff. The minister is solely accountable and answerable for that particular part of his budget. It is in a framework that I say is coherent enough for me to be the accounting officer of, but there's no way you want deputy ministers to be looking over their shoulders on every particular consideration with those offices, and, frankly, the rules and guidelines reflect that reality.

All I am saying is that I did not have disagreement with the minister, under the terms of the Federal Accountability Act, for this approach. In fact, the chief of staff made a judgment. I don't have to agree with that judgment. He made a judgment under terms that authorized him to make it, and it was not inconsistent with the sorts of judgments I make when we make a sole-source contract above \$25,000, so I reflected that. And when I looked at it, I didn't have to agree with it because I didn't know everything he considered, but I did not disagree with what was going on and his judgment. He was accountable for that judgment, accountable to the minister.

•(1135)

Mr. John Williams: Well, I'm not sure I agree with that, Mr. Chairman, so I guess we will have to agree to disagree.

I think it falls totally within your purview, Mr. Wright, as the accounting officer, to ensure that the rules are followed, even by the exempt staff. They have no authority to do whatever they desire outside the rules. You ensure that the rules are followed. If they decide to give a contract to someone to write a budget, a political document, I fully agree that should be beyond staff—it shouldn't be done by the department. Nonetheless, the rules should be followed, and you're saying you agreed with the way the rules were followed.

Mr. Robert Wright: I did not disagree with the way they implemented this activity.

Mr. Wayne Wouters: There could be a long debate here about the rules of the accounting officer vis-à-vis the minister's office. But I have to emphasize that under section 34, the minister or his designate must certify that the goods and services have been received. Then, on the role of the department and the accounting officer, once section 34 is signed off, under section 33 his chief financial officer must ensure that the funds flow in due course—it's not unlawful, and he's not blowing his vote.

When a minister or his designate has the authority to undertake these activities and make the determination, the role of the accounting officer is to ensure that when the services are rendered—and it must be the designate who informs the department that is so—pay must take place in an appropriate way under section 33 of the Financial Administration Act. That's basically how we see the accounting officer model working in this case.

The Chair: Thank you, Mr. Wouters.

Thank you, Mr. Williams.

Mr. Christopherson is next, for seven minutes.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you very much, Chair.

Thank you both for your attendance here this morning.

Having been a minister at the provincial level, I have some idea of some of the answers you're giving and what they mean, Mr. Wright. If I'm following you correctly, you're maintaining that the process was followed appropriately, from where you sit, and the question mark is within the judgment that was made and the person who made the judgment. It was within their purview to make that judgment, and therefore you're accountable and comfortable with the parts you're accountable for. Others will decide whether or not their judgment was the right one to be made, and that will be decided by others.

Is that a fair reflection of where you are so far?

Mr. Robert Wright: I think it is.

Mr. David Christopherson: Thank you.

Then as an accounting officer, at what point do you feel it is your responsibility to raise an alert? For instance—I'm going to use the extreme to make the point—if the contract was for \$5 million, I assume you would feel some obligation to jump up. So at what point do you go beyond saying, "You make that decision, it's your's, I'm

off the hook"? At what point do you say, "This is so beyond the pale that I'm taking responsibility and raising an alert formally"?

Mr. Robert Wright: I would raise with the minister any case that went beyond making an honest judgment of how to act within the rules. Clearly, if there were any evidence of something untoward or fraudulent—a problem or anything beyond the scope of what was doable—we would raise that alert.

Even within the minister's office and the delegated authorities, they are encouraged to consult. So if I saw a major problem I would raise an alert. If I saw a pattern of abuse of authorities, we would brief the minister and his office on concerns and perhaps take additional steps—even on administrative matters, which cumulatively can be important.

But in this case I am really confident that everyone in the department gave the appropriate advice and did the appropriate authorities within a limited perspective, with limited knowledge. These people didn't work for me. They didn't have the whole picture from the minister's office. But I did not see anything that was beyond judgment on this matter.

Mr. David Christopherson: But you acknowledge there is a point when it is your responsibility to step forward.

Mr. Robert Wright: Absolutely, and I would exercise that responsibility with or without the Accountability Act, as I have in the past.

Mr. David Christopherson: Okay, I appreciate that.

You also said you would keep alert for patterns. Concerns are being raised about the number of contracts that are so close to \$25,000. In fact, I believe the *Ottawa Citizen* crunched some numbers a few months ago and showed that there was a 15% increase in the number of contracts between \$24,000 and \$24,999. In some cases maybe contracts were split in two, with the same sort of mandate.

I want to leave with you the notion that somebody made \$122,000 for one speech. That didn't take it to the point where you thought something needed to be said?

•(1140)

Mr. Robert Wright: There were a lot of questions there. From what I knew of this individual, he did very good work for us. It wasn't one speech; it was the whole communications process leading up to a very large budget. This was not unreasonable in terms of what was asked for.

Similarly, from what we knew, when Sara Mintz was engaged for quite a modest contract at budget time for an extended period of time, people worked very hard. There's no question there was value, in our view, even at arm's length. We don't know the details of what they were doing—they didn't work for us—but there's no question there was that value.

On the overall budgets, I think the *Ottawa Citizen* took a subset of all of those above \$10,000 and within \$1,000 of \$25,000. I'm advised we had 43 contracts between \$24,000 and \$25,000 out of 1,394 contracts. By the way, all those contracts followed the rules, so that's really a non-issue, in my view.

Mr. David Christopherson: So no matter how the *Ottawa Citizen* or anybody else crunches those numbers, nothing is going to jump out that there was an increase in the number of contracts that were close to the line?

Mr. Robert Wright: The question is, are you consistent with the rules or not? We followed the rules in every case.

Mr. David Christopherson: I just attended the Council of Europe. I don't want to be too extreme about this, but one of the things they were talking about was that in the history of Europe almost everything the dictators did was lawful. They made sure there was a law there first.

So I'm hearing what you're saying, but we're talking about discretion. We're talking about 100 contracts for \$24,999. You can't just say they're all okay because they're under \$25,000 and that's the rule. There is some requirement for an analysis here.

Is the *Ottawa Citizen* analysis so far off that there is nothing that jumps out when you calculate it by a reasonable means?

Mr. Robert Wright: We benchmark our processes, and they benchmark very well with other departments. I am satisfied that the overall management of the contracting function within the Department of Finance is within a standard that's more than acceptable and that meets all the rules, even if they're redefined by some people in the *Ottawa Citizen*.

My colleague has tracked this with other departments. He can comment.

Mr. Wayne Wouters: On the \$25,000, of the \$12 billion in contracting across the government, about 10% is for contracts under \$25,000. That limit has been in place now, I believe, for over 10 years. Some have argued that, based on inflation and the like, we should be looking at a higher limit.

Mr. David Christopherson: I'm still not getting a clear, solid answer about whether there is an increase in the number of contracts under the current government, as opposed to historical context. You're telling me no. Don't tell me they're all within the rules; I understand that. I want to know whether there are trends beyond the normal pattern. Would they stand out, regardless of whose analysis or formula you used, if it was a reasonable, fair-minded approach? You're saying there is absolutely no trend line, no problem at all. You're going on the record in saying that.

Mr. Wayne Wouters: It's not clear to me. Is the question what are the trend lines since this government has come to power with respect to overall contracts, or with respect to contracts under \$25,000? I'm not certain what the—

Mr. David Christopherson: I'm interested in the number of contracts between \$24,000 and \$24,999 that look like they've been pegged there to get under the wire.

Mr. Wayne Wouters: I'm sorry, I don't have statistics on what has happened over the last couple of years with respect to that range of contracts.

Mr. Robert Wright: There may be one trend that would be evident, which is inflation. It's been in place for a long time, as my colleague just said, and the sorts of people who said that the limit is too low are people like the Canadian Federation of Independent Business. That is the only trend that comes to my mind.

Mr. David Christopherson: Are you saying you broke it because so many people are breaking it?

Mr. Robert Wright: No, that's—

The Chair: We'll go on to Mr. Hubbard.

Hon. Charles Hubbard (Miramichi, Lib.): Thank you, Mr. Chair.

Mr. Wright, when did you first meet this man, Hugh D. MacPhie? When did he come to your attention?

• (1145)

Mr. Robert Wright: We were working on our fall update in 2006. We were in a race to produce our fall economic statement, which has a fiscal or economic outlook. We also did a lot of work over the summer of 2006—the minister, myself, the whole department—on Advantage Canada.

Hon. Charles Hubbard: So from your answer, I understand that the minister introduced you to a Mr. MacPhie. And almost immediately you, or people in your department, gave him or his company two contracts.

Mr. Robert Wright: No, that's not true.

Hon. Charles Hubbard: Mr. Wright, that is what we're saying here—an Advantage Canada contract and another one dealing with sports.

Mr. Robert Wright: Well, allow me to correct your record. We let two contracts, and we are accountable for the details of them.

There was one contract for which he was engaged directly by the chairperson of an arm's-length panel, Kelly Leitch, who was looking at a budget initiative. This was done earlier.

Hon. Charles Hubbard: But it was your department that let that contract.

Mr. Robert Wright: Yes, we did, and we'll be accountable for it.

Hon. Charles Hubbard: That's what I was trying to determine.

Mr. Robert Wright: Sure, we did that.

Hon. Charles Hubbard: Now, following that—

Mr. Robert Wright: I would like to respond.

Hon. Charles Hubbard: —the minister's office begins to get involved in a whole series of contracts. One contract came to the attention of the press, because it was over and above the guidelines the minister had to deal with.

We know that the deputy issues a very small amount of contract money to the minister's office. The amount that Mr. MacPhie was getting was nearly all of the minister's budget for this type of work. So Mr. MacPhie was becoming a very important person in the minister's office.

I'd like to know when the contract that caused the problem was brought to your attention, a contract of some \$122,000. Did you see it in the press, or did somebody within your department see there was a problem with that contract?

Mr. Robert Wright: I was aware of the advice the department was giving the minister's chief of staff on that contract.

Hon. Charles Hubbard: When did you become aware of a problem—before you saw it in the press, or did someone from your department notify you by note that there was a problem with what the minister was doing?

Mr. Robert Wright: Yes, thank you. I guess—

Hon. Charles Hubbard: I'm afraid I'm not getting the quick answers I'd like to have, Mr. Wright.

Mr. Robert Wright: I was going to actually give you a pretty quick answer. I was going to say I was advised within days of the advice, and I was advised of the ongoing advice to the minister's chief of staff on this matter.

Hon. Charles Hubbard: You were advised that there was a problem, and that somebody would bring it to the press's attention, to the attention of Parliament, and the minister would be accused of having someone prepare a speech that cost \$122,000.

Mr. Robert Wright: It wasn't a speech. You can look at the contract, and you can talk to the person who had the contract and to the minister. It was done within his office, and I was aware of the stream of advice that went to the minister's office from this basis.

Hon. Charles Hubbard: This man MacPhie apparently came to Ottawa to work on that contract in preparation for the budget. It's not the speech, now. What did you see in concrete terms being received for the \$122,000? Was there a packet of information? Was there a set of guidelines the minister should have for communicating the budget? Did you see any concrete results from the \$122,000?

Mr. Robert Wright: I think that both the contracts in question, with Sara Mintz and with Hugh MacPhie, are for their work within the minister's office, so they would see it and be ready to account for that work that was done. They're the ones who issued the contract. Now, did I see them? Yes. They were part of the interface with the minister's office—not the department, but the minister's office. He managed that well, as he did earlier in the work we engaged him on, Advantage Canada.

Hon. Charles Hubbard: When Mr. MacPhie came to Ottawa, probably with other staff members, to prepare Canada for the budget that was going to be presented, did those people from MacPhie & Company meet with officials from the Department of Finance? Did they meet with your officials?

Mr. Robert Wright: They were part of a regular interface with the minister's office. At budget time there is a regular, ongoing, intense interface with everybody in the department, and they were part of the minister's office at that time.

Hon. Charles Hubbard: They were part of the preparation of the budget? Were they security-cleared? What indication do we have that there was some protection for the government in terms of what might be in that budget, as that group from Toronto came here to Ottawa to participate in planning for the budget?

Mr. Robert Wright: I think, again, the directions from the minister's office are that they have to be security-cleared, and we know that for the work we did with Hugh MacPhie on both the child panel and Advantage Canada he had a secret clearance.

Hon. Charles Hubbard: Who else from Mr. MacPhie's office was involved with this?

•(1150)

Mr. Robert Wright: There was one other individual. I can't remember his name. I think it was part of that contract. Again, the minister's office would have that information. I can get it for you.

Hon. Charles Hubbard: Really, two or three people participated in a contract that cost the Canadian taxpayers about \$122,000.

Mr. Robert Wright: Correct.

Hon. Charles Hubbard: Over what period of time was that?

Mr. Robert Wright: I don't know the exact period, but I believe it was February until the end of March.

Hon. Charles Hubbard: It was a fairly expensive business, and they were pretty highly paid consultants, if you could call them that.

Mr. Robert Wright: It was very expensive.

Hon. Charles Hubbard: It was very expensive. If you saw them being very expensive, did you raise any observations to the minister's office that this was costing Canadian taxpayers a lot of money?

Mr. Robert Wright: Again, the contract was amended, as it can be amended, later in the game, and we executed the contract. I did not, as I said earlier to your colleagues, raise an alarm on this issue and the cost of it.

