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

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**EVIDENCE**

**Wednesday, March 14, 2012**

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**Chair**

**Mr. Pat Martin**



## Standing Committee on Government Operations and Estimates

Wednesday, March 14, 2012

•(1530)

[English]

**The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)):** Good afternoon, ladies and gentlemen. Welcome to the 34th meeting of the Standing Committee on Government Operations and Estimates.

We're very pleased today to welcome the President of the Treasury Board, Mr. Tony Clement, to speak to us today about the supplementary estimates (C) as well as the main estimates under Treasury Board.

With him today, I understand, is Michelle d'Auray, secretary of the Treasury Board of Canada; Sally Thornton, executive director of expenditure operations and estimates; and Christine Walker, assistant secretary and chief financial officer.

You seem very well served and your department seems very well represented today, Mr. President.

You have the floor, sir, for as long as you like.

**Hon. Tony Clement (President of the Treasury Board and Minister for the Federal Economic Development Initiative for Northern Ontario):** Thank you very much, Mr. Chair and members of the committee. Thank you for inviting me to speak to you today.

[Translation]

Today, I would like to focus on the supplementary estimates (C) 2011-12 and the 2012-13 Main Estimates for the Government of Canada.

I will also say a few words about the estimates process.

[English]

Let me begin with supplementary estimates (C) 2011-12.

Obviously this is more evidence, Mr. Chair, that our government continues to put Canada's financial house in order. Indeed, in an uncertain global economy, we are sticking with our plan, our low-tax plan for jobs and growth, a plan that we believe has worked and has served Canadians well.

The supplementary estimates (C) 2011-12 are certainly aligned with our commitment to restrain the growth in government spending. They support the government's request for \$1.2 billion in funding for 54 organizations through an appropriation act. This represents an increase of only 1.3% over the 2011-12 main estimates.

As members know, supplementary estimates are part of the regular parliamentary approval process to ensure that planned government initiatives receive the necessary funding to move forward and meet

the needs of Canadians. These supplementary estimates (C) 2011-12 provide information to Parliament to approve spending plans that reflect elements of new programs set out by the government in Budget 2011 and in previous budgets. I'm sure we'll get a question or two on those.

Let me just speak briefly on 2012-13 main estimates.

[Translation]

Mr. Chair, in addition to the supplementary estimates (C) 2011-12, I would like to discuss the 2012-13 Main Estimates.

As I mentioned, the government's top priority continues to be economic growth and job creation.

•(1535)

[English]

Indeed our commitment to this goal is also reflected in the 2012-13 main estimates and the responsible spending plans they set out.

These main estimates provide details on \$251.9 billion in planned budgetary expenditures for the fiscal year 2012-13, which is essentially the same as, in other words, about a 0.4% increase from last year's main estimates of \$250.8 billion.

I can tell you, Mr. Chair, that these expenditures are in line with decisions from Budget 2011 and previous budgets. They demonstrate our ongoing approach to spending restraint by showing the government operating within its means.

An appropriation bill for 2012-13 interim supply will be voted on by Parliament this evening—I hope that is not a shock to you—and an appropriation bill for full supply will be introduced for a vote in June. As you probably are aware, interim supply grants departments the required authority to make expenditures from April 1, the beginning of the new fiscal year, until the end of June, providing parliamentarians time to deliberate and vote on full supply.

[Translation]

Mr. Chair, let me turn now to the estimates process itself.

As the committee is fully aware, after new initiatives are announced in the budget, departments prepare detailed implementation plans, which must be approved by Treasury Board before the initiatives can be included in the estimates.

[English]

The proximity of the tabling of the main estimates and the budget does not provide sufficient time for new budget initiatives to be included in the main estimates for March 1.

Another part of the estimates examination process is the departmental reports on plans and priorities. They support the parliamentary committees' reviews of the main estimates by providing additional information by program activities to parliamentarians before they vote on full supply.

