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# **Standing Committee on Government Operations and Estimates**

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**EVIDENCE**

**Tuesday, March 24, 2009**

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**Chair**

**Mr. Derek Lee**

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## Standing Committee on Government Operations and Estimates

Tuesday, March 24, 2009

•(1110)

[English]

**The Chair (Mr. Derek Lee (Scarborough—Rouge River, Lib.)):** I call the meeting to order.

Colleagues, we're pursuing today an issue that I know the committee has followed closely in the past. A number of members would like to look at the issue a bit more closely. It pertains to expenditure review and corporate assets management. Those two items are separate in the views of many public officials, but some in the committee view them as related.

Today we have Alister Smith, assistant secretary, expenditure management sector, back again from Treasury Board to assist us in clarifying the issues. Thank you again for being here. Joining him are Shirley Jen, senior director of real property and material policy division, and Bob Hirst, executive director, assets and acquired services, government operations sector. From the Department of Finance, which has a window on this set of policies, we have Richard Botham, director. He has a very long title, which includes the words "microeconomic policy". I'm going to pause there, but thank you all for coming. I know that at least one of you will have an opening statement.

First on the list is Treasury Board, so if it's appropriate to your needs, Mr. Smith, you could lead off.

**Mr. Alister Smith (Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat):** Thank you, Mr. Chair. I would defer to my colleague from the Department of Finance on the corporate assets side to lead off, and then perhaps later I could provide some opening remarks on the strategic review, and we could get into that.

**The Chair:** Okay, that seems fair enough.

Mr. Botham, you'll be leading off. Thank you.

[Translation]

**Mr. Richard Botham (Director, Microeconomic Policy Analysis, Economic Development and Corporate Finance, Department of Finance):** Thank you.

I am a director in the Economic Development and Corporate Finance Branch at Finance Canada. I am here today to speak to the review of corporate assets that was first announced in the 2008 fall update and discussed further in Budget 2009.

The Corporate Asset Management Review is an ongoing review mechanism that expands the expenditure management system to the ownership and mandate of corporate assets and complements the

strategic reviews of departments. Corporate assets include enterprise crown corporations, real property and other holdings. Other holdings include interests where the government competes directly with private enterprises, earns income from property or performs a commercial activity; it includes crown corporations that are not self-sustaining even though they are of a commercial nature, as well as similar holdings that are not currently structured as a crown corporation.

Budget 2009 indicates that in its first year, the Corporate Asset Management Review will focus on selected assets in the portfolios of the Minister of Finance, the Minister of Indian and Northern Affairs, the Minister of Natural Resources and the Minister of Transport, Infrastructure and Communities. Over time, all corporate assets will be reviewed.

Departments subject to the review, in collaboration with the Department of Finance, are developing a comprehensive inventory of corporate assets in their ministers' portfolios. Working from this inventory, early in the new fiscal year, a short list of corporate assets will be identified for a detailed review based on their potential to improve the efficiency and effectiveness of the government's use of its resources, or to contribute to achieving government policy priorities.

Detailed reviews of specific corporate assets will be initiated in the first half of the fiscal year. This work will involve a policy and technical analysis of the asset, including the current relevance of the asset to the government's core responsibilities; an assessment of options for the structure and ownership of the asset.

In some cases additional work will be undertaken to assess an asset's value under different scenarios, likely informed by third-party expert advice on financial forecasts, value and marketability. The Minister of Finance will lead the reviews, in close collaboration with the minister responsible for the assets under review. The Minister of Finance and the minister responsible for the asset will consider the various options for the future of the asset and will decide on a course of action that ensures that taxpayer resources are effectively deployed and allocated to Canadians' top priorities.

[English]

There is a range of potential outcomes in the review of specific assets. These outcomes could include the status quo, with no change to the structure or ownership of the asset. They could also include a reorganization of the corporate structure, and the adoption of alternative governance structures.

In some cases, the analysis could lead to a recommendation regarding the sale of an asset. All appropriate authorities to implement the chosen option, including parliamentary authorities, will be sought as required. The timing of any asset sale will take into consideration its marketability and the condition of markets.

No decisions have yet been taken on the sale of any particular assets.

Thank you.

• (1115)

**The Chair:** Thank you. I thought that was quite a good set of opening remarks.

Mr. Hirst, are you going to be presenting?

**Mr. Bob Hirst (Executive Director, Assets and Acquired Services, Government Operations Sector, Treasury Board Secretariat):** Yes, I do have opening remarks.

**The Chair:** All right. If everyone is okay with that, Mr. Hirst, please go ahead.

**Mr. Bob Hirst:** Thank you.

Thanks for inviting us here today.

My understanding is that the committee has expressed an interest in Treasury Board real property and particularly in relation to the sale of real property assets.

The real property is a significant corporate resource that is critical to enable the delivery of government programs. That is its purpose. Federal real property holdings are diverse and include such assets as military bases under the custody of DND, correctional facilities under Correctional Services Canada, research labs under the science departments, and office buildings under the custody of PWGSC.

The Treasury Board real property policy reflects a principles-based approach to the management of federal real property. It emphasizes deputy head accountability to ensure that sound stewardship and value for money are achieved through effective, efficient, and financially responsible management that enables program delivery while meeting broader government objectives such as the protection and preservation of our heritage and the environment. The policy ensures the equitable treatment of Canadians and value for the Canadian taxpayer through fair and transparent transactions at market value.

The management of real property by departments is a systematic, structured process that covers the life cycle of the asset. The first stage is planning, including the development of a long-term investment plan that takes into account government priorities and departmental objectives and resources.

The second stage involves the acquisition of the asset, which can be through purchase or lease. There is no policy requirement that an asset be owned. In fact, innovation is encouraged in asset-related decisions, and departments must consider in their analysis the full range of available options to best meet their program needs and achieve value for money over the full life cycle.

During the third stage of an asset's life cycle, its use, there would be a regular assessment of its performance in supporting depart-

mental programs. Finally, when there is no longer a program need for the asset, the Treasury Board policy requires that the department take steps to dispose of it through sale or transfer.

As stipulated in the Treasury Board directive on the sale or transfer of surplus real property, there are two types of disposal through sale: routine and strategic. They differ mostly in terms of their importance and their value. In either scenario, departments are responsible for managing the disposal process, and due diligence must be carried out that takes into account legal risk, duty to consult with first nations, environmental considerations, heritage, impact on wildlife habitat, and the market value of the property.

Routine disposals are generally those smaller properties with a lower dollar value that can be sold easily without any substantial investment. They are normally sold as is directly by the custodian or its agent, usually PWGSC or a private sector firm. On the other hand, strategic disposals are properties with potential for significantly enhanced value that tend to be larger and more sensitive.

When properties have been identified as strategic, they are often sold to Canada Lands Company Limited, CLC, a federal crown corporation and the government's disposal agent. CLC then takes these properties and improves, manages, or sells them to produce the optimal benefits for the company's shareholder, the Government of Canada, and for local communities.

An indication of interest in the surplus routine or strategic property will be sought from federal departments, agent crown corporations, provincial and municipal governments. This will provide these priority interests with an opportunity to acquire the property for a public purpose before it is offered for sale on the open market, in the case of routine, or to have their interest reflected in the disposal strategy for strategic properties.

That concludes my remarks.

Thank you.

• (1120)

**The Chair:** Thank you very much.

Did you want to try to wrap up, since we've learned most of what there is to know, Mr. Smith?

**Mr. Alister Smith:** No, I wouldn't like to try to wrap up, Chair.

**The Chair:** We'd be delighted to hear your remarks.

**Mr. Alister Smith:** I can speak about the strategic reviews now or a little bit later, whichever you wish.

**The Chair:** If you don't want to add anything to what's been input so far, then we can go right to questions from members.

Mr. Warkentin.

**Mr. Chris Warkentin (Peace River, CPC):** I think we'd like to hear the comments regarding strategic review, if that's appropriate.

**The Chair:** Have we something on the subject of strategic or expenditure review?

Mr. Smith, please.

**Mr. Alister Smith:** Thank you. I'd be happy to.

[Translation]

I would like to thank the honourable members of the committee for the opportunity to speak with you about strategic reviews.

[English]

Perhaps I could start briefly with the framework within which we're working. The expenditure management framework is a framework for developing and implementing the government's spending plans in support of its priorities. This framework was put in place in the budget of 2007.

In it we emphasized three key elements: managing for results, where departments are expected to manage their programs to achieve results and evaluate program performance against these results; up-front discipline for new spending proposals that must clearly define objectives and expected results and determine how they relate to existing programs and the priorities of government; and strategic reviews, the ongoing assessment of each department's spending to ensure that all programs are effective, efficient, and provide value for money. Strategic reviews are a key element in what we've called EMS renewal.

I'd like to emphasize that strategic reviews are not a cuts exercise. They are an ongoing process to allow ministers to take a hard look at what works and what doesn't. They are about looking for opportunities to improve how departments and agencies do business so they can provide the best programs and services to Canadians. In that sense, they're about good government.

In terms of the process, strategic reviews are owned by ministers. Ministers, supported by deputy heads, are responsible for conducting the review of their organizations in accordance with the terms of reference approved by Treasury Board.

A key requirement is that review organizations systematically assess 100% of their direct program spending to ensure that programs are aligned to government priorities, achieve intended results, and are efficiently delivered.

[Translation]

This comprehensive evaluation is based on facts and groups together the analysis of both the financial and non-financial performance of each program. It is based on the department's Program Activity Architecture and on the information and analysis with respect to evaluations, audits and evaluations done under the Management Accountability Framework.