Hon. Charles Hubbard: I found rather unusual, in some of the other contracts that were prepared or submitted or at least that came out in terms of our access to information, that not only was there a contract price of around \$20,000, but then money was added on for other expenses. Is that a normal procedure—adding on money for so many flights, so many taxis, so many meals, so many hotel bills? Is that a normal way that a contract should be—

Mr. Robert Wright: A contract should include expenses, and that's all provided for, whatever's provided for in the contract. It's not unusual.

Hon. Charles Hubbard: So there might have been problems with other contracts if the expenses got higher than what—

Mr. Robert Wright: The expenses should be included in the contract.

Hon. Charles Hubbard: So we have no assurance, really, that it was under the \$25,000 limit until—

Mr. Robert Wright: Yes, it should be all-inclusive of the costs to the government under that contract. The all-inclusive price should be included up front.

The Chair: Thank you, Mr. Hubbard, Mr. Wright.

Mr. Poilievre, you have seven minutes.

Mr. Poilievre will be the last examiner.

Mr. Pierre Poilievre (Nepean—Carleton, CPC): I think the only thing that matters to Canadian taxpayers is what they got for the money they paid. There's an interesting academic debate going on about the administrative practices of governments, but what matters is what the taxpayer got for the money we paid.

For Mr. MacPhie's company and the employees he used to carry out the \$122,000 contract, how many hours of work were booked?

Mr. Robert Wright: Again, the department didn't manage that contract. I think there was an estimate in the final contract that is a matter of record, and I can get you that estimate. I would say, given the daily rate that was quoted, that he worked far more hours than were covered by that daily rate that was quoted. Similarly, for—

The Chair: There are too many members talking in the room. Please....

Mr. Robert Wright: Thank you, Mr. Chairman.

In both the case of the contract with Hugh MacPhie, but particularly of that with Sara Mintz—this was a very big budget, the 2007 budget, and it was an extensive period of time—they registered for more hours in the contracts than they actually charged the government for.

Mr. Pierre Poilievre: I understand. I've heard reports of 800 hours of work for the three employees at MacPhie and Company. Does that sound about right?

Mr. Robert Wright: It does. I know they worked very hard. It's a very intense period at the Department of Finance. I believe they're here, and they can.... I have the contracts here, but it is something to that effect, and in fact it was released under access to information.

Mr. Pierre Poilievre: Were they by and large full-time on this project during the contract period, from what you could observe?

Mr. Robert Wright: They were full-time, night and day, seven days a week, for the whole period of the budget, like everybody else in the department.

Mr. Pierre Poilievre: So 800 hours makes sense, because over a two-month or 60-day period, that works out to about 13 hours a day for all three employees combined.

Mr. Robert Wright: That's budget time; people work very hard. I think that's a matter of record.

Mr. Pierre Poilievre: So it would be reasonable to expect that this is about 800 hours of work.

I understand that in addition to the speech, they were involved in writing and/or editing about 400 pages of budget documentation. Is that about right?

Mr. Robert Wright: Yes.

By the way, the name of the associate of Hugh MacPhie was Paul Tambeau. The two of them, in addition to whatever they were doing on speeches or political coordination in meetings with other ministers, worked on all the editorial comments that might have been made by the minister, his office, or by them with the department on the entire budget document. They helped edit the entire budget document as well as the political strategic advice going into it and other issues.

Mr. Pierre Poilievre: Okay, so they edited the entire budget document. How many pages are in that document?

Mr. Robert Wright: Well, it was one of the largest budgets in history, so—

• (1155)

Mr. Pierre Poilievre: Ballpark.

Mr. Robert Wright: I don't know. I think it was—what was it?—450 pages, I understand.

Mr. Pierre Poilievre: So they edited and/or wrote 450 pages. I have here that they led five different round-table discussions in cities across Canada. They had one in Calgary, one in Winnipeg, one in Vancouver, one in North York, one in Montreal, the expenses related to which were all bundled into that \$122,000?

Mr. Robert Wright: That's correct.

Mr. Pierre Poilievre: That's right. So we're not talking about \$122,000 to write a speech here, are we?

Mr. Robert Wright: No, we're not. Again, you're getting my perspective as the deputy minister. They were working in the minister's office; I'm just commenting on what I saw. But it was a very extensive project, there's no question.

Mr. Pierre Poilievre: I just want to summarize. There's one last question before we do, though. How many dollars were spent in the last budget—ballpark? this is good for your trivia. Was it \$225...?

Mr. Robert Wright: No, it was a multi-billion-dollar project.

Mr. Pierre Poilievre: The budget of the Government of Canada for 2007 was...?

Mr. Robert Wright: Around \$200 billion; it was \$217 billion.

Mr. Pierre Poilievre: So there was a \$217 billion package that has dozens of programs, hundreds of initiatives that have to be communicated to 30 million people. In order to do that, there was a contract for a group of individuals to do 800 hours of work, to write or edit 400 pages of materials, hold five consultations right across the country. Does that seem to be, based on your experience, a fairly reasonable amount of money to spend on a task that large?

Mr. Robert Wright: Yes, it does, but I would also say, based on our own personal experience in the department's contract with Hugh MacPhie, which was less than \$25,000 for the work he did on Advantage Canada, that we got extraordinarily good value for money on that.

Mr. Pierre Poilievre: Okay.

How much time do I have?

The Chair: You have two minutes.

Mr. Pierre Poilievre: To reiterate here, we have roughly a \$220-billion government budget that needs to be communicated to 30 million Canadians. That budget involves dozens of programs, maybe hundreds of initiatives. In order to help do that effectively, the government engaged a team of contractors who worked roughly 800 hours to write and edit roughly 400 pages and to hold five consultations with everyday Canadians in different parts of the country. They did that for about \$122,000, and you're saying that would be a fairly reasonable sum of money to do that volume of work.

Mr. Robert Wright: They did not write the budget. They helped edit it and fine-tune it. But yes, overall, it was excellent value for money.

Again, that's something that, from what I can see, isn't part of the department. So I think the minister and his office have to better demonstrate that. But I don't disagree with its value.

Mr. Pierre Poilievre: In regard to the rates of pay, you said roughly 800 hours of work was invested. That works out to about \$130 an hour. Is that an unusual amount of money to spend?

Mr. Robert Wright: The amounts were not unusual.

I'm told it was 820 hours—thank you.

The only discomfort I'm having is that these people do not report to me or to my executive team in putting this work together. They report to the chief of staff and to the minister and his team.

I have every evidence that they worked their hearts out and that they got value for it, but again, it's very hard for me to be accountable for the actual relationship between the minister and his office and these contractors. That's my only reticence.

Mr. Pierre Poilievre: There was a fact there. You said you've now been told it was 120 hours of work.

Mr. Robert Wright: It was 820 hours.

Mr. Pierre Poilievre: Sorry, 820 hours of work.

Mr. Robert Wright: Yes. You had said 800 hours.

The Chair: Thank you.

I have one final question for you, Mr. Wouters.

On the guidelines, it reads:

Officials delegated such authority are to exercise it with prudence and probity so that the responsible minister is acting and is seen to be acting within the letter and spirit of the FAA, the Government Contracts Regulations, and the Treasury Board's contracting directives and policy.

There are a lot of people watching this—Canadians and the people who work in the public service. Are you suggesting or are you satisfied that all those provisions were complied with?

Mr. Wayne Wouters: Sorry, I didn't get your last point.

The Chair: Are you satisfied, Mr. Wouters, that all those Treasury Board policy guidelines and procedures were complied with, yes or no?

Mr. Wayne Wouters: I'm just saying, in terms of the minister, he had the authority to basically take the action he decided on. Therefore, under his guidelines, under the guidelines from ministers, he must ensure, in taking those actions, that he is complying with the regulations and the policies that we set out.

• (1200)

The Chair: On behalf of the committee, I want to thank you, Mr. Wouters and Mr. Wright.

We're going to suspend for about 30 seconds and set up for the next two witnesses.

Thank you very much.

- _____ (Pause) _____
- _____

The Chair: I'd like to call the meeting back to order.

On behalf of the committee, I want to welcome Mr. Hugh MacPhie and Ms. Sara Beth Mintz.

Do you have an opening comment, Mr. MacPhie, any opening statements?

Mr. Hugh MacPhie (As an Individual): I do. Thank you.

The Chair: Okay, I'll turn the floor over to you.

Mr. Hugh MacPhie: Thank you very much, Mr. Chairman.

Mr. Chairman and honourable members of the committee, *mesdames et messieurs*, I welcome the opportunity to speak with you today. My name is Hugh MacPhie, and I'm here today representing MacPhie & Company.

Our firm was honoured to serve the government and proud of the work we delivered through the engagements with the Department of Finance that we had, and especially the 2007 federal budget. We worked hard, to the very best of our ability, and we provided value for the professional services that we provided, as we do in all our client engagements.

Today I would like to share with you some background related to our firm, provide you with context and factual specifics related to MacPhie & Company's contributions to the 2007 budget, and respond to any questions you may have.

The Chair: Mr. MacPhie, I apologize for interrupting, but you have five minutes.

Mr. Hugh MacPhie: Thank you, Mr. Chair. I'll carry on.

MacPhie & Company is a professional services firm that specializes in strategic planning and communications. Yes, our firm is small, but we compensate for what we don't have in the number of staff members through the talents of the professionals on our team and through the passion for our client engagements. Also, we just plain work hard.

Our company has grown quickly and we have served clients in telecommunications firms, high-tech companies, health care organizations, financial services, engineering companies, advertising agencies, national charities, the tourism industry, management consulting firms, industry associations, the energy sector, and all levels of government.

Mr. Chairman and committee members, the budget process is time-consuming. It forces you up an incredibly steep learning curve in terms of content knowledge, and it requires a blend of congenial teamwork and unrelenting focus on the task at hand.

Reflecting upon other federal budgets, veterans of the Department of Finance said that Budget 2007 was one of the largest budgets in recent memory in terms of the number of pages and supplementary materials. Over the course of our work on Budget 2007, my colleague and I worked for over 800 hours. There were few, if any, days off. Working closely with the Department of Finance and the minister's office, our work included, but was not limited to, developing a comprehensive communications strategy and editing communications products, including the budget plan, the budget fanfolds, video scripts for the Department of Finance, the briefing book, and chapter highlights. It involved drafting the budget speech. It involved developing messages and strategic approaches to budget communications; drafting a speech strategy for the minister's budget speech; managing the timelines and critical path of key budget-related communications; providing creative suggestions, counsel, and planning related to pre- and post-budget events; acting as liaison between the minister's office and the Department of Finance for budget-related communications products; coordinating revisions to communications materials from the minister's office to the Department of Finance; attending detailed budget page-turner meetings, which involved going page-by-page through the budget plan, the briefing book, and fiscal-balance materials; developing and conducting budget lock-up presentations for cabinet ministers and government caucus staff; attending pre-budget speech and media training and practice sessions with the minister; and fact-checking communications materials for accuracy and consistency.

This is but a sampling of the work we were asked to complete as part of the Budget 2007 process.

There has been some talk, both in the House of Commons and in the media, that MacPhie & Company was involved with writing the 2007 budget speech. That's true, but as I have just demonstrated, helping with the budget speech itself was but a small part of the work we delivered. Working closely with the minister, his office, and the Department of Finance, we worked hard to build a speech that would clearly outline the key themes of the budget and inspire Canadians to believe in themselves and in their country.

We are very proud of the work we did related to Budget 2007. The taxpayers of Canada received value for money. We delivered our work professionally and within a very short timeframe.

I must add that we were extremely impressed with the level of dedication, professionalism, and passion that we found among staff working within the Department of Finance and in the minister's office. These are hard-working people who, like us, truly went above and beyond the call to deliver the federal budget. It was our pleasure to work with them.

• (1205)

[*Translation*]

Honourable francophone members of the committee, I would ask for your indulgence in allowing me to respond to your questions in English, my mother tongue.

[*English*]

The value of the professional service we provided greatly exceeded the amount charged to the Department of Finance for those services. Furthermore, we incurred nearly \$14,000 in expenses

related to work on Budget 2007. Not one dime of those expenses was charged back to the Department of Finance.

[*Translation*]

Thank you very much.

[*English*]

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

Ms. Mintz, do you have some opening comments?

Ms. Sara Beth Mintz (As an Individual): Mr. Chairman and honourable members of the committee, my name is Sara Beth Mintz. I'm here today voluntarily in response to this committee's invitation to appear concerning the study on the subject of untendered contracts in relation to the preparation of Budget 2007.

In mid-December 2006 I was asked if I was available to come to Ottawa to work on Budget 2007. I was honoured to be asked. As a student of politics, law, and business, I was being offered the opportunity to use my education and skills to serve the public.

It was agreed that I would begin working on Budget 2007 in mid-January, and would be compensated up to \$24,900 for work performed. I signed a contract, which provided that I would be paid a sum not to exceed \$24,900. It was a condition of the contract that I would be personally responsible for all of my living expenses and any expenses in relation to my fulfilling the contract.

On January 22, 2007, I joined the budget team, and over the course of the next two months I worked long hours: six days a week on average. In March I worked 18 days straight in the lead-up to the presentation of Budget 2007.