This year, the reports on plans and priorities will be tabled a little later than usual. Departments and agencies were given additional time to prepare their reports, in recognition of the time and effort required to complete the strategic and operating reviews under the deficit reduction action plan. But as per the normal process, these RPPs will support the main estimates; that is to say, they are connected to whatever is found in the main estimates. That issue has been a matter of public commentary, and I wanted to explain why we are following that approach and why that is consistent and required, if one looks at the Standing Orders.

If you're looking for the anticipated savings, they will be found in the process that is Budget 2012 and the Budget Implementation Act that flows from Budget 2012.

[Translation]

The broader issue, of course, is the logistics of the estimates process. That's why I am pleased that this committee is undertaking a review of the estimates process.

This process is rooted in both legislation and parliamentary tradition. While there have been changes to the presentation of estimates over time, there have been only a few changes to their fundamental form and content, and these were largely as a result of recommendations from parliamentary committees.

[English]

In this respect, I'm sure members have received a copy of my letter to the chair of this committee. It sets out a number of questions for your consideration during the course of your study of the processes relating to budget timing and whatnot. One of these questions pertains specifically to the timing of the main estimates and the budget. I'm looking forward to the conclusion of your study and the recommendations on the subject the committee will make in its report.

Mr. Chair, thank you. I'll be more than happy to take your questions on supplementary estimates (C) and the main estimates, which are before you.

Thank you.

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

You're right that this committee is undertaking a comprehensive analysis of the fiscal cycle and the estimates. We will certainly take note of the observations you made in your letter to the committee. I think they will be of great use in helping the public scrutinize and understand what their government is doing with their money.

We will proceed right away to questions.

First, for the official opposition, the NDP, we have Alexandre Boulerice for five minutes.

• (1540)

[Translation]

**Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP):** Thank you, Mr. Chair.

Mr. Minister, thank you for being here today.

With the review of the estimates process in mind, I cannot help but point out that glaring problems exist, such as those that came to light with respect to the Border Infrastructure Fund. A few million dollars had actually been allocated to the G8 Summit. You will recall the few discussions we had on the matter. I hope that main estimates and supplementary estimates going forward will be clearer and more specific, so that we are able to verify where the money was really spent.

I am not sure whether you can give us any insight into this, but members of the public service have been feeling a lot of uncertainty in the wake of the strategic reviews and the upcoming 5% and 10% cutbacks. We have heard that nearly 30,000 public service jobs could disappear. Yesterday, you said that you were going to respect collective agreements. I hope so. The government should respect the contracts it signs; that is the least it can do. That decision means, then, that those employees whose jobs are going to be cut will receive a certain amount of severance pay.

How do you think public services provided to Canadians will be affected by the elimination of 30,000 public servants? We aren't talking peanuts, that is a big number. The public service could lose a tremendous number of people.

**Hon. Tony Clement:** I can say a few words on that. Obviously, the budget for 2012 is the result of many decisions, and the answers to those questions are important, as is the action plan needed to achieve a clear and balanced budget.

At the same time, however, I must tell you that a program is in place so we can have discussions with public servants to decide whether programs will be affected, and their suggestions are taken into account. There is such a process already.

[English]

I can tell you, Mr. Boulerice, that we have a number of things already in place, such as the collective agreement. There's something called workforce adjustment, which has been in place, I believe, since 1999, after the last major round of consolidation that took place during the Martin years—the Chrétien-Martin years, I suppose.

We are aware of those demands, and we will be in a position to have some clarity once the budget and the budget implementation acts are in place.

[Translation]

**Mr. Alexandre Boulerice:** Thank you, Mr. Minister.

We aren't talking about a minor reorganization here, simply shuffling around everyone's role. We are talking about tens of thousands of jobs. Thirty thousand people could disappear from the public sector that delivers public services to Canadians and Quebecers.

How can you assure us that the work will still be done, if these people just disappear overnight? Who is going to do the work in their place?

I want to tell you about something that has happened at the provincial level. Time and time again, we have seen governments lay off thousands of civil servants, workers who were responsible for delivering services. Then governments realized that someone had to do the work, so what did they do? They hired consultants. Too many times, we have seen former public servants return to the public service as consultants doing the exact same job. That's what happened with nurses in Quebec.