[English]

In undertaking the reviews, departments and agencies examine their program spending with a view to seeking opportunities to better focus their programs and services, streamline operations, and transform the way they do business to achieve results for Canadians.

As part of the review process, departments are required to identify the lowest-priority and lowest-performing 5% of programs whose

funding could be reallocated to other priorities within the department or to meet other government priorities. As well, as part of the review departments identify opportunities for reinvestment.

Once reviews have been completed, ministers present the results of the reviews to the Treasury Board for its consideration. The Treasury Board assesses the reports and recommendations for changes to programs and funding levels developed by individual ministers. In turn, the President of the Treasury Board, on behalf of Treasury Board ministers, reports its recommendations on proposals developed by ministers to the priorities and planning committee of cabinet as input into budget planning. Reallocations and reinvestments announced in the budget are those approved by cabinet.

The first two rounds of strategic reviews undertaken in 2007 covered approximately \$43 billion of direct program spending.

[Translation]

The first round of strategic reviews in 2007 identified reallocations or savings ramping up to about \$385 million per year. The results were presented in the 2008 budget.

The second round of strategic reviews was undertaken in 2008 and identified savings ramping up to about \$585 million. The results were presented in the 2009 budget.

● (1125)

[English]

These savings were reallocated to higher-priority areas, either through reinvestments in the departments that undertook strategic reviews or through investments in priority areas in other organizations.

In closing, I'd like to thank you for the opportunity to provide an overview.

**The Chair:** Thank you very much.

I think we can see the very strong thread that unites these three issues. If it were a jigsaw puzzle, I couldn't immediately reassemble it, but I know it's there.

I'm going to turn now to questioning.

Ms. Findlay, you're leading off? Okay, for eight minutes.

**Ms. Martha Hall Findlay (Willowdale, Lib.):** Terrific. Thank you, Mr. Chair.

[Translation]

Thank you very much. Welcome, everyone, thank you for coming here to be with us this morning.

[English]

My question is more on the assets, as opposed to the expenditure review, Mr. Smith, so you're off the hook for the time being.

Mr. Botham, could you please confirm for us now.... We had commitments in the economic update in the fall about what revenue we would see from asset sales. And of course we now have budget 2009. Could you just confirm what budget 2009 has in it in expectations for revenue from sales of assets in terms of overall dollar figures, please?

**Mr. Richard Botham:** You're quite correct in saying that the fall economic update included projections both from the strategic review exercise and the corporate asset review.

**Ms. Martha Hall Findlay:** I'm only speaking specifically about asset sales.

**Mr. Richard Botham:** In the update, a line was included that combined both projections. For 2009-10, it was \$2.3 billion. The projections included in the update were based on or used to provide revenue projections for budget 2009, so it built on that. Based on the results of the strategic review, the budget included \$350 million that was realized from the strategic review for 2009-10.

**Ms. Martha Hall Findlay:** I may not have been very clear. In the economic update, we had a commitment of seeing \$10 billion realized from asset sales. It raised a series of questions at the time. I note your comments that we're not engaging in a fire sale of assets. At that particular time, our real concern was that there was going to be a fire sale because of the difficulty in committing to a very large amount of revenue from asset sales without having identified the assets first.

I just want to pin down right now what we're looking at in terms of the government's expectation from the budget that we're about to pass and the actual amount of money that is forecast to be realized from the sale of assets.

**Mr. Richard Botham:** Right. I'll go back to where I was with the update, with the number of \$2.3 billion. The budget built on that, realizing savings of about \$350 million in 2009, so the expected revenue from a corporate asset review for 2009-10 is about \$2 billion.

**Ms. Martha Hall Findlay:** Where is that \$10 billion figure coming from?

**Mr. Richard Botham:** That's a multi-year projection that was included in the economic update. I believe a five-year time horizon is provided.

**Ms. Martha Hall Findlay:** So it's safe to assume about \$2 billion a year over five years?

**Mr. Richard Botham:** No, I think the number you're looking at for the \$10 billion is both cumulative for the corporate asset review and for forward projections on the strategic review, taking into account the savings that would be built in each year based on the results of the review.

• (1130)

**Ms. Martha Hall Findlay:** Can you confirm for me, then, the global number we're looking at just for asset sales? I'm trying to get a handle on our concern. We're not trying to hide anything here. We are concerned there is a commitment that this government will see revenue attributed to asset sales. These assets have not yet been identified. We don't know that these assets, on the occasion of their sale, will generate that amount of money. We are concerned about the challenge of establishing a number without knowing what the

assets are, without knowing what the market is, and—in particular in the current economic situation—whether this is the right time to be selling any assets at all.

Maybe I can help you with why I'm asking the question. I want to get down to what the government is expecting in terms of revenue in terms of asset sales. I will follow through with asking what those assets are. Apparently, no assets have been identified. I'd like a sense of the timing of when those assets will be identified.

I'll leave that with you, if you could help me with those two bits so far, recognizing that we're all very limited in time and that's why we have to be fairly firm in our questioning.

**Mr. Richard Botham:** Sure, that's fine.

The amount for revenues from corporate asset reviews for 2009-10 is \$2 billion.

**Ms. Martha Hall Findlay:** I'm talking about all assets. I'm assuming that's corporate as well as real estate, right?

**Mr. Richard Botham:** That would be the anticipated revenues as a result of the corporate asset review, which looks at both assets defined as crown corporations as well as real property.

**Ms. Martha Hall Findlay:** Okay. Thank you.

**Mr. Richard Botham:** The question you also posed in terms of timing—

**Ms. Martha Hall Findlay:** I think we'll just leave it for now that there's a lot of money at stake. I'm still not completely clear on what the expectation is in terms of dollars.

Now I will go to the concern about saying we're going to see this revenue from assets that we haven't yet identified. In your presentation you referred to identifying a shortlist of those assets early in the fiscal year. The fiscal year is about to start. Again, you can't see that revenue if you don't sell those assets, and you have to identify those assets before you can sell them.

Can you give me a better idea of when you expect to see that short list of assets, both corporate and real estate?

**Mr. Richard Botham:** I don't think I can be more precise than it being the first quarter of the fiscal year.

The process we have initiated for the corporate asset review really just started in the last couple of weeks. We have started to talk to departments to make them aware of the objectives of the exercise. We're starting to work with them so they can identify a comprehensive list of the assets within their portfolios. Once we have established that baseline, we will be working with them to apply policy-relevant, significant tests so that, between the two of us, we identify a short list of those specific assets that would merit further analysis.

I would suggest that a short list will be developed sometime early in the summer, so within the first few months of the fiscal year.

**Ms. Martha Hall Findlay:** If you identify assets early in the summer that the government may be willing to sell, needless to say there will be a significant lag time, especially in these economic times, before you necessarily find a purchaser. I'm just noting that this is a longer process, perhaps, than being able to book a couple of billion dollars in the next fiscal year.

Another question is—

**The Chair:** I'm sorry, we're at eight minutes now.

**Ms. Martha Hall Findlay:** Okay. Thank you.

[Translation]

**The Chair:** Ms. Bourgeois, you have eight minutes.

**Ms. Diane Bourgeois (Terrebonne—Blainville, BQ):** Thank you, Mr. Chairman.

My first question is to Mr. Botham.

Mr. Botham, I would like to come back to some of the questions raised by my colleague about a list of property that could be sold. When people from your office appeared before our committee in 2007, we were told that some 40 buildings that belong to the government were to be sold. Seven of them have in fact been sold. That leaves some 30 buildings. At the same time, we were told that there was no list of the buildings that were to be sold. The list was being worked on, but no one really knew what buildings were on it.

That was almost two years ago. I find it rather unusual that we still cannot see this list of public property that could be sold.

I would also like to ask you a question about the famous 30 government buildings that were supposed to be sold in 2007. Is the process underway? Will they in fact be sold?

• (1135)

[English]

**Mr. Richard Botham:** I don't think that is something I have enough expertise to comment on, not having been involved in that process at all.

Maybe my Treasury Board colleagues are able to comment on the sale of real property.

**The Chair:** Ms. Jen.

[Translation]

**Ms. Shirley Jen (Senior Director, Real Property and Material Policy Division, Treasury Board Secretariat):** Ms. Bourgeois, I think the 40 buildings to which you are referring belong to the Department of Public Works and Government Services. These buildings are only some of this department's holdings. We are not in a position to answer the question about the future of the other 30 buildings.

**Ms. Diane Bourgeois:** I find it rather unusual that you cannot answer the question. After all, you are from the Treasury Board Secretariat and the Department of Finance. I imagine you must be aware of what is going on. The sale of the seven buildings brought in \$1.4 billion. You must be aware of what is happening with these buildings. The study did cost some \$400,000. You will remember that—there was an issue about banks, and so on.

My questions are now for the Treasury Board representatives. Together with the departments, you are going to be doing a strategic review of program spending. It states here that there was an expenditure review process in 1994, 2003, 2004 and 2006. I thought departmental expenditures were reviewed every four years and that the purpose of the review was to check whether the strategic plan had been followed.

Why are you doing another review in 2008-2009?

[English]

**Mr. Alister Smith:** There have been, in the past, many different types of expenditure reviews, dating back, as you said, to the mid-nineties and even beyond, and they all had different characteristics and were required for different reasons. Sometimes they were indeed cuts exercises.