I would now like to address my qualifications. In 1999 I graduated with an honours bachelor of arts in political science from the University of Western Ontario. I was accepted into the concurrent honours business administration program at the Richard Ivey School of Business and the bachelor of laws program at the University of Western Ontario. I completed this program in 2003, and was called to the bar of Ontario in 2004.

Each summer during my undergraduate degree I returned home to Dundas, Ontario, where I worked for my local MPP in his constituency office. In 2000 I applied to the summer intern program at Queen's Park. I was placed by the then-premier's office in Minister Flaherty's office, who at the time was the Attorney General for Ontario and the minister of native affairs. Prior to my placement, I had never met Minister Flaherty.

During this tenure I developed a professional relationship with Minister Flaherty. One of my major responsibilities was to provide background research and recommendations on several policy initiatives. The most interesting research project involved reviewing and considering a policy for Ontario on the sexual exploitation of children, which resulted in the Rescuing Children from Sexual Exploitation Act being passed in June 2002.

During my time in Minister Flaherty's office I developed a deep respect of his work ethic, his intellectual capacity, and most importantly, his devotion to public service.

In summer 2001 I worked in the office of the Honourable Michael D. Harris, Premier of Ontario, in issues management and question period preparation. In summer 2002 I was again placed in the premier's office. After graduating in 2003 with my HBA and LLB degrees, I began working in the private sector, first as an articling student, and then as a lawyer after my call to the bar.

I would now like to address my responsibilities on Budget 2007, which included the following: analysis of and advising the minister concerning appropriate policy inclusion; meeting with minister's staff concerning their department budgetary funding requests; contributing to policy development; and organizing and managing Budget 2007 day events.

I have been involved in the political process for most of my life. I have volunteered many hours of my time to participate in nomination races, leadership contests, and elections. I have served on my provincial riding executive. Most recently, I served on the Ontario PC Party executive as the fifth vice-president. I volunteered for Minister Flaherty during both of his leadership races. I have been at every provincial PC convention held for as long as I can remember. I am proud of my political involvement and my history of public service.

When I received the call to work on Budget 2007 I was deeply honoured to be asked. I was aware that by accepting the contract I was forgoing lucrative work at a private law firm. I knew that accepting the position would be a great sacrifice, not only professionally and personally, but also financially.

● (1210)

I accepted this position for many reasons: my loyalty and respect for the minister, my interest in public policy work, and my commitment to public service. But the underlying and fundamental reason is that I was called upon to use my knowledge and abilities to serve the Canadian people, and I when I received the call I answered it willingly and without hesitation.

I would be pleased to answer your questions now.

Thank you.

The Chair: Thank you very much, Ms. Mintz.

We're going to go right to the first round, and that is Mr. McCallum. You have seven minutes, Mr. McCallum.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair.

And thank you to both of you for appearing before us today.

I'd like to start with Mr. MacPhie. I wonder if you could give us an idea of how many people are in your company and where the headquarters are.

Mr. Hugh MacPhie: I'd be proud to do so, sir. MacPhie & Company, as I said in my opening statement, is a small business. I formed the firm approximately four and a half or five years ago—

Hon. John McCallum: Sorry, there's quite a lot I want to cover. Could you just tell me how many people and where it is located?

Mr. Hugh MacPhie: Okay, I'd be happy to. There are four people who work in MacPhie & Company, and we work in Toronto, Ontario.

Hon. John McCallum: Do you work out of your residence, or do you have offices separate from your residence?

Mr. Hugh MacPhie: This is a matter of great debate within our firm, sir. We currently work out of our own homes, which as many would know is efficient and contributes to productivity, but we're debating among ourselves as to whether or not office space is appropriate.

Hon. John McCallum: Okay, thank you.

Prior to Mr. Flaherty becoming the federal finance minister, had you received any contracts with the federal government?

Mr. Hugh MacPhie: No.

Hon. John McCallum: Okay.

The case under discussion right now I believe is a \$122,000 contract. Since Mr. Flaherty became Minister of Finance, can you tell us whether you have other contracts with the federal government, and if so, what are they?

Mr. Hugh MacPhie: I will try to recall with as much precision as I can for you, sir.

I would begin by saying, though, that it is a policy of our firm, when we go into any client engagement, to do the best we can and to wow our clients.

● (1215)

Hon. John McCallum: Please, I don't want to cut you off, but I do have limited time and I'd like you to answer the questions quite precisely.

What other contracts do you have with the federal government, and with which departments?

Mr. Hugh MacPhie: At present, sir, there are no contracts that MacPhie & Company has.

Hon. John McCallum: Which contracts did you receive since Mr. Flaherty became Minister of Finance, other than the one with the Department of Finance we're talking about today?

Mr. Hugh MacPhie: I want to answer your questions the best that I can. However, I would ask the chair, is this question consistent with—

The Chair: Mr. Williams, on a point of order.

Mr. John Williams: If the member had been here for the whole meeting he would know that the Deputy Minister of Finance gave all the details of all the contracts with Mr. MacPhie. Therefore, for him to badger the witness on something he's obviously not prepared on is not quite appropriate.

Hon. John McCallum: All right. I could rephrase that in a precise—

The Chair: It's fine, Mr. McCallum, you can continue with your discussion.

Whether he was here for the previous discussion is irrelevant. He has seven minutes. We're not going to allow additional time.

But I'll ask the witness to answer the question on other contracts you had. It's all related.

Mr. Pierre Poilievre: On a point of order, Chair, how much time does Mr. McCallum have in total?

The Chair: He has seven minutes. That doesn't include the points of order.

Mr. Pierre Poilievre: He's already asked a whole series of questions. How can he still have seven minutes?

The Chair: Oh, I'm sorry. I am wrong. He has four minutes and 26 seconds.

Mr. McCallum, you have four minutes and 26 seconds.

Hon. John McCallum: Thank you, Mr. Chair.

I'll try to be very specific. I understand your company has been awarded eight contracts, that we know of, of which seven were sole-sourced over eleven months, from October 30, 2006, to September 30, 2007, with a total value of approximately \$320,000. I will just ask you whether that is correct

Mr. Hugh MacPhie: I believe, sir, there have been other contracts on top of that. But that is roughly correct, yes.

Hon. John McCallum: Can you explain briefly what other contracts were on top of that?

Mr. Hugh MacPhie: One that I'm aware of, which I don't believe has been in the public record, is that subsequent to some work we did with Health Canada related to some communications issues within their department, we were invited back to provide some education to the civil servants. Let me be very clear on this: the minister's office had nothing to do with that particular contract. We went into Health Canada and worked very hard. We delivered what we were asked to deliver, and they were very pleased. So that would be one additional contract.

Hon. John McCallum: So I guess the point I'm making is there was at least \$320,000 worth of contracts since Mr. Flaherty became a minister, and none before.

I understand that you billed 820 hours, from February 14 to March 31, 2007. I'm asking you if this is correct

Mr. Hugh MacPhie: I'm glad you asked the question, sir.

The number of hours MacPhie & Company worked with respect to our contract on the federal budget was in excess of the numbers we actually billed. So to be clear, the professional services that we provided to the Department of Finance were worth more than the amount for which we invoiced. And furthermore—

Hon. John McCallum: So if anything, you under-billed?

Mr. Hugh MacPhie: That's correct.

Hon. John McCallum: But the bill implies that you worked 18 hours a day, including weekends, for that period of time. So you're telling me that's an understatement of the amount you really worked?

Mr. Hugh MacPhie: Well, no. We worked those hours and make no apologies for having worked very hard on that.

Hon. John McCallum: So for 45 days you worked 18 hours a day, including weekends, and you just said it was an understatement.

Mr. Hugh MacPhie: I don't know with precision, sir, the date exactly when we started work, but I believe it was more than 45 days of work.

Hon. John McCallum: Actually, that leads me to a related question.

According to e-mails, I understand that the date of your signing the contract was February 23, 2007. Was there some kind of verbal arrangement prior to that date, and on what day did you actually begin working on the contract?

Mr. Hugh MacPhie: The work began in mid-January, based on the request we had from the Department of Finance to do this work. They came to us. They said "We would like you involved with Budget 2007 communications". We were clearly very happy and thrilled to get that invitation and began working in good faith.

• (1220)

Hon. John McCallum: On what day? When did you begin work?

Mr. Hugh MacPhie: It was sometime in mid-January, sir.

Hon. John McCallum: And when you say "they" approached you, who approached you?

Mr. Hugh MacPhie: We were approached by the minister's office.

Hon. John McCallum: By his chief of staff?

Mr. Hugh MacPhie: I believe it was by the budget director, actually.

Hon. John McCallum: And his name?

Mr. Hugh MacPhie: His name is Bill Hourigan.

Hon. John McCallum: Now, can I ask you, in terms of your relationship with Mr. Flaherty before he entered federal politics—I understand it was a long one and that you were involved in his leadership campaign at the Ontario level—can you describe the nature or the depth of that relationship?

Mr. Hugh MacPhie: I thank you for the question.

I would describe it as a business relationship. As I believe is a matter of the public record, I was employed at Queen's Park in the premier's office at the same time that Mr. Flaherty was serving in Mr. Harris's cabinet and in the Conservative caucus. At that time I didn't have very frequent interaction with Mr. Flaherty.

My first real interaction with Mr. Flaherty, as I believe is also a matter of the public record, was on his first leadership, where I did volunteer for that. I was not involved in his second leadership. That was at a time when my first son Jackson had been born and we were working on building our business. While I encourage all kinds of people to be involved in the political process, at that time my focus was not on politics, but other things.

The Chair: Thank you, Mr. MacPhie.

Monsieur Lussier or Monsieur Laforest, who is going—
[Translation]

Mr. Jean-Yves Laforest: I will start, Mr. Chairman.

Mr. MacPhie, you were given eight contracts over a one-year period from three different departments. In response to a question by Mr. McCallum, you stated earlier on that you remember one contract. You had a four-person team and you worked from home. It is a communications company called MacPhie & Company.

Is it indeed a communications company?

Mr. Hugh MacPhie: Yes, that is correct.

Mr. Jean-Yves Laforest: First of all, did you bring these contracts to completion? Did you work on all eight contracts?

[English]

Mr. Hugh MacPhie: Just to clarify the question, is the honourable member asking whether or not I was involved with the administration of the contracts or the work being done once we were engaged by—

[Translation]

Mr. Jean-Yves Laforest: I am referring to the work done.

M. Hugh MacPhie: Okay, thank you.

[English]

To answer the honourable member's question, it depends. There were some times when I was the primary person working on the contract. At other times it would have been other members of our staff. We will inevitably, given that we are small, share the workload as best we can, based on the skill sets of the members of our team, in order to deliver to the best of our ability to our clients, as we did in each of these cases.

[Translation]

Mr. Jean-Yves Laforest: We do not have much time.

I consider that if the Minister of Finance calls on a company to carry out one or several contracts, which is the case, it must be a company that is rather well established in its field and has a great deal of credibility.

Who are your other clients, generally speaking? That is my final question.

[English]

Mr. John Williams: Mr. Chair, I don't think that's an appropriate question, given that he's in the private sector.

[Translation]

Mr. Jean-Yves Laforest: Come on!

[English]

The Chair: You want to know who his other clients are? No, I think that would be out of order, Mr. Laforest. If it's federal government...but no, we're not going to get into who his private clients are.

Mr. Hugh MacPhie: Mr. Chairman, with permission, I would be happy to.... In management consulting what's often done on questions like this is to describe the overall—

The Chair: He did do that. But, Mr. Laforest, you did—

[Translation]

Mr. Jean-Yves Laforest: Mr. Chairman, I will word my question differently. You were granted contracts worth \$320,000 for one year. What are your annual sales?

[English]

Mr. Hugh MacPhie: I appreciate the question. I will answer the question.

Let me begin with our work with the Department of Finance. Our work with the federal government generally is a fraction of our overall business. And to correct the record, the time of our contract was more than just one year. It actually would have begun sometime in 2006, and it would have—

[Translation]

Mr. Jean-Yves Laforest: You're not answering my question, sir. What are your total billings for one year, and namely for the year when you received \$320,000 worth of contracts?

[English]

The Chair: Mr. Laforest, it's not proper to ask him what his total billings are for his individual clients.

• (1225)

[Translation]

Mr. Jean-Yves Laforest: Look, we are trying to identify the company's activities, Mr. Chairman.

[English]

Mr. Hugh MacPhie: I would say this. In general terms, over any given year, our billings from the federal government would be in the order of magnitude of roughly a third. Again, I apologize I don't have a more precise answer to your question, sir, because I am speculating somewhat on that.

Perhaps the simple answer to your question is that 90% of MacPhie & Company's business is not related to the federal government. We serve firms in telecommunications, in engineering, in all kinds of different areas. So it's not just—

[Translation]

Mr. Jean-Yves Laforest: I'd like to defer now to Mr. Lussier, thank you.

Mr. Marcel Lussier (Brossard—La Prairie, BQ): Thank you, Mr. Chairman.

[English]

The Chair: You have three and a half minutes, Mr. Lussier.

[Translation]

Mr. Marcel Lussier: I really like figures. I see in the *Globe and Mail* that the contract you signed on March 2, 2007 was of a value of \$98,580. A few minutes ago the Treasury Board Secretariat told us that there was a threshold limit, the \$25,000 limit, but a second limit was also mentioned.