The size of the public service shrinks, but not the costs, because someone still has to be paid to do the work.

**Hon. Tony Clement:** I can tell you that plans are necessary. As I said, the reports on the plans and priorities of each department are essential.

You will get the answer to your question once the 2012 budget is tabled and the budget implementation bill is introduced.

The Secretary of the Treasury Board of Canada might be able to answer those questions.

• (1545)

[*English*]

It's up to the member as to whether he wants a more detailed explanation.

Do you want a more detailed explanation?

**Mr. Alexandre Boulerice:** Of course. I want all the details you can give us.

**The Chair:** Very, very briefly, Madame d'Auray. We don't have much time left.

[*Translation*]

**Ms. Michelle d'Auray (Secretary of the Treasury Board of Canada, Treasury Board Secretariat):** Alright.

As the minister said, we have two directives in place, and they are well-known to employees; they address the responsibilities of managers as well as the responsibilities and rights of employees.

It is important to understand that none of the decisions contained in the budget will be known until it is tabled. So any figures you have at this time are merely speculation. It is equally important to understand that measures and mechanisms are in place to minimize as much as possible the impact on employees and anyone else who might be affected. The measures are taken, and the rights and responsibilities of employees are well-known.

[*English*]

**The Chair:** Thank you, Madame d'Auray. Thank you, Alexandre.

Next, for the Conservatives, is Peter Braid.

Peter, five minutes.

**Mr. Peter Braid (Kitchener—Waterloo, CPC):** Thank you, Mr. Chair.

Thank you, Minister and officials, for being with us this afternoon, and not only speaking to the estimates but helping with our wider study of this process as well.

I have a couple of questions that deal with the estimates. I think it's perhaps fair to say that they're higher-level, process-type questions.

First of all, I'm curious to know about the impact on the estimates process, particularly with programs that wind down, programs that may sunset, and money and resources that are reprofiled.

Could you speak to the impact of those particular items on the estimates process, and our understanding of the process as well?

**Hon. Tony Clement:** Sure. Let me take a stab at this one.

When you look through the main estimates, to give you one example, you'll note there are some examples of significant reduction in spending in certain departments compared to the previous year. That's probably a pretty good signal that there's been a sunset or a wind-down of some particular program.

We've had a lot of that in the last couple of years, with the wind-down on Canada's economic action plan as a good example. As you recall, in Budget 2009 there were extensive new programs, stimulus measures, but there was a specific date saying those will be wound down two years hence. That's where you start to see that in these estimates documents. If these programs were completed by March 31, 2011, it's after that period, so you're starting to see now where these programs drop off.

A lot of these were infrastructure projects. They were large infrastructure projects. You can clearly see—such as for FedDev, the Federal Economic Development Agency for Southern Ontario, the clean energy fund, CFI, which is the Canada Foundation for Innovation—where the evidence of that drops off. Because the specific stimulus measures are no longer active, they are dropping off our estimates sheet.

**Mr. Peter Braid:** Thank you.

Minister, you mentioned as well the challenge that we sometimes have when we try to compare the mains from one year to the mains from the previous years. It's a bit of a mug's game, perhaps. Often, we see discrepancies when we're comparing mains to mains. Can you speak to why those discrepancies exist by using the example of the mains that are being presented today versus those from last year?

**Hon. Tony Clement:** The one example that I was going to give was, if you look on page 37 of the mains, for instance, you can see that Agriculture and Agri-Food showed a \$29.6 million year-over-year reduction, and that's because of the sunset of the slaughter improvement program. That was a three-year program to improve competitiveness in the red meat packing and processing industry of Canada. That sunsetted in 2011-12. Those things then show up on the mains, and therefore you will see an example of that.

Money that is allocated but not spent in the previous year has a different kind of connotation. You'll see that as an increase in spending. In supplementary estimates (C), for example, there appears to be an increase of \$353.4 million to the gas tax fund. It's there because it was reprofiled; it wasn't spent in a particular year. The municipalities wanted a bit more time, or the provinces delayed in submitting their annual expenditure reports. That money was then deferred until the reports were provided. There are a couple of good examples for you.