In the last two rounds of strategic reviews, however, we've taken a different approach. That approach is intended to be strategic in the sense that it's a comprehensive review of all program spending in a department that's undertaken with a view to potentially recycling funds to better-performing programs or other needs in that department or other departments. So it's not undertaken with a view to cuts or to raising money or to balance the budget, which was the case in the mid-nineties. It's undertaken for other purposes. In that sense, it's more strategic.

It's not a review of strategic planning, per se, either. It's really just a review of the value for money of current spending. That was in fact precipitated by the views of the Auditor General and indeed the views of parliamentary committees, such as the public accounts committee and this committee, that we need to be able to review, on an ongoing basis, the value for money for government spending.

• (1140)

[Translation]

**Ms. Diane Bourgeois:** When you do a review of the type you are about to undertake, I imagine you base the work on what you did before. No review can be done without knowing whether the department followed indicators having to do with time, performance and so on.

For several years now, the Auditor General has criticized the lack of planning and performance and time indicators used in a number of departments. I have a few of them here. You say that you want to conduct a review to check whether the program has produced satisfactory results, but you must know that I am very skeptical about this.

How will you go about conducting this audit?

[English]

**Mr. Alister Smith:** You're quite correct that there has been an emphasis by the Auditor General and others on the need for better program evaluation and performance management information. And indeed, strategic reviews are intended to build on that kind of evidence base in coming to decisions as to where funding should be better deployed.

So it's very much in line with this that we are trying to build up both the performance management side, performance indicators in departments, and the evaluation side. We have a new evaluation policy, which is moving to a full evaluation of all programs over a five-year period once the new policy is fully phased in. We're trying to encourage, every year, better performance indicators in departments. We have these performance indicators in our RPPs and DPRs, departmental performance reports, and departments are required to report on them; it's mandatory.

So we are indeed moving in exactly that direction.

[*Translation*]

**The Chair:** Thank you.

**Ms. Diane Bourgeois:** Is my time up already?

[*English*]

**The Chair:** *Oui, c'est huit minutes.*

We go to Mr. Warkentin for eight minutes.

**Mr. Chris Warkentin:** Thank you, Mr. Chair.

I have a number of questions. I'll start with Ms. Jen or Mr. Hirst. I don't know whether you would know the value of land that Public Works or Canada Lands Company currently own that is facilitating no valuable contribution to the federal government or to Canadian taxpayers. Is there any assessment of how much land or how many vacant or unused properties the government currently owns?

**Mr. Bob Hirst:** We have something called the directory of federal real property, and all departments contribute information to that directory. In that context, the departments identify lands that are surplus to their program requirements. There are about 1,000 of what I described earlier as routine properties; those are lower-value properties. In terms of strategic properties, for which we get Canada Lands Company involved, we're looking at about 15 or 16.

**Mr. Chris Warkentin:** Has anybody ever done an assessment of the current value of those vacant and unused properties?

**Mr. Bob Hirst:** We have not. No, I don't think so.

**Ms. Shirley Jen:** We don't capture, in the directory of federal real property, the value of each individual parcel. As you can well imagine, we have in the directory roughly 45,000 buildings owned and leased, and there are about 25,000 properties. The only time you would estimate the market value of a property is when you in fact have a reason to get an appraisal. The reason for getting an appraisal would usually be that you recognize it's no longer required for your department for delivering the service. You would then go out, as per our directive, to get a market value appraisal.

**Mr. Chris Warkentin:** I know of some land personally that the Government of Canada has held for no apparent reason. I've done some digging, and my understanding is that the government has no long-term objective to ever develop or to use that land again. I was curious, because it is located in a place where development could take place if it were handed over to the private sector. Maybe we'll have a conversation at some point about that.

I know there are farmers whose farms get so big that they forget where all their land is, and maybe this is a case in which some department has forgotten that they own it.

• (1145)

**Ms. Shirley Jen:** I would say that there are some properties that have been offered for sale on the market for which there are no takers.

**Mr. Chris Warkentin:** Right.

In regard to the strategic review discussion—and I'll go to you, Mr. Smith—am I to understand that this review is purely a program review?

**Mr. Alister Smith:** That's correct.

**Mr. Chris Warkentin:** It doesn't look into the effectiveness of procedures and policies across departments? Is it simply a lowest-value or lowest-performing program?

**Mr. Alister Smith:** It's very much program-focused in departments, looking at the effectiveness of programs and their relevance and their performance.

**Mr. Chris Warkentin:** Is there any review process that would look at the mechanics of government or the mechanics of the relationships between departments or segments of departments involved?

**Mr. Alister Smith:** Those kinds of questions deal with machinery issues, and they are very much the purview of the Prime Minister and the Privy Council Office: whether government is configured properly or whether there are better ways of moving programs from one place to another. They don't really figure into strategic reviews.

**Mr. Chris Warkentin:** It's my sense, and I know some of my colleagues probably share this opinion, that government has the ability to grow simply by its nature. It sometimes has a problem, so there is a new agency or a group of people who are developed to solve that problem, but we never see that group of people disintegrate. That entity continues long-term, and their budgets continue to grow, because although they were created for a purpose that was short-term, we sometimes see those things continue and grow and develop.

The chair and I had the opportunity to sit on another committee, and our concern with what we were looking at was that there was a sense that there might have been an alternative way to solve a problem. It might have been less costly, but because the different departments don't always talk to one another, we were required simply to give one department money, although a more comprehensive solution might have been found to reduce long-term spending. Is there no review taking place by Treasury Board or different departments in that vein?

**Mr. Alister Smith:** Within the format of strategic reviews, we do look at the relevance and performance of individual programs. We can, in fact, use this vehicle over time to do horizontal analyses of certain types of programming that are in different departments. It's a bit more complicated, but more and more, I think, we now have the tools in terms of performance indicators, evaluation, and our program activity architecture to start to do that work.



It's more challenging, because one has to look at, for example, aboriginal policy or environmental policy across a number of departments. That could give rise to some conclusions or recommendations for where best to have a particular program, which programs are redundant, or where there's overlap and duplication, but I think that's really down the road for us. It's more difficult.

**Mr. Chris Warkentin:** I recently learned that the City of Ottawa has an unlisted phone number that was given to all of the people who work for the city. Basically it was set up as a hotline, whereby people who work within the city were able to call in and report places where they felt that waste or inefficiencies were taking place. It's been so successful, in fact, that they've decided to expand it to allow the general population to access this phone number and suggest places where efficiencies could be made.

Do you know of any type of process or any type of mechanism such as this one that is in place government-wide or that may even be in particular departments in order to accomplish that type of effort?

**Mr. Alister Smith:** I'm not aware of any such mechanism within government. Here, I would also emphasize that with strategic reviews the focus has not been on administrative costs either, or on savings that could be obtained through cost-cutting across departments. It's very much a focus on programs, on whether they're working well, whether they're still relevant, whether they need to be better resourced, or whether there are excessive resources in certain programs.

But indeed, I think there's always a need to be careful of creep within government, where costs rise and there are inefficiencies. We do periodically need expenditure reviews to sort out some of those problems, but I'm not aware of any particular mechanism at the moment.

**Mr. Chris Warkentin:** What was the last—

• (1150)

**The Chair:** That's eight minutes. I'm sorry. Thank you.

Mr. Dewar, for eight minutes.

**Mr. Paul Dewar (Ottawa Centre, NDP):** Thank you, Chair.

I apologize for my voice. I've been the recipient of the head cold that's going around town.

Thank you to our guests for their presentations.

I will start with the finance department, Mr. Botham. Going back to what Ms. Hall Findlay was trying to establish here, I think part of the confusion lies in the way the numbers were presented, going back to the fiscal update and then of course the budget.

In the fiscal update, the finance minister himself did admit that his numbers were a bit rosy in terms of savings. He declared that at one point he was going to do the \$4.3 billion in savings; he combined the two. The problem we're having, though, is that when it came to the budget and the way that was laid out, the charts were different. In the fiscal update, we had one set of numbers established one way and laid out one way, but in the budget it was a different way. I think

that's probably part of our concern. It's how the numbers are laid out and therefore what exactly the targets are.

As well, there is still an outstanding question for the government as to what happens if they don't meet these savings and reviews and the sale of assets. It's not a question for you, but for the government.

But here's my question: if you're being asked—and I'll ask the same on reviews—to find a certain amount of money for assets, how are you being told to do this? Are you being told it's something that has to be done? Is it according to the criteria that it will be “a considered approach to the sale of any asset, including taking into account the condition of markets, to ensure that fair value can be realized by taxpayers and the transaction will generate additional economic activity”? As well, states the budget, “Assets will not be sold if such sales do not meet these tests”. That rolls off the tongue nicely.

Are you being told explicitly that if you don't meet this test, you don't sell the asset?

**Mr. Richard Botham:** Yes, I think that's an accurate statement. The corporate asset review starts from the premise that the government's assets should be reviewed; that the management of those assets should be brought up to date; that there may be opportunities to improve the management of those; that there may be opportunities to generate more economic wealth for Canadians from the management of those; and that in some cases that may mean having an asset owned by the private sector that's currently owned by the government.

And the process—

**Mr. Paul Dewar:** No, no, I appreciate that. I understand that part; I was asking about when you can't, and you answered it in the first sentence. I appreciate that.

Basically, if you can't meet this test, you shouldn't recommend selling the assets. As a public servant, this is the direction you were given. I just quoted from what you had in your speech. Certainly it's what I read from the budget.