Mr. Chairman, for the record, he mentioned another limit of \$100,000. I would have liked to have asked the following question. Why is there another limit, set at \$100,000? Your contract was worth \$98,580, so slightly under the \$100,000 limit and your final bill was \$122,000. How much of a surcharge would be authorized by the government? Ten per cent, 20% or 50%?

[English]

Mr. Hugh MacPhie: With the greatest—

The Chair: Point of order, Mr. Williams.

Mr. John Williams: You can't expect an individual in the private sector to tell us what the government policy is. That question should have been addressed to Mr. Wouters or to Mr. Wright. But it's certainly not a question to ask a private individual.

The Chair: I'll let the witness answer if he knows. If he doesn't, it's quite understandable that he doesn't know the government contracting procedures, because they are very complicated. If he has any knowledge, he can answer it, and then we'll move on.

Mr. Hugh MacPhie: I will admit that in areas of communications, we're very competent. In areas of writing speeches, we do quite well. In areas of strategic planning, I am very comfortable that should people from Quebec engage us, I'd be delighted. When it comes to knowledge of the guidelines of Treasury Board and of the government, I can't profess to that being the expertise of my business.

[Translation]

Mr. Marcel Lussier: You have no idea how much of a surcharge would be authorized for government contracts?

[English]

Mr. Hugh MacPhie: With all due respect, this is not.... I would be hazarding a guess, and I don't believe it would be appropriate for me to hazard a guess before this committee today.

The Chair: Don't be guessing.

It's really not within his domain, Mr. Lussier.

[Translation]

Mr. Marcel Lussier: I was a private sector engineer and signed contracts with the federal government in the past. In every government contract there is a clause stating that a 10% surcharge will not be approved.

Ms. Mintz, have you ever seen the 10% clause with respect to contract surcharges?

[English]

Ms. Sara Beth Mintz: I recall at the time, being a lawyer, that I read the documentation before executing the contract, as I do with any piece of paper I sign, but at this point I do not recall seeing that in there. It may be there, but I can't recall.

[Translation]

Mr. Marcel Lussier: Earlier on, Mr. Poilievre calculated that you provided over 800 hours of work to draft the government document. How many hours did you work in total?

[English]

Mr. Hugh MacPhie: I will answer that for the honourable member, if you give me a moment.

With respect specifically to Budget 2007, I personally worked roughly 390 hours. My colleague Mr. Tambeau worked roughly 420 hours.

• (1230)

The Chair: Merci, Monsieur Lussier.

Thank you, Mr. MacPhie.

Before we go to Mr. Sweet, I want to point out to the members that there are sandwiches at the back of the room; please avail yourselves if you so wish.

Mr. Sweet, you have seven minutes.

Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC): Thank you, Mr. Chairman.

Mr. MacPhie just confirmed—and for their benefit, because they weren't in the room before with the two deputy ministers—the figure that was public.

What actually disturbs me here, Mr. Chairman, is that when the requests that the Liberal Party asked for were ATIPed, they actually knew this number, and it was not even part of their line of questioning. That's a real concern for me today, because there seems to be a notion that if somebody has been politically active, then even though their credentials are substantial, they can't be involved in public service.

I would like to ask Sara.... Maybe before that I need to also disclose that, as you heard Sara say in one of her comments, she returned to Dundas. She is a friend and has been a constituent of mine.

Sara, you had alluded to your credentials and everything at the beginning. You roughly spent about 400 hours in your work, calculating what you said for the two months, in your budget development. You're a lawyer, and that works out to me to be less than maybe \$100 per hour. I would think you probably took a substantial hit, wanting to serve the Canadian government on this. Is that correct?

Ms. Sara Beth Mintz: Thank you for the question.

As I mentioned in my opening remarks, I did accept this at great sacrifice professionally. There were offers in lucrative private practice that I could have accepted at that time, and I was in the development of talks with them when the call came in.

I trust that you are aware that I have three degrees. I have a political degree, a business degree, and a law degree. That allows me to have a unique set of skills, which I feel I brought to the table. Along with that I did have two and a half years of serving the public in government over a seven-year period prior to this work on the budget.

I was very honoured to be asked, and I was aware that I would be doing this at a lower rate than I could expect in the fair-market value of my work in the legal profession or in any other tasks that I was going to be doing.

What I'd like to point out, since you raised the issue of my taking a financial hit to do this job, is that the \$24,900 awarded under the contract did not take into account the various expenses that I had to incur to come to Ottawa and do this work.

I had to find furnished accommodations in Ottawa for the two months, at about \$5,500. I had to travel back and forth for various meetings, all at my own personal expense, for another approximately \$900. I had to keep my apartment in Toronto, which was \$1,800. I had a 416 cell phone, and there were many other various little expenses.

When you add this all up, the net result of my work was approximately \$16,000 over that course. I was proud to do it because I was excited to have this opportunity to use all of my skills to serve this public, to serve the Canadian people.

Mr. David Sweet: In fact the hit was a lot greater than what I estimated on my paper, because generally speaking, a lawyer not only bills an hourly fee, but they also bill expenses over and above that. All of that was included, and you had to pay for every one of your own expenses, as you mentioned.

Ms. Sara Beth Mintz: Yes.

At present I practice at a downtown Toronto law firm. My hourly rate is \$275 plus GST and disbursements. Those disbursements would include any expenses in relation to the work performed for the client. For instance, if there were an examination for discovery in Winnipeg and I had to fly to Winnipeg and stay at a hotel or accommodations in Winnipeg, then all of that would be billed back to the client.

In this case I was happy to do it at personal expense with that knowledge, because it was such a wonderful and unique opportunity and I was proud to serve the Canadian people.

• (1235)

Mr. David Sweet: Deputy Minister Rob Wright said—in speaking of both Mr. MacPhie and you—that you delivered good-quality work, that your contract was extraordinarily modest, and that the entire team worked very hard. He in fact named you specifically.

Did you work side by side with Mr. MacPhie on every process? I'm asking that for a reason.

We went through the amount of work that was done—over 400 pages of documentation that had to be developed, all aspects of the budget communication, to make sure the 30 million people in Canada understood what was happening. And the budget was over \$200 billion.

Did you work right beside Mr. MacPhie?

Ms. Sara Beth Mintz: In the course of my work I had many interactions with Mr. MacPhie. I think we all, as a team, worked incredibly hard. There were often 16-hour days. We worked six or seven days a week. In my opinion, the work Mr. MacPhie did was extraordinary.

Mr. David Sweet: Mr. MacPhie, Ms. Mintz's contract was entirely separate. Is that correct?

Did you have two other colleagues working with you, or one other colleague?

Mr. Hugh MacPhie: I'll address both of your questions.

It was a pleasure to work with Ms. Mintz, but her arrangements were separate from ours. In addition to me, there was another colleague as part of the team MacPhie & Company brought to the work we were doing with the 2007 budget. I must state for the record what a wonderful job my colleague did.

Mr. David Sweet: This is extraordinary. You're saying to me that for \$122,000 you developed every aspect of the budget communications. You actually paid another associate. You went to five locations across the country, editing everything page by page.

Now, did you pay for those deliberations of five round tables? Did that come out of it?

Mr. Hugh MacPhie: No.

Mr. David Sweet: Was that an extra expense?

Mr. Hugh MacPhie: Yes. Overall, our expenses were \$14,000, and we paid for those expenses out of our own pocket. To be clear, our actual invoice for fees was, I believe, \$115,500. The rest was GST on top of our fee, so it actually was \$115,000.

The Chair: Thank you, Mr. Sweet. Thank you, Mr. MacPhie.

We'll now move on to Mr. Christopherson. Mr. Christopherson, you have seven minutes.

Mr. David Christopherson: Thanks, Chair.

Thank you for your presentation and for being here today.

I have a disclaimer also off the top. I do not know Ms. Mintz, but I do know her mom, Judy Mintz, very well. She's an activist in the community in Hamilton, well known to a lot of people, a well-known Conservative. My confession is that I like Judy, we work together. And I want to make a promise to Mr. MacPhie that I'll try not to hold against him the fact that he aided and abetted Mike Harris.

I'll start with Ms. Mintz. You said that someone asked you to come out and join the team or come and work. Who asked you?

Ms. Sara Beth Mintz: I was asked by the minister's office.

Mr. David Christopherson: Who was that?

Ms. Sara Beth Mintz: Do you mean specifically?

Mr. David Christopherson: Yes, please.

Ms. Sara Beth Mintz: I was contacted by the budget director.

Mr. David Christopherson: Okay.

I simply want to say right now that the context for all of this goes back to commitments the current Prime Minister made on November 17 when he said of patronage, "This has got to stop, and when we become government, it will stop".

The nature of what we're looking at here is how much of this work is as a result of ties with the Conservative Party. So my question to you, Ms. Mintz, is if you weren't well known and active within the Conservative world, would you have gotten that phone call?

Ms. Sara Beth Mintz: Thank you for the question.

In my opinion, I have a very unique set of skills that I brought to the table. Included in that are my three degrees in business, law, and politics, and my previous history of public service. And yes, as I said from the outset, I am politically involved, but to be clear, I believe the reason I got the call had a lot to do with those qualifications and my expertise and that skill set.

● (1240)

Mr. David Christopherson: Okay, but the contacts didn't hurt. You don't have to answer.

You said you were advised that the contract would be up to \$24,900. Was there any discussion about why? Did anybody say to you, "Here's why we're crafting it that way"? It's an unusual number. If somebody hires me and says "I'll pay you \$22,395.12", it's a bit of a strange number. So was there a conversation around why the threshold of \$24,900?

Ms. Sara Beth Mintz: When I received the call and the offer was extended, that was the offer that was extended. It was a contract for \$24,900, a sum not to exceed \$24,900, and that was what was offered at that time.

Mr. David Christopherson: I hear that. I'm asking, was there any discussion by anyone with you about why that figure is the figure?

Ms. Sara Beth Mintz: Not to my recollection.

Mr. David Christopherson: Okay.

Mr. MacPhie, prior going into cabinet myself, I was parliamentary assistant, as you probably know, to the Minister of Finance, so I was on the inside of the development of the second-largest budget in the country. So I have some idea, again, of how these things happen.

You went to great length to talk about all the work you had to do, page by page and looking at all the various programs, and I grant you all of that. But I also know that virtually every other staff person—and there are uncountable numbers of people who are involved—comes in and does the same number of hours, the same amount of work, and they continue to work for the rest of the year, and most of them for less money than you charged. So where was the value added?

Mr. Hugh MacPhie: I want to thank you for the question.

Let me begin by saying that we're very proud of our reputation at the firm. We work hard, and we've worked hard to develop the skill sets that we have. Our clients are very generous to us in their praise, and while I think I'm too humble to say this here, I would urge you to go to our website to see what our clients say about us, to address specifically the skill sets that we have.

I would also say that we did provide value for money. The rates that our firm charge are quite reasonable—

Mr. David Christopherson: I'm sorry, but I'm asking what you added to the other professionals who were around the table who are full-time, hopefully well-paid staff, professionals, working just as hard as you, and who are just as smart as you. What was the value added you brought that only you could bring?

Mr. Hugh MacPhie: I think there are a couple of things. First, when it comes to communications planning, when it comes to speech writing, when it comes to editing and ensuring the documents we worked on were consistent with the strategy, were consistent with—

Mr. David Christopherson: You're not doing well. You need more. Come on, what did you add? Everything you're telling me, I could see twenty people in the ministry who would do exactly that—a lot smarter than I am—who would be working for hours and hours doing exactly what you're saying. What I want to know is the justification, the value added that you brought that made it so important that you, and only you, needed to be brought in at this rate.

Mr. Hugh MacPhie: We were contacted by the minister's office. The minister's office came to us and said they would like our help with this. As I noted before, I did have some experience working with the minister, and I was known to people within—

Mr. David Christopherson: Would you have got that phone call without having worked for the minister?

Mr. Hugh MacPhie: We work very hard to build our reputation. Our reputation is indeed known among political staff. It's known among some members of the cabinet, and I can't apologize for that. Our reputation is also known among—

Mr. David Christopherson: Are there other governments of other political persuasions besides Conservatives that have hired you to do things?

Mr. Hugh MacPhie: We have worked at all three levels of government.

Mr. David Christopherson: But in other provinces. I'm asking if there are other parties you've worked for. I'm just saying that if your value is that important, obviously there might be others who want to use it. Or is it only Conservatives?

Mr. Hugh MacPhie: I look to the chair. I'm nervous about disclosing for whom we have done work. However, it is fair to say that within our country we have done work at the provincial level for jurisdictions that were not Conservative.

Mr. David Christopherson: Okay. Let me ask you this. You mentioned earlier, if we got the quote, and I'm sure we did, that 10% of your work is with the government, but it represents 30% of your income.

● (1245)

Mr. Hugh MacPhie: No. I apologize, sir. I should have been clearer. My estimate for the work we did for the Department of Finance was roughly 10%. Work we've done for the Government of Canada would be roughly one-third. Again, I would urge the committee to know that those are rough estimates. But the point I would make is that MacPhie & Company's business is far more extensive than just the work we've done for the federal government.

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

Thank you, Mr. MacPhie.

Point of order, Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Earlier Mr. McCallum stated that Mr. MacPhie billed for 18 hours per day, and I don't believe that's correct. I just want to give Mr. McCallum the opportunity to correct the record, if he could, before they take their time.