• (1550)

**The Chair:** You have 30 seconds, if you had another idea, Peter.

**Mr. Peter Braid:** Perhaps very quickly, just changing gears, there was a recent PBO report on the supplementary estimates (A), and it cited personnel cost increases of approximately 6%, for a total of about \$2.3 billion. Given that our government is going through initiatives of deficit reduction, could you explain why that increase is there?

**Hon. Tony Clement:** Yes. We studied that report pretty seriously. We take what the PBO says and we analyze it.

I'm going to defer to Michelle, if that's all right, to give a full explanation.

**The Chair:** He always gives it over to you when there's very little time, Madame d'Auray, but if you could....

**Ms. Michelle d'Auray:** I can be fast, if that's okay.

Thank you for the question. There is a one-time \$1.3 billion increase, which is to cover the elimination of severance, and we allowed under the agreement that we had negotiated with a number of bargaining agents for employees to avail themselves of that. That's one time, and that represents close to 60% of that increase. You will not see that reappear.

It's one time, and it came in a supplementary estimate. It did bring the total personnel expenditure up. There were a couple of others that are driven by wage increases. If you take those one-time increases out, there is not a significant increase in the personnel costs.

**The Chair:** Thank you, Madame D'Auray.

From the NDP, we have Mathieu Ravignat.

You have five minutes, Mathieu.

**Mr. Mathieu Ravignat (Pontiac, NDP):** Minister, I'd like to come back to the subject of cuts to public service jobs.

A couple of days ago, *Le Droit* published an article that showed that the Canada School of Public Service was offering courses on firing 101. Secondly, I see in the supplementary estimates (C) that you're essentially asking for \$4 million for a fund to establish a litigation management bureau.

Clearly, what is in the works is major cuts to the public service. Would you finally come clean to Canadians, tell us how many cuts to public service jobs there will be, and what the impact is going to be on services to Canadians?

**Hon. Tony Clement:** Let me just answer by way of giving some detail, particularly about the litigation fund, because that was a topic in the media.

Upon some delving into this matter, I learned that the litigation fund is specifically for not contemplated new litigation; that's merely to pay for the litigation that is in the courts presently because of—

**Mr. Mathieu Ravignat:** You mean the office won't be there afterwards?

**Hon. Tony Clement:**—unions who are taking us to court. The public service unions are taking us to court a lot, so we had to have provision for more lawyers' fees. Believe me, even though I was a lawyer at one point in my life, I'm not happy about spending more money on lawyers, but that is a little bit out of my hands, because if the unions keep taking us to court, then we have to defend the public interest and the taxpayers' dollars.

That said, I just wanted you to be aware of the circumstances of that fund.

**Mr. Mathieu Ravignat:** You've been quoted as talking about 5% cuts; then you've been quoted talking about 10% cuts. You've talked about \$4 billion, and then you've talked about \$8 billion.

What is it? What's the precise number?

Think about this region. Think about the families in—

**Hon. Tony Clement:** I'd like you to just red circle on your calendar March 29. That's when the budget is going to be out.

**Mr. Mathieu Ravignat:** Think about all those families in the public service, particularly in this region, in Ottawa, who are waiting with bated breath to know whether they're going to have jobs in the next year.

**Hon. Tony Clement:** I'm very aware. I want you to be aware that these are not just figures on a page; these are individuals, people with families, people who have commitments. I fully get that. They deserve to know, as soon as practicable, what their future is, and that all starts with the budget and the budget implementation acts.

Of course, as I said, there's a process here whereby we have the dialogue with individual members of the public service, if they are surplus for one reason or another. There's a whole process where we either find them another slot in the public service where their talents can be utilized or there's a humane exit strategy for those individuals.

[Translation]

**Mr. Mathieu Ravignat:** Let's move on to another topic.

In the publication produced by the Parliamentary Budget Officer, it says that Atomic Energy of Canada Limited apparently received a total budget authority of \$900 million for the divestiture and sale of the crown corporation.

Why the payments after the sale? What are the payments for? If it was sold, there is nothing else to do.