Would the same apply in terms of a review? I'm concerned here; I actually sit on the foreign affairs committee, and many of us are more than displeased about the fact that the department has been cut. I'll say “cut”; you'll say it differently, and I understand that.

The point is that when a government says we have to meet these targets, they have one of two choices. They can either go and find the money or they can eat it—i.e., a deficit. That's where we're concerned.

You're being told as bureaucrats to go and do these reviews and identify the assets. My question—it's not about methodology here, I understand that you were very comprehensive—concerns the operational side. Do you go into a department and say, “We need to find this amount”? Is that how it works?

• (1155)

**Mr. Alister Smith:** Mr. Dewar, it doesn't work that way for strategic reviews. The departments themselves propose, and are required to propose, reallocations that are up to 5% of their direct program spending base. We determine the base. In that sense—

**Mr. Paul Dewar:** So it's 5%. But you were directing them to find 5%. Their review said "required".

**Mr. Alister Smith:** Right.

**Mr. Paul Dewar:** I'm just trying to be plain-spoken here.

So that's less money.

**Mr. Alister Smith:** Yes.

For them to determine the 5%, it may be that those proposals are not fully accepted—

**Mr. Paul Dewar:** No, you were clear on that.

**Mr. Alister Smith:** —so you end up with less than 5%.

Indeed, I will just add that there are reinvestments as well, which have, for the first two rounds, counterbalanced the reallocations. There are no net savings, as such, from strategic reviews.

**Mr. Paul Dewar:** That leads me to my next question. The previous government had \$2 billion—I remember this well—booked into government operations that weren't realized that this government inherited. I won't get into the whole A.T. Kearney mess and the \$24 million for which we got zero value for money. But I will say this: when a government books savings, that means it's your job to go and find them, and when they're not met, someone has to pay. There's no free money here, as you know.

My concern is that if you're being told to go and find these savings—or departments are required to, sorry, let me put it that way—and government priorities...

Just for those who might take the opportunity to listen to us, "government priorities" means what you've been told by the government to go and find—in other words, savings and money.

In this case, we're talking about booking into their budget to the tune of... Well, it depends on which numbers you're looking at, but I have \$4.3 billion. I guess that was the fiscal update number.

To Mr. Botham, is it still \$4.3 billion for this year, combining the two? Is that the number you're using, operationally speaking?

**Mr. Richard Botham:** The number in the update, you're right, is \$4.3 billion for 2009-2010.

**Mr. Paul Dewar:** That's what I have right here.

**Mr. Richard Botham:** The document in front of you probably outlines, at least two lines above that, the source.

**Mr. Paul Dewar:** Yes, \$2 billion and \$2.3 billion.

**Mr. Richard Botham:** Right. That's both savings from the way the government manages its operations—

**Mr. Paul Dewar:** And that's what you're using as your target now.

**Mr. Richard Botham:** —and then the second line, being \$2.3 billion, includes both strategic review and corporate assets.

**Mr. Paul Dewar:** Okay. But I'm just establishing, that's the number you're using still.

**Mr. Richard Botham:** That's correct.

**Mr. Paul Dewar:** So it was in the fiscal update, and it's the number you're using right now.

Mr. Chair, we have a pattern here where the previous government tried to find \$2 billion and didn't get it done. We're now talking about \$4.3 billion. And we're now saying, well, we'll find it through required efficiencies, 5%, and sale of assets.

My concern is that if we don't have a clear indication of what those assets are, and it happens in the summer, let's say, when we're not sitting, we're not going to be able to hold the government to account and keep an eye on taxpayers' money. I would hope that there is an attempt....

You said in the first quarter you would have identified at least the sale of assets. We've already seen estimates of where some of the efficiencies are, so some of that work is done. I just hope we don't get into a scenario where we end up in July, say, and the list comes out, and there isn't an opportunity for a committee, say, to have oversight on it.

I'll leave it at that. Thank you.

**The Chair:** Thank you, Mr. Dewar. It will perhaps be food for thought for our first meeting in September.

**Mr. Paul Dewar:** We could always have a summer meeting.

**The Chair:** Perhaps we could.

**Mr. Paul Dewar:** I'd be happy to come to Ottawa.

**The Chair:** All right.

Mr. McTeague, for five minutes.

**Hon. Dan McTeague (Pickering—Scarborough East, Lib.):** Mr. Chair, thank you. I'll be splitting my time with Ms. Hall Findlay.

I have three very quick questions, and you'll probably appreciate the parochial nature of them.

Is there any anticipation from any of you here as to the possible sale of AECL or the government's commercial portions of AECL? Is it on the books? Is it being contemplated? We know a study was commissioned some time ago by one of the banks. Would any of you care to comment on whether or not that is in fact going to take place? Are there any plans to sell part of AECL?

**Mr. Richard Botham:** I think it's beyond what we can provide advice on. It's a decision that the government would consider.

**Hon. Dan McTeague:** Would the sale of Hibernia be entertained, with the 8.5% crown asset or portion of the value that you have there, or is it not something that falls within your scope at this point?

I understand the reason that you're before the committee, but I think the committee also wants to understand whether or not these are actual requests to sell assets that have legs. It's been reported in the paper. There's a correlation to this, particularly when I look at the price of energy these days again heading up and yesterday's merger between two very large players. The Canadian government has a number of assets that it can liquidate at any given time. Are you familiar with any attempts on that at this point for either AECL or the government's share of Hibernia Oil?

•(1200)

**Mr. Richard Botham:** No, not to execute those transactions. AECL is a crown corporation within the portfolio of NRCan, and Canada's ownership stake in Hibernia, which falls within the Canada Development Investment Corporation, is a crown corporation that is within the purview of the Minister of Finance.

**Hon. Dan McTeague:** I understand.

**Mr. Richard Botham:** Both of those departments will be subject to the corporate asset review in 2009-10. I would expect that the operations of those crown corporations would be something that departments would or would not identify on the long and short lists of assets.

**Hon. Dan McTeague:** Mr. Hirst, I would very quickly turn to you on another issue. I realize I'm going back in time, but in 1992 the federal government of the day decided to book anticipated sales of surplus lands, which were valued at substantial amounts, against the projected deficit. It's the scenario that we currently see today.

Has Public Works or Transport Canada indicated to you in any way, shape, or form a need to look at the rules governing the sale of potential lands at the Pickering airport or any other real estate asset? I'm following up on what Mr. Warkentin had asked a little earlier. Do you have an inventory of that?

**Mr. Bob Hirst:** No, we haven't had any discussions on that.

**Hon. Dan McTeague:** Those are all the questions I have for now, Chair. I'll pass it over to Ms. Hall Findlay.

**The Chair:** Ms. Hall Findlay.

**Ms. Martha Hall Findlay:** If I can go back, Mr. Botham, on the split, I have the numbers for five years. It was \$2.3 billion in 2009-10, \$1.1 billion in 2010-11, \$1.8 billion in 2011-12, \$2.4 billion in 2012-13, and \$2.5 billion in 2013-14. Can you give me a general idea of how much of that is expected to be the sale of assets, as opposed to departmental review?

That's to anybody who might have an answer on the split.

**Mr. Alister Smith:** For 2009-10, I can say the savings that were identified in the budget for strategic reviews were \$349 million.

**Ms. Martha Hall Findlay:** I'm sorry...?

**Mr. Alister Smith:** It was \$349 million for 2009-10.

**Ms. Martha Hall Findlay:** It would mean \$2 billion of assets of the \$2.3 billion.

**Mr. Richard Botham:** That's correct.

**Ms. Martha Hall Findlay:** Okay. Thank you.

When you're doing the accounting for this, you take an asset and sell it. Am I correct in assuming the amount that is shown on the books is the difference between what it's on the books for and the selling price?

**Mr. Richard Botham:** That's correct.

**Ms. Martha Hall Findlay:** In order to reach the amount of \$2 billion for the fiscal year 2009-10, for the \$2 billion to show on the books, it would require that assets be sold in the aggregate for an amount of \$2 billion more than they were valued at when sitting on the books.

**Mr. Richard Botham:** That is correct.

**Ms. Martha Hall Findlay:** Is there any concern that in this particular market an asset at value  $x$  on the books now is not actually going to even generate  $x$  in the current market?

**Mr. Richard Botham:** It's a hypothetical question until we have identified those assets that we will do further analysis on. As I said, the analysis includes market soundings, an analysis of the financial worth, and potential interest in the private sector. So hypothetically it is possible that after all the analysis there's a conclusion that a sale of a particular asset would not yield a value that exceeds its book value. The recommendation would take all of that information into account.

**Ms. Martha Hall Findlay:** I'm done.

**The Chair:** Yes, five and a half minutes. Thank you.

**Ms. Martha Hall Findlay:** Thank you.

**The Chair:** Mr. Roy, five minutes.

[*Translation*]

**Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ):** Thank you, Mr. Chairman.

My question is to Mr. Hirst. In your statement, you said that each of the departments that has to sell off an asset is required to assess the legal risk and to take into account environmental and heritage considerations. I'm having a great deal of difficulty with your comments, because they are not at all in keeping with what I have seen in the past.

I'm going to give you two very concrete examples, the first of which is the surplus lighthouses that belong to Fisheries and Oceans and Transport Canada. All these sites are extremely contaminated, with mercury and other substances. In the past, mercury lights were used and they were simply buried on the lighthouse grounds. All these sites have lead contamination, because the paint used on lighthouses had a very high lead content. In addition, there is heating oil contamination on all these sites, because fuel was used to run the generators that produced electricity. The empty barrels were left lying around, and even buried on the grounds. The other example is that of the ports that formerly belonged to Transport Canada and which now belong to Fisheries and Oceans Canada. Most of these ports are in a very poor state of repair. Renovating them would mean that the sediment would have to be stirred up. And there is a very high concentration of contaminants in most of these locations.