The Chair: That's not a point of order. If Mr. McCallum wants to correct it later, he can.

Mr. Wrzesnewskyj, seven minutes.

Mr. Borys Wrzesnewskyj: Thank you.

Mr. MacPhie, you directed us to your website. In fact, on the MacPhie & Company website, the "Our Story" page, the first line reads "...it's been our friends and clients who have helped guide and steer us to where we are today".

Today you find yourself before the public accounts committee because your friend—as you've noted—Jim Flaherty guided and steered a Treasury Board rules-breaking untendered contract for over \$120,000 to you while you worked on his speech and communications strategy.

How many hours were you actually contracted to work? We know you've said your company worked more than 800 hours. How many hours were you contracted to work?

Mr. Hugh MacPhie: I don't....

Mr. Borys Wrzesnewskyj: Approximately.

Mr. Hugh MacPhie: I think I would answer the question this way....

Mr. Borys Wrzesnewskyj: If you can't remember, perhaps you could table that information with us at a later date.

Mr. Hugh MacPhie: I would take that under advisement.

The Chair: Point of order, Mr. Williams?

Mr. John Williams: I don't think again as a private individual...to table in this House a private contract he had with the Government of Canada. If Mr. Wrzesnewskyj wants it, it's available through the government, and we shouldn't be asking private individuals to table a contract.

The Chair: This matter is before the public accounts committee. It's an appropriate question, and I will allow it to continue.

Mr. Borys Wrzesnewskyj: Mr. MacPhie, will you table that contract or that portion of the contract?

Mr. Hugh MacPhie: I would direct you to the Department of Finance with respect to—

Mr. Borys Wrzesnewskyj: I'm asking you, yes or no?

Mr. Hugh MacPhie: I'll have to take that under advisement, sir.

Mr. Borys Wrzesnewskyj: Chair.

The Chair: I am directing you to table the contract, Mr. MacPhie.

Mr. John Williams: On a point of order, in the public accounts of Canada, Mr. Chairman, it's our responsibility to hold the government accountable. There are some allegations here that they didn't follow the guidelines in the letting of a particular contract. The information that we want is available from the Government of Canada.

I'm sure that Mr. Wright and Mr. Wouters would have been glad to provide that information had we asked them. I do not think it's

appropriate for us to go down the road, as members of the public accounts committee holding the Government of Canada accountable, of starting to ask private citizens about their business relationships with their clients, albeit that the client is the Government of Canada.

If we want it, the government will supply it. That's where we go for the information.

The Chair: Move on, Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Thank you, Chair.

Mr. MacPhie, in your opening statement you described working alongside finance department officials, officials in the minister's office. You described the finance department officials as being very professional, knowledgeable, good to work with. Would you agree that there were no employees within the Department of Finance who had the required skills or expertise to write that speech and provide the communications for it, from your interactions?

Mr. John Williams: On a point of order, Mr. Chairman, we can't allow this type of questioning of a private individual who has no knowledge, professional or otherwise, of the skill set within the Department of Finance.

We had Mr. Wright here today tell us of the 50 or 60 people in the communications department, but it is outside their responsibility to write political documents. Therefore, with this type of question, to ask a private individual what kind of skill set is inside the Government of Canada, when we already had two deputy ministers here this morning answering that very question and the answer is on the record, it is not for them to speak on behalf of the Government of Canada.

• (1250)

The Chair: I'm inclined to agree with that point. The witness really would have no idea what capacity was inside the Department of Finance at this particular time.

I'd ask you to move on, Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Thank you.

You had stated that 10% of your business was with the Department of Finance. Over the last year you've had over \$300,000 of contracts with the finance department, all except one untendered. Is that correct, that in 2006 and 2007 the \$300,000 of contracts with the finance department were only 10% of your total business?

Mr. Hugh MacPhie: That was a rough estimate specifically with respect to some of the work we did with the Department of Finance. I don't have before me those exact figures.

Mr. Borys Wrzesnewskyj: So that 10% we should also take under advisement—that may not accurately reflect the situation.

Mr. Hugh MacPhie: With respect, I am nervous to provide for this committee too much detail with respect to the revenue of MacPhie & Company.

If I can answer the honourable member's question, where I hope you're going, MacPhie & Company serves firms in all kinds of industries. We have served clients in all three levels of government.

Mr. Borys Wrzesnewskij: That's taking us on a different track.

Mr. MacPhie, you said that Mr. Hourigan was the person who contacted you. Prior to signing this contract, did you at any point in time speak with Mr. Flaherty about this contract?

Mr. Hugh MacPhie: At no point in time did I ever have specific discussions with Mr. Flaherty regarding the scope of work or the administrative—

Mr. Borys Wrzesnewskij: Not “specific”. Did you have discussions about this contract with Mr. Flaherty?

Mr. Hugh MacPhie: No, I did not.

Mr. Borys Wrzesnewskij: And with his chief of staff?

Mr. Hugh MacPhie: Yes, I did.

Mr. Borys Wrzesnewskij: Thank you.

Mr. Hubbard will take....

The Chair: Mr. Hubbard, you have two minutes and 45 seconds.

Hon. Charles Hubbard: Just to put this into perspective, Mr. MacPhie, we're not really concerned about your ability to do a good job. We're concerned more about the way the contract was let.

You said that when you arrived in Ottawa you worked on the budget speech. In other words, there are 50 or 60 people in the finance department who are drafting a budget, and you took it page by page and reviewed those pages and suggested some changes might be made. Is that correct?

Mr. Hugh MacPhie: Let me begin by saying—

Hon. Charles Hubbard: No, just a yes or a no. Page 10 came in today, or pages 10, 11, and 12; you reviewed those three pages and said “This word is not quite appropriate” or “This sense should be changed”—was that the task you had?

Mr. Hugh MacPhie: Let me—

Hon. Charles Hubbard: No, was that what you did, yes or no?

Mr. David Sweet: A point of order, Mr. Chairman.

The Chair: Mr. Sweet.

Mr. David Sweet: We have constantly said here that we want to have witnesses give fulsome answers. If you beat the witness and cut him off and don't allow him to give a fulsome answer, then it's exactly counterproductive to the operation of this committee.

The Chair: Go ahead, Mr. Hubbard.

It's not a point of order.

Hon. Charles Hubbard: Was that the job you did?

Mr. Pierre Poilievre: On a point of order, Chair, how is he supposed to remember whether he changed a word on page 11 of a 400-page document?

The Chair: He can answer that himself, Mr. Poilievre.

Mr. Hubbard, the floor is yours.

Hon. Charles Hubbard: With this task, Mr. McPhie, you talked about over 400 pages that you reviewed; this was the job you had. It

was prepared by the finance department, by their communications people, and then it came to you to see whether it was clear and acceptable to your minister, the minister you were working for, and to the Canadian public. Is that the task you had?

Mr. Hugh MacPhie: Among many. We developed a comprehensive strategy with respect to the budget related to communications. We were heavily involved in project management. As you can imagine, the liaison of all the different products that were produced —

Hon. Charles Hubbard: My time is limited, and I don't want to get into those kinds of details.

If the written document was not acceptable to you, did you rewrite it, or did you send it back to the staff for rewriting?

Mr. Hugh MacPhie: It would have been a combination thereof, and I'll try to give a specific example.

We would be presented with materials, and materials would be circulated among the minister's office staff. Part of the role we played was to consolidate their feedback and ensure that it was then subsequently provided to the department.

But again, sir, I want to emphasize that we did a whole lot of stuff over the course of our work, and it was an extensive and—

• (1255)

The Chair: You can have one last quick question, Mr. Hubbard. Your time is up.

Hon. Charles Hubbard: Well, I'm a little bit confused, because we had 60 people, the deputy minister said, working on the budget speech. I don't think, in terms of the budget speech, that you were the expert. We have thousands of people working in the finance department who prepare a speech, but they came to you to see whether it could be communicated to suit the deputy minister or minister—apparently it was the minister—and that seemed to be the role.

I'm not clear, either, that you went across the country to five places. Did you personally cross the country with the minister?

Mr. Hugh MacPhie: No.

The Chair: Thank you, Mr. Hubbard.

Thank you, Mr. McPhie.

Now we move to Mr. Fitzpatrick for the last seven minutes. Mr. Fitzpatrick.

Mr. Brian Fitzpatrick (Prince Albert, CPC): If I can use some of the words of Mr. Christopherson, I certainly hope neither one of you aided and abetted Bob Rae when he was in charge of the province of Ontario in managing the public finance at that time. I'll open with that comment.

Mr. Wright was here earlier, and basically, I think he gave you a pretty high endorsement, Mr. McPhie, the way I would interpret it. He was very impressed with your work, not just on this project but on previous projects. I think it was also his view that there were probably many more hours put into this project that weren't billed for, and that would be my impression as well.

I want to correct something here, just to get the record perfectly clear. Out of your group that was working in Ottawa, how many people would you say were working full-time on the project?

Mr. Hugh MacPhie: McPhie & Company had two staff working on Budget 2007. As I said at the outset, and as honourable members appreciate, it is a massive undertaking. You don't have a lot of time to go from what your inputs are to your result.

Mr. Brian Fitzpatrick: But just to correct some mathematics that were presented by Mr. McCallum—I don't know whether his banking background is with the subprime or the Enron—you had two people involved on this project for 45 days of intense work. Even if they only worked 10 hours a day for that period of time, we'd be talking about 900 hours, which would be a very modest amount. I get the impression there were days, especially toward the end, when people were working maybe 15 to 18 hours on this project, and on Sundays as well.

Am I correct in my interpretation of these events?

Mr. Hugh MacPhie: That's correct, sir.

Mr. Brian Fitzpatrick: So maybe the record will correct the misinterpretation that Mr. McCallum was trying to impose on the group.

I've practised law for 25 years, and even when I left law in Saskatchewan, the going rate, the average rate, would have been in the region of \$250 an hour. In Ottawa, I think you're looking at \$350 or \$400. If we have a public inquiry, I'm sure there are going to be many lawyers in that public inquiry who will be wearing thousand-dollar suits, who will be charging anywhere from \$500 to \$1,000 an hour for their time.

Have you any idea, if you charged your full time at \$250 an hour, how much you would have billed? All the time too, including the stuff that wasn't billed.

Mr. Hugh MacPhie: I can tell the committee we are very confident we provided superb value for money to the taxpayers of Canada, the Government of Canada.

Mr. Brian Fitzpatrick: Thank you, sir.

Another misrepresentation that has been going on here, which has been repeated and repeated over and over again—I think it's shameful, because people should know better.... You were involved in the preparation, the communication, the budget, from start to finish. You had a lot of tasks involved with that, but certain people have constantly said you billed \$122,000 for the preparation of one speech, which I think is a total bunch of nonsense and a total misrepresentation of the facts.

What have you got to say about that?

Mr. Hugh MacPhie: I appreciate your correcting the record, Mr. Fitzpatrick.

Mr. Brian Fitzpatrick: I think both deputy ministers, the Treasury Board secretary and the deputy finance minister, made it quite clear that this budget process thing is a fairly demanding process. Time is of the essence. Privacy issues are involved. It's a very, very intense issue, and Deputy Minister Wright said it's a judgment call from the minister's office about who's engaged in that process. Really, you don't have a lot of time to go through all the

regular processes that go on in government. You've got to take the bull by the horns and get the job done.

Did you personally find this a very demanding and challenging task?

• (1300)

Mr. Hugh MacPhie: Let me just say my family missed me.

Mr. Brian Fitzpatrick: Right. What about you, Ms. Mintz? Did you find this a very challenging and demanding job?

Ms. Sara Beth Mintz: Absolutely. And you know, as a lawyer, there are lots of times you find your tasks challenging, particularly when preparing for court. This was quite different. This was quite extraordinary, leading up to the budget, 18 days straight of work.

Mr. Brian Fitzpatrick: There were tons of complex issues in the budget. I just think of the fiscal balance, the equalization issue. That in itself was a major task, without even dealing with all the other complexities in the budget.

Ms. Sara Beth Mintz: Yes, it was incredibly challenging, and I welcomed the challenge and undertook to work whatever hours it took to do the job and do the job well, and that meant many hours.

Mr. Brian Fitzpatrick: What I'll say in conclusion here.... How much time have I got left, Chair?

The Chair: One minute.

Mr. Brian Fitzpatrick: I've seen a fair number of budgets since I've been here in Ottawa. I've seen budgets provincially and federally over my time. I thought that was a very well-communicated budget. The package of materials that was produced helped me, as an MP, to communicate to the media and helped them understand the budget. It was to me a first-class job, and if you folks had anything to do with that, I would give you very high marks.

Mr. Hugh MacPhie: Thank you, Mr. Fitzpatrick.

And without correcting Hansard, I believe it was Mr. McCallum himself who said nice words at the conclusion of Budget 2007—although, Mr. McCallum, I don't recall that specifically, but I think that is what you said.

Mr. Brian Fitzpatrick: I assume also that Mr. McCallum's background with banks and financial institutions... You have done some work for that part of the Canadian economy as well?

Mr. Hugh MacPhie: We have served financial institutions, yes.

Mr. Brian Fitzpatrick: So they had confidence in hiring Mr. McCallum and they had confidence in hiring you, Mr. MacPhie.

Thank you very much.