• (1555)

[English]

**Hon. Tony Clement:** There are a couple of things.

Is what you are asking about in the main estimates? I just want to make sure I have the right ones. Or was it in the supplementary estimates?

Is it the main estimates?

**Mr. Mathieu Ravignat:** No, it's the supplementary estimates.

**Hon. Tony Clement:** What I'm aware of is an additional \$95 million, which is funding to make sure that AECL can meet the costs associated with continued isotope production, the winding down of the dedicated isotope facility, and addressing infrastructure and operational upgrades related to health, safety, security, and environmental priorities at Chalk River Laboratories.

That's what I believe that number is related to.

**Mr. Mathieu Ravignat:** So you're modernizing an installation that you've already sold?

**Hon. Tony Clement:** No, Chalk River is not sold.

**Mr. Mathieu Ravignat:** Thanks for that clarification.

**Hon. Tony Clement:** You have the CANDU and you have Chalk River. They're different.

**Mr. Mathieu Ravignat:** That's right. Thank you.

**The Chair:** You have about 45 seconds—or almost a minute left, actually.

**Mr. Mathieu Ravignat:** I wasn't expecting that. Maybe it's because my questions are short.

[Translation]

I want to talk to you about the Treasury Board Secretariat and official languages.

How much does the Treasury Board Secretariat spend annually on official languages, not including the funding it receives under the Roadmap for Canada's Linguistic Duality?

**Hon. Tony Clement:** I will defer to Ms. d'Auray on that question.

**Ms. Michelle d'Auray:** Thank you, minister.

I believe the centre receives the bulk of its funding under the roadmap. The centre of expertise was set up with that in mind. It receives an annual budget of approximately \$3 million.

**Mr. Mathieu Ravignat:** Thank you.

[English]

**The Chair:** Now your time is up, Mathieu. Thank you very much.

Five minutes go to Kelly Block, for the Conservatives.

**Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC):** Thank you very much, Mr. Chair.

I too would like to welcome you here, Mr. Minister, and your officials as well.

As you observed in your opening remarks, our committee has undertaken a study on the estimates process, not only for us to understand the process but also to identify whether there might be

some improvements that we would want to recommend. I think it would be fair to say that we readily welcome the opportunity to meet with you and ministers and officials from other departments to do the work we need to do in looking at the main and the supplementary estimates.

We also have started a study, previous to the estimates study, which is on Shared Services Canada. I know that it's a fairly young organization, or is still in the process of being formed, but this is the first time that Shared Services Canada has appeared in the main estimates. Could you briefly explain, from your perspective, whether these are new funds or where the funding is coming from, and give us a better understanding of that entity?

**Hon. Tony Clement:** Sure, I'd be happy to.

Basically what we did was transfer funds from 43 different departments to Shared Services Canada's reference level, so that they have a reference level of about \$1.5 billion. That came from other branches of government, various agencies and departments. The reason for this is that we're consolidating at Shared Services Canada. We'll have a consolidated e-mail service, data centre, and network services for federal departments and agencies.

As you may recall, Minister Ambrose and I made the announcement back in August 2011. They're just starting to ramp up, but the idea is that basically through consolidation we can deliver better IT services, ultimately to the Canadian public, at a more responsible cost to the taxpayers.

**Mrs. Kelly Block:** I want to pick up on a question that my colleague asked about the PBO's report on the supplementary estimates.

There seems to be some discrepancy at times between Treasury Board's analysis of their numbers in supplementary estimates (C) and the main estimates and the PBO's analysis of the numbers.

As we look at them and try to read the estimates, could you or your officials explain whether there is a difference between the systems the PBO uses and the systems you use?

• (1600)

**Hon. Tony Clement:** I'll let Michelle take a run at that.

**Ms. Michelle d'Auray:** Thank you.

It's a question of how you interpret the information. For example, the question on personnel costs that was asked earlier is shown in the PBO's report as though there were no components to it, whereas when we look at the numbers, we unpack them and see them from estimate to estimate and look at the purpose.

We are working with the Parliamentary Budget Officer, and wherever we see differences we will get in touch. We try, both of us, from report to report to improve the information.