What happened was these two departments—Transport Canada and Fisheries and Oceans Canada—got rid of some extremely contaminated sites without cleaning them up. They are located in the Maritimes and British Columbia. Some not-for-profit groups took over these facilities with no decontamination work having been done. That means that sometime in the future, these organizations could sue the Government of Canada because the sites were not decontaminated. I think that what happened in the past is more like a fire sale. The government got rid of some surplus assets so that it would no longer have to invest in maintaining them. To me, it looked more like a fire sale than an intelligent divestiture of surplus assets.

I come now to my question. What guarantee do you have that departments have a genuine strategic plan for selling off their facilities? Neither Transport Canada nor Fisheries and Oceans Canada nor the Department of National Defence decontaminated the sites. Forget about that. To my knowledge, there is no plan to decontaminate the sites. These sites were abandoned because the government no longer wanted to spend money maintaining them.

My question is crucial. The government could face a lawsuit anytime, and I have actually advised some of these organizations to do just that. People cannot visit a lighthouse if the grounds have heavy mercury, lead and heating oil contamination. At some point, someone, somewhere is going to wake up to this fact.

● (1205)

[English]

**Mr. Bob Hirst:** I'd just mention that the federal government does have a program in place, the federal contaminated sites action plan, where departments that are specifically in that program do receive funds for assessment of those kinds of sites and then for remediation of those sites.

[Translation]

**Mr. Jean-Yves Roy:** Excuse me, I am speaking about things that have already happened. Do you ensure that sites that were formerly federal government property and that have been transferred to various organizations have been decontaminated? I understand that a decontamination fund for these sites was introduced later, but this financial assistance was clearly inadequate.

Are you going to do anything about the sites that have already been transferred to other groups?

[English]

**Mr. Bob Hirst:** I'm not familiar with those particular transactions. I don't know if Shirley is.

**Ms. Shirley Jen:** No.

Monsieur Roy, unfortunately I'm not aware of the particular transactions of which you speak, but I can certainly say that since the federal contaminated sites action plan was put in place a number of years ago there has been an extensive effort by all departments, including Transport Canada, Fisheries and Oceans, and National Defence, to put in place an inventory of all their contaminated sites. There's been a commitment by the government to invest billions of dollars into the assessment of these sites. We have in fact an online inventory of all these sites. There's been a fair amount of progress made on some of the smaller ones in terms of complete cleanup of the contaminants.

I would say that we have a fair amount of confidence that departments are doing their due diligence. It is a policy requirement. It's an expected requirement for the Government of Canada, when it's disposing of property, to provide information, full disclosure to whoever the vendor would be. As Mr. Hirst said, through the federal contaminated sites action plan, which is an ongoing plan and will continue certainly over the next number of years, you will in fact find that most departments have a very good handle on what sites are contaminated. In some cases, because the assessments of the degree of contamination and what kinds of contaminants have to be determined, they're not always 100% sure of what is on the site, but

they suspect the site is contaminated. So then they follow up and do testing to determine exactly what is the nature of the contamination and what is required in order to do a cleanup.

● (1210)

**The Chair:** Mr. Anders, for five minutes.

**Mr. Rob Anders (Calgary West, CPC):** Thank you very much, Mr. Chair.

Oftentimes I'll sit quietly in this committee but then sometimes the people on the opposition side say things that spark me, Mr. Chair. I would like to read a few quotes into the record, because I think it's important for opposition members to remember the past and the history of their own parties.

**The Chair:** Am I going to get a fire extinguisher here?

**Mr. Rob Anders:** Sir, that's for you to determine.

Here's a quote:

The government is committed to privatizing and commercializing government operations wherever that is feasible and appropriate. This is a matter of common sense. .... If government doesn't need to run something, it shouldn't. And in the future, it won't.

That was said by somebody in Hansard on February 27, 1995. I wonder if members, particularly on the other side, can guess who said that.

**The Chair:** Paul Martin.

**Mr. Rob Anders:** That's very good, Mr. Chair. Excellent. That's a point for you. That's right, it was Paul Martin.

I'm going to read a second quote, and "It" is referring to the government's share in Hibernia:

It's potentially something we could do in the future. ...the Petro-Canada sale was motivated by the desire to find some cash to fund programs.... The same thinking will govern any eventual sale of Hibernia.

Now, in the *National Post* on March 26, 2004, who on the opposition side do you think said that they should eventually sell Hibernia for cash?

Mr. Chair, any guesses?

**The Chair:** I don't want to answer that.

**Mr. Rob Anders:** Ralph Goodale, MP for Wascana.

Another quote:

"There's no compelling public policy reason to retain the [Hibernia] stake. It's a matter of making the appropriate commercial decision,".... The [at the time Liberal] government has looked on Petro-Canada as a sort of rainy day fund, and sees Hibernia the same way.

How do you like that? The *National Post*, March 26, 2004. I bet you can guess this one.

**Ms. Martha Hall Findlay:** Please.

**Mr. Rob Anders:** That's right, Ralph Goodale, MP for Wascana.

And my last quote:

...being a landlord is not a core business of government, nor should it be. Studies show we spend more to operate our properties.... We're simply not as efficient.

This was said on October 27, 2004, at the Public Policy Forum seminar. Who do we think said that? Any guesses?

Scott Brison, member of Parliament for Kings—Hants.

I just wanted to read that into the record, Mr. Chair, on the subject of Hibernia. Thank you very much.

**The Chair:** Do I take it you're reading these things because you agree with them all?

**Mr. Rob Anders:** I'm going to leave it open for people to comment. If our departmental officials wish to comment on that, I leave it up to them.

**The Chair:** I don't think they want to touch that with a ten-foot pole. But it has been an interesting three minutes.

**Mr. Rob Anders:** Thank you.

**The Chair:** In the absence of a sharing protocol over there, we'll go to Ms. Hall Findlay for five minutes.

**Ms. Martha Hall Findlay:** I will thank my colleague for giving me the opportunity to say that I personally have tremendous respect for Paul Martin and Ralph Goodale and Scott Brison and that I too support efforts by the government to achieve efficiencies and to focus on what it does best. I compliment the people who are here, because that is clearly the effort they are undertaking, and I support it entirely.

So thank you, Mr. Anders, for allowing me that opportunity.

I do want to continue on my earlier questioning about the asset sales as opposed to the departmental review. I don't know who best to ask—maybe Mr. Hirst—so I'll leave it open. But there are several departments that have been pegged. Is there a reason why? Have they been chosen because there have already been some prior reviews that suggest they have assets that are more likely or more appropriate to be sold?

• (1215)

**Mr. Richard Botham:** There are probably a few reasons for the selection of the departments that were included in budget 2009. One, for the Minister of Finance, it is just simply that he is leading the review and decided that this department, our department, should be included, since he is taking the lead.

Second, there is a focus on economic departments. There are a number of enterprise crown corporations within Transport Canada. It is a fairly large department. It gives us an opportunity to take on a department that has pretty wide-ranging activities, since we're really initiating this review that hasn't been done—or something like it hasn't been done—for more than a decade. So it enables us to test out the process quite efficiently.

**Ms. Martha Hall Findlay:** Is it safe to assume, then, that it is in fact crown corporations, as opposed to real estate, that is the target for these proposed asset sales?

**Mr. Richard Botham:** I think the target for the asset review is both enterprise crown corporations, because they are crowns that undertake commercial or quasi-commercial operations, and real estate as well, because it is an asseted value for the Government of Canada. So it is both components that are subject to the review.

**Ms. Martha Hall Findlay:** I recognize it's both, but the answer to my question as to the choice of departments seemed to be that they were the economic departments that had more crown corporate activity. That led me to believe maybe that's why those departments

were chosen, that there was a focus on corporate assets, corporate activity, as opposed to real estate.

**Mr. Richard Botham:** I think the answer is no. It is both elements that are subject to the review, but it is just a matter of fact that the Department of Transport has a significant number of enterprise crowns, so it made sense to include that in the first year of the review.

**Ms. Martha Hall Findlay:** Are any particular ones being looked at?

**Mr. Richard Botham:** As I said, we're in the preliminary stages of developing a comprehensive list of assets and asking the department to identify real estate, as well, that they think is of interest. It will be only after we go through that process and then the subsequent short list that we'll have an idea of where the focus of the review will be. It is meant to be focused. It is going to take place within a year, and it will be comprehensive in the first instance, but more focused in terms of detailed analysis.

**Ms. Martha Hall Findlay:** But not one year. It will be focused over the course of five, to meet the targets.

**Mr. Richard Botham:** The scope for the next year is the four departments listed in the budget bill.

**Ms. Martha Hall Findlay:** Okay. Thank you.

Just as a clarification, when you're talking about the sale of assets and crown corporations, is there a focus on the sale of the corporations themselves outright, or is it more a focus on those crown corporations to divest themselves of assets within their activities?

**Mr. Richard Botham:** Going back to my initial remarks on the process of the review, it would be a variety of outcomes. It could be proposals regarding the governance of a crown corporation, the governance of a subset of its activities. By the same token, it could include the corporation as a whole in terms of something that would have more value created if it were run by the private sector or a subset of its activities.