The Chair: Thank you very much, Mr. Fitzpatrick. Thank you very much, Mr. MacPhie.

That concludes the second segment. On behalf of the committee, I want to thank you, Ms. Mintz, and I want to thank you, Mr. MacPhie, for your appearance here today.

We will now adjourn for 30 seconds and we'll have the minister with us for the last hour.

I would ask the media to leave, please. The meeting has not been adjourned. We're going to go for another hour with the cameras and we're going to invite Mr. Flaherty, if he's here.

- _____ (Pause) _____
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The Chair: I'd like to call this meeting back to order.

This is our last one-hour segment, colleagues, and we're very pleased to have with us the Minister of Finance, the Honourable Jim Flaherty.

Welcome, Minister Flaherty.

Before we go to the first round, I'm going to urge the members again. We are dealing with very specific contracts, and I'd ask the members to keep your questions short, brief, succinct, and I would ask Mr. Flaherty, of course, to keep his answers short and to the point.

Having said that, we're going to go to the first round of seven minutes to.... Excuse me. I forgot.

Do you have an opening statement, Mr. Flaherty?

Hon. Jim Flaherty (Minister of Finance): Yes. Thank you, Chair.

Mr. Chairman, I appreciate the opportunity to meet with you and the members of the committee today to set the record straight with respect to the work that was carried out in support of the second budget, Budget 2007.

In some instances, in the House of Commons and in the media, this work has been mischaracterized and, quite frankly, belittled.

• (1305)

[*Translation*]

It is a pleasure for me to be here today with you. I would like to say a few words regarding contracts and clarify certain points.

[*English*]

First let me say that I do not regret hiring MacPhie & Company or Sara Mintz. They provided good value for money for the taxpayers of Canada. These people worked long hours to help us deliver what is unquestionably the most important document of the government, the national budget. I do regret, however, that administrative functions were not followed, and I'll have more to say about that in a minute.

The national budget, as you know, is the financial road map of the government. It provides a snapshot of Canada's fiscal situation. It sets out economic projections going forward. It presents new tax measures and policies from various departments and crown corporations, and it provides a series of annexes and technical papers providing extremely detailed financial information.

This particular budget, Budget 2007, was an historic document. It dealt with many complex issues, such as equalization, which are difficult to communicate to the public, and it was the largest budget document ever, at 477 pages. When you pick up the actual budget documents, you really don't get a sense of the scope of the work involved.

I look around the room to see if any of you have ever worked on a budget. I guess Mr. Christopherson would have in the province of

Ontario, so he has some idea of the complexity involved. It is far more complex and labour-intensive than many may think. For those of you unfamiliar with the budget process, let me take a few minutes to mention some of the stages involved.

Clearly, you cannot have a budget without policy. Policy work for Budget 2007 began soon after Budget 2006, which was delivered on May 2, 2006. First we identified stakeholders to provide input into the process: representatives from municipal governments, representatives from provincial and territorial governments, academics, associations, consumer groups, business groups, members of Parliament, and so on.

Second, there were officials from the Department of Finance. The finance committee of the House, my staff and I spent hundreds of hours over the course of months travelling the country and meeting with various people and holding pre-budget consultations. We gathered political ideas from our political colleagues and other departments. We also opened up the pre-budget process to all Canadians by offering online consultations.

Thirdly, all of the ideas were then carefully reviewed, prioritized, and eventually costed. All policy decisions were reviewed with our long-term economic plan in mind—that is, Advantage Canada. We believe that this is the responsible approach.

Fourthly, budget policy briefings were held. During those briefings, department officials presented binders of policy options and various alternatives. Over the course of months, these were eventually reduced to a manageable and affordable budget package that reflects the priorities of Canadians.

As policy development moved closer to a final package, a team of communications, parliamentary affairs, and logistics people from within and outside government swung into action. These people were looking at a mountain of work within very compressed timelines. They were responsible for quantitative and qualitative research, writing, and editing of the budget speech; writing and graphic design for all of the companion documents, the fanfolds, "The Budget in Brief", and in 2007 the fiscal balance document; also writing and producing briefing books and materials for members of Parliament; writing and producing videos and website content; producing budget day presentations for cabinet and staff; coordinating the production that is budget day—an event that involves literally hundreds of people both here in the parliamentary precinct and throughout Ottawa; organizing budget lock-ups for members of Parliament, hundreds of stakeholders and the media; and developing pre- and post-budget rollouts, including speeches and events.

As I mentioned, developing and rolling out Budget 2007 was an enormous task. To ensure that it was done in a timely and professional manner, we brought in help from outside, a practice followed for many years by past federal ministers of finance.

Obviously this budget material was confidential. I engaged people who I not only knew could do the job but who I could trust.

•(1310)

MacPhie & Company consisted of two individuals, Hugh MacPhie and Paul Tambeau. These two gentlemen are communications professionals who provided hundreds of hours of work on this file. They worked on several aspects of Budget 2007, such as participating in the budget search process; developing a comprehensive communication strategy; drafting, editing, and proofing various budget products, including the budget speech; managing the communications critical path and production schedules; and developing pre- and post-budget rollouts.

Sara Mintz is a lawyer with extensive private and public sector experience. Her responsibilities included working on policy, providing analysis and assessments to the budget director and senior Finance Canada officials, coordinating budget day logistics, and assisting the budget director.

These people have worked with me in the past during my time in public life. They are dedicated and hard-working. I trust them. They have always acted in the public interest.

As I have stated consistently, my office failed to follow some of the administration functions in engaging MacPhie & Company. As I've mentioned on several occasions both inside and outside the House of Commons, regrettably administrative functions were not followed with respect to the contract with MacPhie & Company.

I've been open and transparent about this. The moment my staff brought the error to my attention, I instructed my staff that all Treasury Board guidelines were to be followed to the letter. I made it clear that any other breaches would not be tolerated. I ordered a review by my new chief of staff. Errors were administrative, since the value for money was delivered, but I ordered the review, and we developed an action plan, which was first of all that there had to be strict compliance with all Treasury Board guidelines; second, that my staff must consult the departmental staff with respect to all contracts; and third, that my staff must advise me of any concerns expressed by the department to them concerning issues of contract.

I can say this at the end, Chair: it's far better to bring experts into the office on a short-term contract when needed than to hire permanent staff unnecessarily. It's cost-effective.

The Chair: Unless you have any quick concluding remarks, we'll move on. Are there any quick concluding remarks?

Hon. Jim Flaherty: No. It would take another five minutes or so, and that's probably too long. As I say, the administrative functions weren't followed; I'm happy to try to respond to those concerns.

The Chair: Thank you very much on behalf of the committee.

The first round is seven minutes. Go ahead, Mr. McCallum.

Hon. John McCallum: Thank you, Mr. Chair.

Thank you, Mr. Minister.

I'd like to say at the start that I have no evidence suggesting that either of the two individuals performed poor work; my only question has to do with the process.

When you say administrative functions were not followed, we know there was a lot of correspondence by e-mail between your

former chief of staff, David McLaughlin, and public servants in the department, correspondence that I believe made it clear that it would not be appropriate to use an untendered contract in this case. Implicit in your comments, if I'm not mistaken, is the idea that you did not get told by your former chief of staff about this correspondence before the contract went out. Is that a correct interpretation?

Hon. Jim Flaherty: Yes.

Hon. John McCallum: So you only discovered that this was against Treasury Board rules after the action had already been taken?

Hon. Jim Flaherty: I only discovered that administrative functions were not followed on July 24, 2007.

Hon. John McCallum: Mr. Minister, a provision in Bill C-50 has a certain connection to this: the Minister of Finance is given power to set up committees—advisory committees or other committees—in which the members of these committees can be appointed, bypassing Treasury Board rules. The minister can choose whoever he wants without any contracts, and the cabinet, through an order in council, can determine whatever salaries are to be paid. Your own officials confirmed this to me at the finance committee.

Would you share my concern that this might represent a problem in terms of doing indirectly what is now not according to the rules, by setting up a new mechanism that would allow Mr. MacPhie or somebody else to be put onto an advisory group at possibly a high salary and with no competitive bidding process?

•(1315)

Hon. Jim Flaherty: Not at all. It's really a rather different subject.

Since I've been Minister of Finance, we've appointed a couple of panels that have developed some very important public policy in Canada: the children's fitness tax credit—which hundreds of thousands of Canadians took advantage of this year, I'm told—and the registered disability savings plan. The three experts who served on the children's fitness tax credit panel and the three experts who served on the panel dealing with registered disability savings plans were each paid \$1.

The challenge is that when we appoint people, as we have recently—for example, the members of the Godsoe panel on international taxation and members of the Hockin panel on securities regulation—not all people who might be good people to have can afford to give up the hours and days that they're being asked to give up in order to perform this kind of public service.

This is a provision found in other federal department legislation. The ministers for public safety, industry, and social development have long had such authority. That's why it's in the bill—so that the Minister of Finance will have similar authority.

Hon. John McCallum: Thank you. I guess I'm concerned about the lack of a competitive process, but I'll move on.

Bronwen Evans received a \$24,877.50 contract to write speeches for you from June 2006 until last February. Can you confirm that she was your executive assistant and chief of staff at Queen's Park?

Hon. Jim Flaherty: She was certainly on my staff at Queen's Park, and at one point she was my chief of staff at Queen's Park when I was in one of the ministerial jobs I had there.

Hon. John McCallum: Thank you very much.

David Curtin, who worked on your Ontario leadership campaign, received \$24,877.50 to write your first budget speech in 2006. Can you confirm that he was also paid \$3,350 to write a keynote speech earlier this year for you?

Hon. Jim Flaherty: I believe so, but I would have to check the records on that speech.

Hon. John McCallum: Thank you.

Toronto lawyer James Love, who donated \$63,000 to your two leadership campaigns, was appointed to the Royal Canadian Mint. He's also served on two advisory panels on a voluntary basis and was provided with expenses of \$75,000 and \$10,000. As a Mint director, he receives up to \$6,200 a year, plus a per diem of up to \$485. Can you confirm whether his personal and political connections have anything to do with his appointment?

Hon. Jim Flaherty: That is so unfair. That is just typical of you. That's why I've given you notice about your defamatory remarks about my wife and my children and me. I'm only answering these questions because we're in committee today. I will not answer your questions in the House.

Mr. Love is one of Canada's leading tax experts. He knows a lot more about tax than you could ever hope to know. He's serving without compensation on the tax fairness panel led by Mr. Godsoe.

So this is exactly the kind of Canadian, Mr. McCallum, we hope will come forward, work for one dollar, and serve this kind of important function. He also served, if you bothered to read the report—and I'm sure you didn't—by heading up the panel that developed the registered disability savings plan, a brilliant plan that has been looked at around the world to help people with disabilities—for one dollar.

I know you wouldn't appreciate that kind of dedication by a Canadian, but you should think twice before you go after much-respected Canadians, greatly respected Canadians, in a petty, gutter-like way like you do.

Hon. John McCallum: Mr. Flaherty, with all due respect, I appreciate the pro bono or one-dollar work that individuals like Mr. Love and others do. My concern is with whether the government, in general, and you as a minister, have followed appropriate processes. Nothing that I said was intended to say anything negative about Mr. Love.

I can tell you that my earlier issue with the Ethics Commissioner was not intended to be personally negative about anyone, you or your family, and I regret—

Hon. Jim Flaherty: Then apologize, then apologize.

Hon. John McCallum: I regret if you took it that way.

Mr. Flaherty, it's now in the hands of the Ethics Commissioner. I will make a commitment to you.

The Chair: We're talking about a contract here. The contract we're dealing with is \$122,000 let to Mr. MacPhie and a couple of other contracts let to.... Let's bring it back into that domain, please.

Hon. John McCallum: I commit to Mr. Flaherty today that if the Ethics Commissioner in her inquiry finds that our case was wrong, at that point I will apologize to you and to your family if I caused any embarrassment. So I would ask you, since you did not follow administrative functions in this matter, by your own word, to now apologize to Canadians for that.

• (1320)

Hon. Jim Flaherty: I said administrative functions were not followed, and I already said in my statement that I regretted that.

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

Thank you, Mr. Flaherty.

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you, Mr. Chairman.

Good day, Mr. Flaherty.

With respect to the \$122,000 contract MacPhie & Company received to prepare a communications plan and advice for Budget 2007, you acknowledged that certain administrative rules were not followed.

For this year, 2008, did you require similar work to be done by a communications firm, or was it done in-house?

[*English*]

Hon. Jim Flaherty: I would have to check the records concerning whether there was some outside help this year. There probably was at various times. This year was different. In 2007 we had the huge issue of fiscal imbalance, which was highly controversial. We had countless submissions on the subject, and of course it was a very sensitive subject with the provinces and with the territories.

This year in the fall economic statement we actually set out most of the significant tax changes on October 30, 2007, in that economic statement, and the budget document itself was much, much smaller.

[*Translation*]

Mr. Jean-Yves Laforest: In 2006, did you have to call upon an external firm? If you did, for 2006 and 2008, were there calls for tender? If not, and everything was done internally, would that not indicate that the department had the necessary skills to do the work?

[*English*]

Hon. Jim Flaherty: Well, no. As I said in my opening remarks, it's common for federal finance ministers to bring in temporary staff for budget purposes. That actually saves money, because otherwise one would have to bring the people on board full-time, and they'd be entitled to severance and all the rest of it as full-time employees. That's one thing.