**Ms. Martha Hall Findlay:** Okay, so the range, then.

**Mr. Richard Botham:** Yes.

**Ms. Martha Hall Findlay:** Okay. Mr. Chair, I'm assuming I've gone past.

**The Chair:** Not by much.

**Ms. Martha Hall Findlay:** Thank you.

• (1220)

**The Chair:** We're fine.

Monsieur Gourde, for five minutes.

[*Translation*]

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** Thank you very much, Mr. Chairman. I'm not sure which witness could answer my question.

Strategic reviews happen regularly. Why are strategic reviews carried out every three or four years? Could they not be done rather every five or ten years?

[English]

**Mr. Alister Smith:** That's a very good question.

We determined that we would like to try to cover all direct program spending over a four-year period. But you're right, it could have been over a five- or six-year period, which would mean departments would come up once every five or six years.

We did think a four-year cycle made a great deal of sense, but it is really somewhat arbitrary. Once every four years is a reasonable approach for strategic reviews, to put a department through a review once every four years. Once every five or six years may just seem to be too far along. Too many things could change in the department over six years for that to be as useful as a four-year cycle.

[Translation]

**Mr. Jacques Gourde:** Are these departmental strategic reviews done by government employees or are private firms hired for this purpose? How does the procedure work?

[English]

**Mr. Alister Smith:** First of all, as I mentioned in my opening remarks, reviews are owned by ministers. That's important. They put their own personal.... They devote quite a bit of their own personal time to this. They are assisted by the departments, by the deputy heads of the departments and by departmental officials, but also by external advisers. The external advisers, in many cases, as one might expect, are experts in the area. They may have been former deputies in provinces or from other walks of life. But they assist the department and the minister in coming to a view on the proposals.

[Translation]

**Mr. Jacques Gourde:** Some programs have been in place for 10, 15, 20 or 30 years. Is it possible that the old programs that are still in existence may be changed so that they can be improved or completely abandoned because the initial objectives are no longer being achieved or we simply don't need them anymore? Are these things that may happen? What process do you use to eliminate a program that is still in effect?

[English]

**Mr. Alister Smith:** Indeed, this is one procedure of the strategic review to assess whether programs continue to be relevant and continue to be well-performing. Indeed, there are many programs that have been around for a long time.

We are trying to evaluate all programs, again, on a five-year cycle, so that a program will not go unevaluated for a long period of time. Those evaluations are also publicly posted.

There are ways of trying to deal with the problem of programs that have outlived their usefulness. Sometimes programs do overlap. New programs may be doing the job more effectively than an old program, and it may be time to be replaced or wound down altogether. These strategic reviews are the first effective mechanism we have for trying to deal with that problem.

[Translation]

**Mr. Jacques Gourde:** I have one final question, Mr. Chairman.

When you talk about duplication between old and new programs, do you offer any support to the people concerned? Every time a

program is eliminated, people are affected. Is there some way of helping these people, either by providing them with the information or by establishing a new way to proceed?

[English]

**Mr. Alister Smith:** The department that undertakes a strategic review does an impact analysis of who would be affected by a program proposal put forward for reallocation. The mitigation of the risk involved in that is considered in the analysis. In some cases a program that overlaps with another program may result in a revised new program that can pick up some of the clientele from the old program. So there's a variety of possible outcomes there. But impacts on recipients or stakeholders are considered by the department.

•(1225)

**The Chair:** Thank you.

Madame Bourgeois.

[Translation]

**Ms. Diane Bourgeois:** Thank you, Mr. Chairman.

Mr. Smith, in my opinion, the whole issue of strategic review planning is the cornerstone of your work. I will therefore ask you questions in order to have a good understanding of the way you operate.

Normally, the Treasury Board Secretariat is supposed to provide assistance to departments that want to or will be called upon to do planning work for a given program. Is that correct?

[English]

**Mr. Alister Smith:** We provide assistance to departments in their reports on plans and priorities. We provide guidance to departments when they plan overall for their priorities and when they report back to Parliament on the results they've achieved with their programs, but we don't specifically tell them how to plan a particular program. In some cases we provide advice on project planning and a variety of other areas that could help them, but I don't think we precisely provide strategic planning advice for programs.

[Translation]

**Ms. Diane Bourgeois:** All right. In that case, even if you do not provide advice as to how to set up a given program, the fact does remain that if a department wishes to design a support program, regardless of what it may be, you will help. Perhaps you will not help set up the program, but you will provide assistance in dealing with time indicators and performance, so that the department itself can take charge and say, two or four years after the program has been running, that it has fulfilled its objectives with respect to timelines and performance. Is that accurate?

[English]

**Mr. Alister Smith:** That's correct. We provide guidance, best-practice guides, and all the rest of it to help departments develop good performance indicators for their programs. We encourage them to use best practices from around government. We are there to assist in that sense, absolutely, as well as provide guidance for the other reporting back to Parliament through the RPPs and DPRs.

[Translation]

**Ms. Diane Bourgeois:** So, that means that the strategic review that you will need to undertake for a program that you have already worked on should not be so difficult. I do not want to minimize your work, but this should be easier to do than if you had not worked on the program whatsoever.

[English]

**Mr. Alister Smith:** Absolutely. I think that's correct. For the management, resources, and results structure policy, we've asked departments to establish clear outcomes and develop their programs in the form of a program activity architecture that is linked to the overall objectives of what they're to achieve. We report not only through RPPs and DPRs, but through Canada's performance report that we table here on how well they may be achieving those outcomes. So we provide a fair amount of guidance in all of those respects for departments.

[Translation]

**Ms. Diane Bourgeois:** Do all of the departments currently comply with this directive?

[English]

**Mr. Alister Smith:** Yes, all of those dependent on appropriations do comply, certainly.

[Translation]

**Ms. Diane Bourgeois:** So that means that the strategic review is given a great deal of importance. Without wanting to diminish the work that you are doing, we should be giving a great deal of importance to the implementation or to the planning of the program and the results. You are a sort of external auditor. Consequently, we should be asking the departments the real questions.

• (1230)

[English]

**Mr. Alister Smith:** I think that's correct, because, really, the deputy and the department are the ones who know their programs best. They are the ones who are responsible for ensuring that programs are effective, that performance criteria are respected, and results are achieved and outcomes are....

[Translation]

**Ms. Diane Bourgeois:** Earlier, you agreed with me that the Auditor General of Canada had criticized the lack of planning done in a number of departments. That may be the cornerstone of our line of questioning. When planning is not followed properly, and there is an overlap between two programs, we cannot say whether one program is better than the other or that the other one is obsolete, for example. That is where we can save money. You are not going to be able to achieve the savings, but the departments concerned can.

[English]

**Mr. Alister Smith:** Absolutely, I think better planning is always better for departments. Indeed, there may be ways in which a department on its own, without the requirement of a strategic review, can achieve better outcomes and more savings in terms of resources, absolutely. And planning would be important to that.

[Translation]

**Ms. Diane Bourgeois:** We should really pay special attention to what the Auditor General said about planning. You can forget about the planning review, because the Treasury Board Secretariat determines whether everything has been done in accordance with the rules. But at the outset, if the foundation is not solid, if the planning has not been followed and the timelines and performance indicators have not been respected, there is a problem. Is that correct?

[English]

**Mr. Alister Smith:** Well, I would only add that I think it's useful to have that external process where ministers do come forward, having reviewed all their programs and determined that 5% of programs are not performing well or are not any longer as relevant as before, and bring them forward to their colleagues for consideration. I think that's still a useful discipline, over and above what might happen at the departmental level. So I still think it's really useful to have that kind of review.

**The Chair:** Merci.

Mr. Dewar, for five minutes.

[Translation]

**Ms. Diane Bourgeois:** Thank you very much for this clarification.

[English]

**Mr. Paul Dewar:** I just want to go back to the fact that we're looking at \$4.3 billion and that the choices are to reaffirm that if we're not able to find it through the two methods we've talked about and outlined here, that really, there is only one other option for government, and that is to have it on the books as money it didn't find savings for, and therefore it becomes part of the deficit.

Is that how you would see it, Mr. Botham?

If in their books they book \$4.3 billion in savings and then you make \$2.3 billion, where does that \$2 billion go? I'm just speculating here. Would it be rolled into a deficit?

Or some other miracle might happen, but just for basic accounting here, we would see that the \$2 billion hadn't been realized and it would be carried over to the next year.

**Mr. Richard Botham:** My presumption is that along with all the other revenue sources of the government, there would be a reckoning of what the pattern of that is over the fiscal year. If there were to be a shortfall on the \$4.3 billion, then it would factor into the total revenue picture of the government and a calculation would be made at that point as to whether the government was in surplus or deficit.

**Mr. Paul Dewar:** Let's maybe just go back to the strategic review. I am looking at some of the numbers from 2007, and I'm looking at departments like CIDA and Foreign Affairs. I have them here, and I'm not going to do a quiz, but I'm looking at trends. We talked about 5%, but I'm looking at Foreign Affairs and International Trade, 2008-09, \$73 million; for 2009-10, \$92 million; then we get to 2010-11, \$105 million.

Just taking a quick glance at these numbers—and then you'd look at other departments—you see a huge difference. I look at CIDA in a similar light. Disproportionately, they've managed to find all this money through the review process.

I guess I'd have to ask why it is that these departments seem to find so much in terms of "savings". That's the first question.

The second question is, at the end of the day, that means this money will no longer be within that department to spend. Is that correct? I know the reallocation goes on.