On tendering, the only contract I know of related to that was the MacPhie & Company contract.

[Translation]

Mr. Jean-Yves Laforest: You're telling us that for Budget 2007, given the complexity of the fiscal imbalance and how difficult it is to explain to the general public, you needed to hire an external communications firm with four staff. You needed an external company to explain to people a process which your own officials could not explain. The explanation you're giving us is difficult to understand.

Why did you deal with this company, which is very small when compared with many other communications companies that could have disseminated or prepared a far more comprehensive message? It's a bit of a contradiction.

[English]

Hon. Jim Flaherty: I don't share your view that big means better in the private sector. In fact it often means more expensive, not necessarily better.

I knew Mr. MacPhie from his time at Queen's Park, doing some work for the Government of Ontario. I knew that he was reliable, certainly trustworthy, and capable. That's why he was engaged in the work.

[Translation]

Mr. Jean-Yves Laforest: Mr. MacPhie told us that he never communicated with you about this contract and that everything took place at the level of the officials. From your perspective, you say that you trust this person and had recommended him.

[English]

Hon. Jim Flaherty: That's right.

[Translation]

Mr. Jean-Yves Laforest: You had recommended him.

[English]

Hon. Jim Flaherty: Yes. I don't know who you hire, but I like to hire people I can trust who have proven track records, who I know have a great work ethic, and who I know can get the job done.

[Translation]

Mr. Jean-Yves Laforest: On that point, I fully agree with you, but there are rules of procedure that apply to ministers of Finance. Your deputy minister is the senior accounting officer within the Department of Finance. You and he both must comply with procedures and general rules. Earlier on your deputy minister, Mr. Wright, told us that he did not disagree with the idea of not having a bidding process for a contract valued at over \$25,000. If he had disagreed, he would have had to submit his decision to the Treasury Board Secretariat, which he did not do.

I do not understand. You say that you hire competent people. Yet the deputy minister is there to remind you that you must comply with administrative regulations and he did not do that at the time. Do you find it acceptable that your deputy minister did not remind you of administrative rules which have not been followed? Earlier on, you said you were only informed of it in June 2007. How could you accept that your deputy minister did not tell you about it beforehand?

• (1325)

[English]

Hon. Jim Flaherty: It was July 2007.

I understand that most if not all ministers do what I did, which was delegate the administrative authority to my chief of staff in writing. I understand deputy ministers do that as well. These are large departments. I don't think, quite frankly, it's reasonable or that Canadians would want us to spend our time doing the administrative work, whether we're ministers or deputy ministers.

I delegated that responsibility to my chief of staff. I understand now that there were communications between the department and my chief of staff about some of the issues, but they were not shared with me.

[Translation]

Mr. Jean-Yves Laforest: I will be giving the rest of my time to Mr. Lussier.

[English]

The Chair: You have 30 seconds.

[Translation]

Mr. Marcel Lussier: Mr. Flaherty, based on an analysis of Department of Finance contracts, over 10% of them fall between \$24,000 and \$24,999, whereas in other departments only 6% of contracts are worth that much.

How do you explain this discrepancy?

[English]

Hon. Jim Flaherty: I can't give you any specific reason. I delegated the authority to enter into the contracts. The ones you're referring to were within the Treasury Board guidelines.

[Translation]

The Chair: Thank you very much, Mr. Lussier and Mr. Laforest.

[English]

We'll have Mr. Poilievre for seven minutes.

Mr. Pierre Poilievre: Minister, you just had an apology from Mr. McCallum for his having wrongly smeared you, your family, and your kids and for his having gotten his facts wrong in doing so. Now we see this attack on private citizens who provided value for money in contractual work they did for the government.

Can you tell us, given your knowledge of Treasury Board rules, whether there are rules forbidding your ministry from hiring people you know?

Hon. Jim Flaherty: No.

Mr. Pierre Poilievre: There are no such rules. So given the great lengths to which the opposition has gone to show that you know the people who were hired, to what end do you think they were making such efforts?

Hon. Jim Flaherty: Let me put it this way, and this does upset me, actually. What we do as politicians when we do this kind of thing, when we try to create clouds of suspicion and smear good Canadians who give value for money when they do work for the government, many for pure public policy reasons and not for any compensation, is discourage people from doing it. We discourage good people from taking on government contracts.

The type of contract that MacPhie & Company took means that they have to give up most of their other work for a period of time, because they have to intensely work on the budget. It means working weekends, working nights, working long hours, having no time off, and taking no ski trips in the wintertime—none of that stuff—as we approach the budget date. It means being quiet about it all and being confidential about it all so that there are no leaks and there is no sharing of information. So it's a monk-like duty they enter into when they do this.

Quite frankly, I think we have to be careful before we cast aspersions on people who are prepared to undertake arduous work for reasonable compensation.

Mr. Pierre Poilievre: Mr. Hubbard points out, and I quote, that he and his colleagues are “not really concerned about your ability to do a good job”. The people he was referring to are Ms. Mintz and Mr. MacPhie. So we now have an opposition that's put together a hearing to look into the work, which they admit does not concern them, of some contractors who provided value for money and who broke no rules.

We know that this group—we're talking about Mr. MacPhie—for example, put in over 800 hours of work. That's not disputed by anyone. They went over 400 pages of budgetary material and helped with writing and editing that material. They had sessions in Calgary, Winnipeg, Vancouver, North York, and Montreal to gather feedback from everyday Canadians on the budget. And they did all that for what is the standard hourly rate, if not significantly less. It raises a lot of questions about why we're actually here having these hearings.

Ms. Mintz is highly qualified. If she were billing in the legal community, with her qualifications, she would have been billing at a much higher rate than she ever did the government. She's a hardworking person. No one disputes any of that.

I guess, Minister, it all comes down to the fact that you know these people, and therefore there must be something nefarious about their hard work. That's what this is really about, isn't it?

• (1330)

Hon. Jim Flaherty: Then I suppose there would be a rule that one may only hire strangers, and there is no such rule. In fact, I think most of us, in our experience, certainly in my experience in private practice for many years, in the government of the Province of Ontario in cabinet for many years, and here in the federal government is that people of all parties tend to look to people they know, who they trust, whose track record they know before they hire them. Certainly if they have someone in that category, they tend to hire them before they hire someone who is not known to them and whose track record and trustworthiness are not known to them.

Mr. Pierre Poilievre: I wonder if Mr. McCallum will confirm that when he was a minister he only hired people he didn't know; he only hired strangers to work for his ministry.

The Chair: Your questions are to be directed to Mr. Flaherty. He is the only witness.

Mr. Pierre Poilievre: Well, we'll see. He'll be up next. He'll have a chance to answer that question.

Again, to summarize the work that Mr. MacPhie's company did, we're talking about 800 hours, going over 400 pages, having five listening sessions across the country to communicate a roughly \$220 billion budget to 30 million Canadians. That's generally what we're talking about here in terms of work. Is that right?

Hon. Jim Flaherty: There was a lot of work. It was good value for the money.

Mr. Pierre Poilievre: Good.

How much time do I have?

The Chair: One and a half minutes.

Mr. Pierre Poilievre: One and a half minutes.

Sara Mintz demonstrated a vast degree of experience and knowledge, and tremendous education. Did you find that the work she did was of high quality and value for money?

Hon. Jim Flaherty: She did. She's very bright, and she also performed a valuable challenge function, which is a popular phrase around Parliament Hill. That is, she was not afraid to challenge assumptions and to test theories and test analyses, which is very helpful in the formulation of budgetary policy.

Mr. Pierre Poilievre: And with the \$24,000 contract that she received, it's important to note that all of her expenses were included in that. Did she not bill any other expenses to the government for that particular work?

Hon. Jim Flaherty: Yes, I'm told that now, that her expenses were included in that figure, which meant she was paying for her own transportation back and forth to the greater Toronto area, and the greater Hamilton area too.

Mr. Pierre Poilievre: Right. So why are you here?

Hon. Jim Flaherty: I'm here to get an apology from the member for Markham—Unionville, and I'm very pleased to be here to receive it. Thank you.

Mr. Pierre Poilievre: You did get it. Excellent. So mission accomplished.

Thank you very much, Minister.

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

Thank you, Mr. Flaherty.

Mr. Christopherson, seven minutes.

Mr. David Christopherson: Thank you very much, Chair.

Thank you, Minister, for attending. It's good to see you again. We have been political colleagues on different sides of two different houses for some time now.

I don't know whether it's Mr. MacPhie or anyone else, but just as an opening comment, I want to ask you to please stop the attack on Ontario. We're in enough trouble as it is. This is hurting us, sir, and I'm asking you not to.

The Chair: I'm actually going to ask you, Mr. Christopherson, let's try to keep it to the contracts that we have. We're here to talk about the \$120,000 contract, the Mintz contract, and some other contracts there. Let's keep the rest of the discussion in that particular domain.

• (1335)

Mr. David Christopherson: Thank you, Chair.

Earlier, I read a quote from your Prime Minister from November 17, 2005, that patronage "has got to stop, and when we become government, it will stop". You just answered a moment ago, Minister, that the opposite would be to just hire only strangers. I'm having some trouble understanding, then, what you think your Prime Minister meant by that, and how much obligation you have to honour that commitment to the Canadian people.

Hon. Jim Flaherty: I think what most people mean by "patronage" is that unqualified people who are undeserving obtain appointments because of some political favouritism. I think that's what most people think patronage is.

That's certainly not applicable here. These were highly qualified people who were heavily engaged in their practices and who were prepared to take some intense time to help prepare the largest Canadian budget in history. It has nothing to do with what you suggest. It has to do with qualified people doing a good job for the government and value for money for the people of Canada.

Mr. David Christopherson: Let me understand this, then. As long as people are qualified, if your government continued to only make phone calls—because both of these people who were in earlier received phone calls—then it's not patronage if every position is filled with known Conservatives.

Hon. Jim Flaherty: No. As I said with respect to MacPhie & Company, administrative functions were not followed, and they should have been followed.

Mr. David Christopherson: No, I agree. But my question to you was a little more specific. I was asking you whether or not.... You know what, let me go on a different track.

Your chiefs of staff, you trust them. You talk about trust a lot; I would assume you trust your current chief of staff and your previous chief of staff.

Hon. Jim Flaherty: Yes.

Mr. David Christopherson: You found out that your chief of staff, who you trust, had hired someone and that this someone was hired because you trust him. But it was untendered, and they broke the rules. They were advised by the ministry that this was the case and that they needed to be prepared to defend it. Your chief of staff, though, didn't bring this to you. How did you deal with that? Your chief of staff broke their rules, and not advising you of it would seem to be pretty serious.

Hon. Jim Flaherty: I was disappointed. My then chief of staff was already in the process of leaving. In fact, when I learned of this on July 24 last year, he had already left on vacation and would not be returning to the office.

Mr. David Christopherson: I realize you lowered your voice and spoke nice and soft and everything, but what have you done to ensure that your right-hand person—and those of us who have been

there know the importance of that person—doesn't do this sort of thing again?

You said trust was the reason it was worth violating the rules to bring in Mr. MacPhie—

Hon. Jim Flaherty: No. Excuse me, there was no violation of the rules.

Mr. David Christopherson: You talked about trusting him to work on the budget. Fair enough. But the trust that you placed in your chief of staff was obviously broken when this chief of staff didn't advise you of important advice coming from the ministry. What have you done to ensure that this doesn't happen again, since trust alone doesn't cut it?

Hon. Jim Flaherty: First of all, we reviewed all the contracts. I had my new chief of staff do that as soon as he started last summer. I made it clear to all of my staff that all Treasury Board rules are to be followed to the letter. I made it clear to the new chief of staff that he must consult the Department of Finance on every contract. I also made it clear to him that he must advise me of any departmental concerns expressed to him about contracts. That is designed to avoid what happened here.

Mr. David Christopherson: Mr. MacPhie was brought in on an untendered contract. He is a known Conservative, who has a great history with you. He was brought in because no one else could fill that position, or at least because he was ideally suited to it. Somehow, though, your people felt that this gave them the right to an exemption, even though it turned out not to be true.

I asked Mr. MacPhie what value he added, given that there are many professional staff within the ministry who work just as many hours and work just as hard and give up as many weekends as any political staff in the development of a budget. You can check the blues, Minister, but I didn't hear anything from Mr. MacPhie that justified why your chief of staff would think it was okay to reach beyond the rules and bring in someone like Mr. MacPhie.

I don't see the value added. I'm not sure what we got for breaking the rules and paying that much money. What value added did the Canadian people get?

• (1340)

Hon. Jim Flaherty: You're making an important point confused, confusingly here.

Mr. David Christopherson: That was clear.

Hon. Jim Flaherty: There was nothing wrong with hiring Mr. MacPhie. No one has said there was anything wrong about hiring Mr. MacPhie, except perhaps you. It was in compliance with all of the rules. What happened was that the administrative functions with respect to his contract were not honoured.

Mr. David Christopherson: What were those administrative functions, as you know them?

Hon. Jim Flaherty: He went over the level that the contract was supposed be, as I understand it.

Mr. David Christopherson: Why would your chief of staff think that was okay?

Hon. Jim Flaherty: I have no idea. It's not okay. It won't happen again, because I've made it clear to my chief of staff that when concerns about contracts are expressed by the department, I'm to be told.