•(1235)

**Mr. Alister Smith:** First of all, it is the scale of the departments. Indeed, when you say CIDA, you're really talking about the international assistance envelope, which is \$3 billion.

**Mr. Paul Dewar:** Yes.

**Mr. Alister Smith:** And any savings or reallocations found there were simply recycled within the international assistance envelope, so there's no net savings in terms of aid. We recycled from one purpose to another within the international assistance envelope. Indeed, it's the same, to a degree, with DFAIT. You've cited the numbers, which are the reallocations—the \$73 million, \$93 million, \$105 million profile—but there are also reinvestments of \$65 million, \$85 million, and \$98 million—

**Mr. Paul Dewar:** I appreciate that.

**Mr. Alister Smith:** —so the net savings are fairly small. In fact it's a recycling of funds from lower-performing to higher-performing, and lower-priority to higher-priority within the department.

**Mr. Paul Dewar:** Proportionately, according to the department, I appreciate your point. Who decided which departments would be looked at? That's decided through the finance department—is that right?

**Mr. Alister Smith:** No. There is a process every year for determining which departments would be up for review. Over a four-year period, everybody will be up for review to cover 100% of program spending.

**Mr. Paul Dewar:** Right. I appreciate that.

**Mr. Alister Smith:** So it's a bit of a judgment call, because indeed you don't want to have only departments from one sector—international, heritage, culture, or economic—in one year. You want to have a bit of a mix. At the same time, there are advantages to grouping some departments, because indeed there are linkages.

**Mr. Paul Dewar:** I guess my question is who makes the decision?

**Mr. Alister Smith:** Ultimately, it's a cabinet decision.

**Mr. Paul Dewar:** Okay. Thank you.

I had a question about the assets that are going to be looked at. CCC, Canadian Commercial Corporation, is an interesting corpora-

tion. I'm just wondering, within the definition of what you've been given at finance, how would you consider CCC? My understanding is that CCC does get appropriations from government, yet it's also a crown corporation, and it does business, so to speak. Where would it fit in this family of assets?

**Mr. Richard Botham:** I do not know—

**Mr. Paul Dewar:** Okay.

**Mr. Richard Botham:** —because I'm not familiar with the operations of that particular crown corporation. If it is as you have described, I would suspect that—

**Mr. Paul Dewar:** I always say they do guns and butter. They make requirements for LAVs, etc., but they also do procurements for things like vitamin projects for overseas development. They get appropriations, but they're also a crown corporation.

Fair enough. I'll leave that.

I have just one last point—

**The Chair:** That's way over five minutes.

**Mr. Paul Dewar:** I was just going to say that Mr. Warkentin was making a point about government getting large. I simply wanted to observe that this is the biggest cabinet we've had, and maybe we should have a program review for the government's operations.

**The Chair:** The time is getting large too. Thank you, Mr. Dewar.

We'll have Mr. Calandra for five, and then I'll go to Mr. Rae for five, and then we'll wrap up and do some committee business.

Mr. Calandra.

**Mr. Paul Calandra (Oak Ridges—Markham, CPC):** Thank you, Mr. Chair. I won't be taking five minutes. I actually have just one specific question.

I thank you for coming, Mr. Smith. I know you've been spending a lot of time in front of the committee, so I'm very familiar with you. My question in particular is this.

There has been a lot of discussion about asset sales and different governments booking asset sales before the review has been completed. It is my understanding that this is not an unusual practice, but if you'll bear with me, I'd like to quote from budget 2004, presented by the old Liberal government:

The Government intends to sell its remaining shares in Petro-Canada in 2004-05. Based on an average of recent prices and the book value of this investment, it is expected to provide approximately \$2 billion in net budgetary revenues.

I can appreciate that was some time ago, and you may not necessarily be familiar with that budget, but I was wondering if you might be able to confirm that was actually the case, and if the old Liberal government at that time did book the proceeds of the potential sale of the shares in Petro-Canada in its budget forecast.



•(1240)

**Mr. Richard Botham:** It was included in the revenue projections for the budget.

**Mr. Paul Calandra:** Again, this type of practice is not unusual or something that is unique to this government or to this circumstance, in your opinion?

**Mr. Richard Botham:** The case you point to also included a revenue projection from the sale of a government asset.

**Mr. Paul Calandra:** In previous governments, are there any other instances when this was done, to the best of your knowledge? Is there anything—

**Mr. Richard Botham:** Sorry, my knowledge doesn't go back far enough to.... The examples would come from 1994 and around that period, regarding program review, and 1984. I haven't looked at the budgets from that period to be able to answer your question.

**Mr. Paul Calandra:** All right. Thank you.

**The Chair:** Mr. Rae, for five minutes.

**Hon. Bob Rae (Toronto Centre, Lib.):** Just to follow up on that point and not to put you in the middle of a political debate, but there is a difference between naming a specific asset and providing the public with a basis upon which you assess what the value of the sale of that asset is, and the process that is being provided for in this budget, which is not naming any assets; it is simply saying there is a general review of assets as well as the programs and the government intends to get to this number. So you would agree.... Well, you don't have to agree; I'll just make the statement. I'm not going to put you in the middle of this argument with Mr. Calandra, but there is a big difference between those two things.

I appreciate very much the comments that you had a chance to read coming in, Mr. Botham, where you said that the government will not engage in a fire sale of assets, which I suppose is a matter of definition. However, would you agree with me that it is a little strange to announce the number that you expect to arrive at before you've actually determined whether there are any assets that are worthy of sale or whether it's a good time to sell?

Do you see what I'm saying?

**Mr. Richard Botham:** The way you pose your question is whether I think it's strange or not. I think that the process for a corporate asset has some similarities to the process for a strategic review. There's an understanding that in the case of a strategic review, there's a program spending base. In the context of a corporate asset review, there's an understanding that there is an asset base associated with, in this case, the four departments that are being reviewed. It was taken into account for fiscal prudent planning that there would be a number associated with revenues for one of the outcomes of corporate asset review, which could be a sale. That was the procedure that was followed.

**Hon. Bob Rae:** Again, I don't want to put you in the middle of anything, but would you agree that it's possible that you will conduct a review of the assets and determine that this is not the time to be selling them, that we wouldn't get reasonable value for those assets on the basis of the condition of the market today, and therefore you're not going to reach this target?

**Mr. Richard Botham:** I think it's fair to say that after we go through the review process and identify specific assets that warrant more analysis, we will have estimates based on market conditions and we'll make recommendations as to whether this is a good time, in fact, for the government to realize revenues on a sale, and if it makes sense in terms of generating value, in terms of additional economic development benefit.

After those recommendations are looked at, there will be a number determined as to what the outcome will be. I think that right now our best guess, which was included in the economic update from the four departments, is that we could project a revenue gain of approximately \$2 billion for 2009-10.

**The Chair:** That would be five minutes.

•(1245)

**Hon. Bob Rae:** That would be five minutes.

**The Chair:** Close to six. Time flies when you're having fun.

Okay, colleagues. We have about 15 minutes to go. We have, by my estimate, about 10 minutes of committee business, so if there are no other compelling last-minute 15-second questions, we'll allow—

**Ms. Martha Hall Findlay:** I've got a compelling one.

**The Chair:** It must be within 15 seconds. I will cut you off.

**Ms. Martha Hall Findlay:** I know you will.

It's to Mr. Smith, who was kind enough to give a breakdown of the asset versus departmental review. Do you also have that breakdown for the subsequent four years?

**Mr. Alister Smith:** Yes, I do. Is that for 2008, or do you want to go back to 2007?

**Ms. Martha Hall Findlay:** You gave 2009-10. It was \$2.3 billion total, and you had \$349 million for—

**Mr. Alister Smith:** Yes, the savings identified in this last round, the 2008 round, were \$349 million for 2009-10 and \$449 million for 2010-11, rising to \$586 million for 2011-12. Of course, as I mentioned before, there are reinvestments, which offset those reallocations.

**Ms. Martha Hall Findlay:** Are 2012-13 and 2013-14 similar?

**Mr. Alister Smith:** I'm sorry, I don't have those figures.

**Ms. Martha Hall Findlay:** Okay. Thank you very much.

Thank you, Mr. Chair.

**The Chair:** Thank you, colleagues.

To the witnesses, thank you very much for appearing today. You may withdraw at this point in time, as we get into some other business.

We'll stay on the record.

First of all, we have to deal with two motions put forward by Mr. Calandra. We don't have to vote on them today, but I am going to put them on the agenda. We've had notice of them. The steering committee has not had a chance to review them. You will have copies in front of you.

I will comment about each. It would be most appropriate not to actually move the motion and to put them today, but to take a decision to deal with them in the course of our future business.

Mr. Calandra may want to speak to either one of them. I'll offer you the opportunity to do that, Mr. Calandra, rather than putting the motion. Would you like to just outline your proposals? Both of them are fairly straightforward.

**Mr. Paul Calandra:** The motion on accrual accounting was based on a letter the committee received from the Auditor General expressing some disappointment that we actually didn't look into that matter, so I thought perhaps we should do so. I have such a great interest in accrual accounting that I thought it would generate much excitement in this committee during my time.

The second one is again pretty straightforward. It is with respect to the demographic challenges. This issue has been brought up a number of times in committee by many different members. I'm not sure what our schedule looks like—

**The Chair:** Thank you for that.

On the first one, the accrual budgeting issue, I'm informed that the committee did report on this subject. They did a study and a report in the last Parliament, so I don't think the Auditor General would have been critical or disappointed that we had done that.