The other thing you said was that Mr. MacPhie has a great history with me. Actually, he never worked for me except on this contract. When I was at Queen's Park, he worked for a time on the Premier of Ontario's staff. We're not social friends. I admire his competence.

I respectfully disagree with you about communications people. I know there are some in the room, and they should close their ears. There aren't very many good ones. It's difficult to get. It's one of the most—

Mr. David Christopherson: Are you leaving office soon, Minister?

Hon. Jim Flaherty: —difficult positions to fill, a good communications person. I know that, and you know that from your own experience.

Mr. David Christopherson: I'm not saying that—you are.

The Chair: Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Mr. Flaherty, we've seen that your office has handed out an abnormally high number of contracts valued just below \$25,000, the limit prescribed by Treasury Board guidelines for untendered contracts. In fact, the number is approximately 67% higher than that of other major ministries.

What's even more worrisome is that many of these seem to have something in common. They have gone to supporters of your leadership bids or to people who have worked with you or with the former premier of Ontario.

You've stated, over and over, that this was a matter of trust. You used the words "trustworthy" and "trust" over and over. You said that you trusted Mr. MacPhie.

We've heard from the deputy minister that you had a communications team in the Department of Finance of 60 experts, highly qualified people. In saying that you did this because Mr. MacPhie was trusted, are you implying that your department was not?

Hon. Jim Flaherty: No, I'm not. And it doesn't follow like night and day at all.

What happens at budget time or budget preparation time—and I think you've already heard this from what's been said here today—is that we need more people. The deputy minister does not put departmental people onto the exempt staff of the minister to fulfill those functions. The deputy minister needs his people to do the budget work of the department, where there's an enormous amount of work to be done. And it's better to have people come in temporarily than it is to hire people full-time, because it costs less.

Mr. Borys Wrzesnewskyj: Minister, it's hard to believe that two additional people made all the difference, especially when you take into consideration that the year prior, you were able to make do with a contract under \$25,000, and did not, in fact, break any rules.

But let me read you a quote. It reads:

I think it breaks [Canadians'] hearts when they see their tax dollars go to the finance minister, who then turns around and gives it to his friends in the form of untendered contracts.

That statement was by your colleague, Minister Monte Solberg.

Besides claiming value for money, what would you like to say to Mr. Solberg? In fact, what would you like to say to Canadians about this particular situation and the so-called administrative error? And what are you doing to make sure it doesn't happen again?

Hon. Jim Flaherty: I already told you. I already told you exactly what I'm doing to make sure it doesn't happen again. I decided this last summer. It was an action plan: review the contracts, and make sure everything is in order.

It's clear that some administrative functions were not followed. That upset me. I delegated my authority to make sure it would be done properly and on a timely basis. It takes a lot of time to get it done.

The plan also said to make sure from now on that all Treasury Board guidelines are followed to the letter; make sure there's consultation with the department on every contract; and make sure, if there's any communication whatsoever from the department to my chief of staff or my staff, about any contracts, I'm informed about it immediately.

• (1345)

Mr. Borys Wrzesnewskyj: Obviously your chief of staff, David McLaughlin, who was involved in this, is no longer your chief of staff. But I understand that he was promoted, being appointed president of the National Round Table on the Environment and the Economy, an appointment, perhaps, that you approved in cabinet or had something to do with.

Hon. Jim Flaherty: Oh, don't ask me about whether I was in the cabinet meeting that approved it. I would have to go back and check that.

Mr. Borys Wrzesnewskyj: Once you've done that, could you provide the committee with information on it?

Also, Mr. Flaherty, the action plan, besides reviewing all the contracts, of which your department has 67% more untendered contracts than other departments....

Clause 153 of Bill C-50 gives you, the finance minister, new powers to establish any advisory committee you want, to hand-pick the members, and then to pay them whatever the cabinet deems appropriate.

Were you involved in the decision to grant these additional powers to the Minister of Finance? What has made this unprecedented spending authority necessary for your office?

Hon. Jim Flaherty: It is not unprecedented. As I already said, the ministers of public safety, industry, and social development have long had such authority.

Mr. Borys Wrzesnewskyj: It's unprecedented for the Minister of Finance.

Hon. Jim Flaherty: It hasn't been done before for the Department of Finance.

I'll tell you what the concern has been. In the appointment of panels, such as the Godsoe panel on international taxation and the Hockin panel on securities regulation, the department and I realized that we did not have the authority to pay anyone, except for their expenses.

And there are people one would want to do that kind of work for Canada and to give that kind of advice to Canada, who quite frankly can't afford to do so for no compensation. Some people can. I thank the Honourable Tom Hockin and Peter Godsoe for doing this for no compensation, but not all Canadians can afford to take this amount of time off.

Mr. Borys Wrzesnewskyj: I appreciate your wanting to thank these individuals, but we have limited time.

There's a pattern here, Minister. Your office had 67% more untendered contracts a shade under the \$25,000 limit. They went to people involved on various levels with the Conservative Party. When we look at what was arranged with your former chief of staff, this contract was shifted from the Department of Finance into your office, and we heard from the deputy minister and the Secretary of the Treasury Board that a minister could have signed off on it had the contract involved \$100,000.

Now, the contract, when signed off, was just a shade under \$100,000; it was \$98,580. You would have had to sign off on that otherwise. And then afterwards there were a number of expenses that rolled in, taking it up to the \$122,000. So once again, we see a pattern. You would have had to sign off on this particular situation, according to what we heard previously.

Did you sign off on this, or was it just your chief of staff?

Hon. Jim Flaherty: I had delegated my authority.

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

Mr. Fitzpatrick will be the last examiner here.

Mr. Brian Fitzpatrick: Good morning, Minister Flaherty.

I want to commend you. I think you've been rather open and transparent on this whole matter. You've acknowledged right from the get-go that it was an administrative error, and you haven't been evasive at all.

Further to that point, Deputy Minister Wright was here this morning, and he said that this whole matter—and he has a lot of experience—was a judgment call, and he didn't disagree with the call that was made. So in many ways, I think you went probably further than what even the deputy minister would say.

Mr. Williams isn't here this morning, but I'm sure he would confirm that it's very unusual to have special meetings in public accounts when we call a political minister before the committee. It rarely happens in public accounts. It's not within the parameter of public accounts, and it suggests that there may be other motivations involved in this whole meeting.

I've listened to the questions today. It doesn't seem to me that a whole lot of people on the opposition side are very focused on improving the process.

If I could summarize it, it seems to me the intent of far too many members of the opposition is to slag your good name or slag the names of other good Canadians who have provided public service or have worked for the government and so on.

I concur with you. Why would anybody want to take on these jobs if they're going to be submitted to this kind of defamation before a parliamentary committee? In many respects, I think this thing is getting to be a low in Canadian politics.

Do you have any comments, sir, on what's going on here today and on what seems to be the focus of the opposition's questions?

• (1350)

Hon. Jim Flaherty: I was the first one to acknowledge that the administrative functions were not followed, because they weren't. And when I looked at it, I was very concerned and took steps to make sure it would not happen again.

But talking about people on panels and talking about people actually running for public office.... I will not mention the person's name, but last evening I spoke with one of our Canadian financial leaders and we got talking about public office. I can assure you he's not in our political party. He told me about the number of times in his life he had been asked to run for public office, and how he chose not to because he did not want to expose his family to the kind of public ridicule that sometimes occurs.

I'm not preaching here. It's not something any of us should do—attack people who are not elected.

The Chair: Mr. Lake, you have four minutes.

Mr. Mike Lake: Yes.

Minister Flaherty, I want to start by expressing my appreciation for the work you do on behalf of families dealing with disabilities. You and I have had many conversations, and I know that you and your wife have a real heart for families dealing with these issues. Given the circumstances of both of us, it's something not to be taken lightly, and I feel for what you're going through right now.

You talked a little bit about the politics of smear. I've noticed, and you may have noticed, that the Liberal Party right now is not asking any questions in the House any more about anything to do with policy. In addition to that, they rarely show up for votes on anything important.

The Chair: Do you have questions on the contract?

Mr. Mike Lake: Yes. We're talking about value for money.

I'm just curious whether you feel that Canadians are getting value for money out of the Liberal opposition.

Hon. Jim Flaherty: Well, they remind me of the Canadian dollar when it was at 62 cents. That wasn't good value for money, and that's what I'm hearing from the Liberal opposition these days.

Oh, I know you want to argue for a low Canadian dollar. I know.

The Chair: I'll direct this back to Mr. Lake.

Mr. Lake, we're talking about the MacPhie and Mintz contracts.

Mr. Mike Lake: You talked a little bit about the importance of trust. Obviously, when you're dealing with budgets, one of the worst things that can happen is a leak. Maybe you could touch on the importance of trust in relation to the release of a budget, something as important as that.

Hon. Jim Flaherty: The leak issue is a big concern in budgets, and as you know, we've had situations, not with our government, but in the predecessor government, the Liberal government, where we had some leak issues. There was one occasion when a budget had to be released quickly, as I recall, because of a leak.

My exempt staff is fairly large—some in Toronto, some here, some in Whitby, some on Parliament Hill, some at the Department of Finance—and I'm quite clear with them that they must be absolutely confidential in their work. That's not easy for people who aren't used to having to be absolutely mum about what they're doing—even on the subject matter. It's not so much about arguing one side of whether some tax credit or some tax reduction would be a good idea; you can't even talk about the fact that the idea is being discussed. And that's not easy for people when they're with their families or their friends or whatever. But it's absolutely imperative, and it's another reason why I want to make sure the people who work on the budget, in particular, are very sensitive and have a track record of trustworthiness.

Mr. Mike Lake: Mr. Wrzesnewskyj touched on the 2006 budget. I believe it passed unanimously in the House. I don't think there's a precedent for that in Canadian history. Mr. McCallum might remember, I think he was in the House that day.

The 2008 federal budget passed without opposition from the Liberal Party. Can you maybe speak a little bit to the importance of that Liberal support?

The Chair: I'm going to rule that out of order.

If you have any questions on the MacPhie contract, go ahead. You have one minute left.

• (1355)

Mr. Mike Lake: Actually, I think I'm done with my questions. Thank you.

The Chair: I have one clarification, Mr. Flaherty, if I may. The \$122,000 that came to pay Mr. MacPhie for his work has never really been explained. What envelope did that come from?

Hon. Jim Flaherty: I would have to check. I assume it came from my budget, but it may have come from the departmental budget. I would have to check to determine that.

The Chair: Can you get back to us with exactly what envelope that \$122,000 came from?

Secondly, was there any exchange or discussion as to whether it would come from your political budget or from the Department of Finance budget?

Hon. Jim Flaherty: There's an exempt staff budget and then there's the departmental budget.

The Chair: I realize that.

Hon. Jim Flaherty: I will check and see the source of funds and advise.

The Chair: Assuming it came from the departmental budget, does your exempt staff have authority and power to grant contracts from moneys coming from the departmental budget?

Hon. Jim Flaherty: I don't think so. I haven't been involved in the relationship between the department and my staff about who pays what and who contracts for what, but I will check and see what goes on.

The Chair: If you could clarify that.... Is two weeks fine with you, Mr. Flaherty, to get back to us?

Hon. Jim Flaherty: Oh yes, certainly.

The Chair: Mr. Laforest, Mr. Wrzesnewskyj, very briefly.

[*Translation*]

Mr. Jean-Yves Laforest: I will be brief, Mr. Chair. The question you just asked raises another. Can we obtain the documents produced by a firm such as MacPhie & Company to gain a good understanding of the process and the value of the contract? There were focus groups, analyses were done. Can the Standing Committee on Public Accounts obtain these documents?

[*English*]

The Chair: They can, but it was not.... A lot of these are public documents.

[*Translation*]

Mr. Jean-Yves Laforest: The reports produced by MacPhie & Company for the Department of Finance are public documents. Can we obtain them from the Department? The company produced analyses. Mr. MacPhie told us he carried out surveys in Montreal and other cities. There must be reports of the meetings these four individuals in question held. If it is public, we should be able to obtain the information. Can we write the deputy minister a letter asking him to provide this information?

[*English*]

The Chair: It would appear to me, Mr. Laforest, that what we're talking about is advice to ministers, and that's something we don't have the power to get before the committee. The final documents, the budget, the budget speech, and analysis are all public documents. We are going to get the contract from Mr. MacPhie, and perhaps I'll get another undertaking from the minister.

If for some reason Mr. MacPhie is not diligent in giving us the contract, Mr. Minister, can we get your undertaking to provide us the MacPhie contract? That's a normal request by the committee.

Hon. Jim Flaherty: There may be a privacy concern with that. I'll check on that. As long as it's okay with Mr. MacPhie, I'd be happy to provide it.

The Chair: Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Yes, along similar lines followed by Mr. Laforest, there are a number of e-mails dealing with the MacPhie contract that I've used as background information. I'd like to table those documents with the committee so that there's an opportunity to translate them and to distribute them to all committee members.

The Chair: Are they in English only at this point in time?

Mr. Borys Wrzesnewskyj: Yes, they are.

The Chair: We'll accept them. I'll instruct the clerk to have them translated, and they will be circulated to all members of the committee.

That concludes the meeting. On behalf of the members of the committee, Mr. Flaherty, I want to thank you very much for your appearance here today.

The meeting is adjourned.

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