Could I ask our researcher? Lydia, are you aware of this comment by the Auditor General?

**Mrs. Lydia Scratch (Committee Researcher):** I'm not actually aware of the letter that the Auditor General sent to the committee, so I can't really speak to that. I know the committee did make a report on this matter a couple of years ago. It made some recommendations, and the government has responded to those recommendations, so it would be a matter of whether or not they're fulfilling their obligations.

**The Chair:** Go ahead, Madame Bourgeois.

[Translation]

**Ms. Diane Bourgeois:** Mr. Chairman, I sat on the committee that reviewed accrual accounting. This committee produced a report and received a letter from the President of Treasury Board saying that it intended to apply accrual accounting. In a letter the Auditor General advised the committee to make sure that the implemented planning included indicators of time and performance, because there was an issue. Treasury Board said that it could not implement accrual accounting in less than five or ten years, whereas the committee, after more than 15 years of study, requested that it be implemented on a regular basis. Therefore, it is up to this committee to ensure that time and performance indicators be provided to it so that the implementation of accrual accounting be done in three or five years instead of ten years.

• (1250)

[English]

**The Chair:** I was going to suggest that we have our researcher package the status of this issue, the correspondence on it, and the reply, if any, from the government to the sixth report.

I think we're looking at one meeting that would essentially update us on where we are with reference to accrual budgeting. We can build that into our work plan.

If that's acceptable, then we'll simply ask Lydia to do the workup on it, and then we'll build it into our near future schedule.

Mr. Warkentin.

**Mr. Chris Warkentin:** Could we bring the Auditor General in, as well?

I was on the committee that looked at this originally. We want to make sure we're on top of this, as a committee. It seems, and it has seemed so over the years, that where this has come up as an issue from time to time, there's been a reluctance on behalf of the governments, of successive stripes, to implement it. Because it is costly, it is time-consuming, and there always seem to be other issues that come along.

I think the Auditor General will make some good points.

[Translation]

**Ms. Diane Bourgeois:** That is not true.

[English]

**The Chair:** I didn't want to have a full debate on this.

Could I suggest that we consult with the Office of the Auditor General on this issue before we bring it back to committee? There may be disagreements between members about what happened two or three years ago. I think we'll just bring it back. Let Ms. Scratch do a workup, consult with the Office of the Auditor General, and we'll probably have a meaningful one meeting for that.

The second item of Mr. Calandra's proposal is the so-called demographic challenges of the public service. I am proposing to ask the Public Service Commission to appear, on the matter of their own estimates, on March 31. During that meeting there will be ample opportunity to inquire into that issue of the demographic challenge in the public service. Coming out of that meeting, if members felt they wanted to sink their teeth into the broader cross-departmental, sociological, demographic issues associated with that, then we could plan that. But we'd need to do a bit of a workup.

Mr. Warkentin.

**Mr. Chris Warkentin:** That was this Thursday that this was being proposed, is that correct?

**The Chair:** No, it would be a week from today—next Tuesday.

**Mr. Chris Warkentin:** Okay.

**The Chair:** It would be Tuesday, March 31, and we would have the Public Service Commission, with its chair, and the other individuals who would normally come on estimates.

**Mr. Chris Warkentin:** I'm going to beg of you, as chair, as well as my committee colleagues, to possibly push that back a little further. The reason I would like to do that is for my own efforts on this whole issue of classification creep. I have been doing some work on the side with regard to this. I think at some point we maybe want to have a discussion, as a committee.

I would like to bring Madame Barrados back when I'm a little better prepared to question her publicly.

I know I'm asking for a lot from my committee colleagues.

**The Chair:** Are you asking for a couple of days or a couple of weeks?

**Mr. Chris Warkentin:** Possibly a week, if the schedule would allow it.

**The Chair:** To be frank, there's nothing wrong with your request; it's just that you might be giving us a holiday we hadn't planned on.

I can also point out that the Public Service Commission actually likes to come to Parliament, because they don't have a supervising minister. So I am very confident that—

• (1255)

**Mr. Chris Warkentin:** She'll come back.

**The Chair:** Yes. The whole team would be delighted to be here, on an invitation from Mr. Warkentin on that issue, and other associated issues. I don't think there's any obstacle here. You can hold that issue until you're ready to take out the knife.

**Mr. Chris Warkentin:** Okay.

**The Chair:** That gives us one meeting next week, then.

The Thursday meeting, at this point, is unallocated. We have invited each of the government departments. We're not formally inviting them; we're asking them if they would like to appear, on their estimates, next Thursday. We don't yet have any confirmations.

So Thursday, April 2, is unallocated. Then Parliament has the two-week break over Easter.

If there are no comments on that, would anyone like to address the unallocated meeting on Thursday, April 2?

Mr. Warkentin.

**Mr. Chris Warkentin:** There is a possibility that out of the discussion with Madame Barrados and the issue with regard to demographic challenges.... I think this is something that has been bubbling along at this committee, in the previous Parliament as well as this one. It has never been addressed in any comprehensive manner.

I would suggest that possibly out of the meeting with Madame Barrados we could maybe have a more fulsome discussion on that particular issue.

Maybe we could suggest witnesses for that. I would like to see this committee have maybe not a report, but at least a draft document or a document that we could propose that this committee is possibly concerned or possibly not concerned, but we could put this issue to rest once and for all.

**The Chair:** There's a suggestion that we leave the Thursday as a swing day for further evidence on the issue of the public service demographic challenge.

Ms. Hall Findlay.

**Ms. Martha Hall Findlay:** Given what we've heard before, and I understand Mr. Warkentin's concern, I'm not sure that it would take that much more of our time, and I would just like to throw into the mix—and maybe it's inappropriate to do it now—that one of the big lacks that I had seen in their procurement discussions was the lack of representation by ITAC. I don't know if you were looking for a way to fill what now may be an empty day. I throw that open to my colleagues to see what they think about that.

**The Chair:** Madame Bourgeois, before you jump in, because I know you're going to mention the procurement study involving—

**Ms. Martha Hall Findlay:** My recommendation for ITAC would be because of the procurement—

**The Chair:** I've been asking our researcher to build a series of meetings—two, three, or four—on this whole issue of government procurement. I had indicated to her that the start date for that would be Thursday, April 23. I'm reluctant, as chair, to let our study be driven by witnesses. I think we ourselves should determine the directions and the content. ITAC has certainly been desirous of presenting on this, but—

**Ms. Martha Hall Findlay:** Well, I personally am desirous of having ITAC, given my past history with the work that they have done over a number of years. It seems logical to have them involved.

**The Chair:** That's acknowledged.

So our researcher will get back to us, either at a meeting or directly by correspondence, with a proposal involving two, three, or four meetings, with the intention that we try to reach some conclusions and report it to the House. I'd like to do it fairly intensively and package it.

[*Translation*]

Ms. Bourgeois.

• (1300)

**Ms. Diane Bourgeois:** I would like to come back to the Public Service Commission issue. If I am not mistaken, we will hold two meetings: one on March 31 and the other on April 2. I would be very pleased if this were the case. When Ms. Barrados appeared before us, we said that we had insufficient material to make a report, but that an alternative would consist in giving her a mandate whereby the committee would request that she do some research with regard to certain issues.

I am pleased with the fact that we will have two meetings. I think that this is also your opinion, Mr. Chair.

[*English*]

**The Chair:** Mr. Warkentin has suggested that the public service issues may require a second meeting and that Thursday is available for that purpose. If all members are agreed to that, there's no problem.

[*Translation*]

**Ms. Diane Bourgeois:** It is fine with me.

[*English*]

**The Chair:** Now I want to deal with Tuesday, April 21. That is a day when I'm going to suggest that we bring back to us the public officials responsible for the stimulus spending, either in programming or in projects. They were before us earlier. It was early stages. The spending here is a very large amount and uses a procedure that is not normal, and we're perhaps the only committee in the House that would be able to carry out the parliamentary function of scrutiny of the background procedures.

We know that the process involved in this is one that develops over time. We've asked for a list. Of course they don't have a completed list; the list will evolve throughout the year. The government has indicated they will have a website, but my purpose in hoping that this will be a part of our agenda is that we can scrutinize the evolving government agenda in getting the spending money out and getting it out carefully and making reference to the letter made public recently from the Auditor General where she has made some suggestions to the government.

So I think we could usefully dedicate a meeting to that, and I think we'd have the cooperation of the government officials, without micro-managing what they do. We don't want to do that. We can't do that. But if you're happy to do that, to reopen the book on the process of the stimulus spending, we would do that on April 21 and have present here the appropriate officials to explain the status and explain it to Parliament through us, recognizing that there's a report—what's it called, a probation report or something—on June 1. So we might

need another one or two meetings beyond this, depending how curious members are and the status of the process.

So having said that, without any objection I would schedule that meeting for April 21. Any comments? No?

Are we ready to adjourn?

[*Translation*]

**Ms. Diane Bourgeois:** I want to make sure that we will get some answers. Several witnesses did not give us any answers. It seems to be a waste of time. How can we go about finding witnesses who can help us?

[*English*]

**The Chair:** In reply, for many government officials, they are often reluctant to name the baby before the baby is born, and they are working under fairly significant pressure here, new rules, new ministers, so let's give them a chance and I'm sure we'll get the answers we need.

Okay?

[*Translation*]

**Ms. Diane Bourgeois:** All right.

[*English*]

**The Chair:** We'll do our best.

Thank you very much. The meeting is adjourned.

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