One of the elements that the PBO is using increasingly is the quarterly financial reports that departments are putting out. That gives even more information on what I would consider to be in-year expenditures. Estimates, whether supplementary or mains, are all about projected or planned expenditures. When we look at what the actuals are, the in-year will give you some sense of the areas in which the actual expenditures occur.

We are working with the Parliamentary Budget Officer on both the explanations that are given in his reports for estimates processes, the planned as well as.... He does a review of the quarterly financial reports, and we are working with departments to ensure that there is as much information as possible, so that our interpretations, or at least the alignment of the numbers, is as close as possible.

We may differ on the interpretations, but that then becomes an issue of interpretation rather than one of actual numbers.

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

For the Liberals, we have John McCallum.

You have five minutes, John.

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

Welcome to the meeting.

I thought your letter on our estimates study was good and will be helpful. But that's not my question.

My question is, when and in what form will we know the details of the expenditure reductions that will be contained in the budget?

**Hon. Tony Clement:** We've already indicated—the finance minister has already indicated—that there will be some detail in the budget. But as you know, the budget document.... You've been around here long enough to know that the budget document is a broad document. You really start to drill down in the budget implementation acts and the subsequent estimates and things like that.

So it will be an ongoing process.

**Hon. John McCallum:** Will it be in the spring? There's a budget implementation bill in the spring and also one in the fall.

**Hon. Tony Clement:** That's correct.

**Hon. John McCallum:** Which one are you talking about?

**Hon. Tony Clement:** Both.

**Hon. John McCallum:** So we won't have the full information until the fall.

**Hon. Tony Clement:** Here's my pledge to you. You'll get the information when it is available and in a form that can be presented to Parliament. We'll be abiding by all of the Standing Orders. We'll be abiding by the usual conventions.

For instance, in what we have used for strategic review in the last year or two, we have given information in accordance with that.

**Hon. John McCallum:** What I'm saying is that.... I have a quote from you saying: "My position is that we have an obligation to provide Parliament with timely and accurate information."

You talk about budgets. We did a similar exercise in 2004-05, and right in Budget 2005 we had \$11 billion of savings over five years, which is perhaps a similar order of magnitude to your exercise. On a website, on budget day, Canadians saw every program cut in dollars and a description of what it was. This was on budget day.

I don't think the technology has regressed in the last seven years, so I'm saying to you that if we had that information on budget day, committees could examine the cuts in the departments relevant to them, and it would provide information to those unfortunate civil servants who are about to lose their jobs.

**Hon. Tony Clement:** I don't want to be—

**Hon. John McCallum:** But if we have to wait until the fall to get this information, it will be so old, and those who are losing their jobs won't have that information, and it will just dribble out through leaks to the media.

I don't understand why we have to wait until the fall, when seven years ago we were able to get that information out on budget day.

**Hon. Tony Clement:** I don't want to be churlish, but I have reviewed the budget documents you refer to from the Martin years, when he was finance minister. Yes, there was some information in a table, a page, or a chart. There wasn't as much information there as you may recall in hindsight.

**Hon. John McCallum:** But I had a news conference.

**Hon. Tony Clement:** Our commitment to you is that when we have detailed information that is accurate, we will, of course, post that in the normal course, as we do for estimates and budget implementation acts and other requirements we have in place.

● (1605)

**Hon. John McCallum:** Well, what you said was wrong. Martin was the Prime Minister, not the finance minister, and we had 33 pages—

**Hon. Tony Clement:** I'm sorry, I was talking about the mid-nineties.

**Hon. John McCallum:** No, I'm talking about 2005. We had about 33 pages of documents, and for each department, each item that was to be cut was described and the dollars were assigned. People had all of that information on budget day. So had we not had an election and lost, committees could have called the relevant officials and analyzed those cuts. And those who would have suffered from them would have been informed instead of waiting.

What is it? Is it six or seven months after budget day when people will know, if then?



**Hon. Tony Clement:** I think our obligation is to provide accurate information both to those individuals who are affected and to Canadian citizens. What I'm telling you is that we will provide that accurate information when we have it. It will be pursuant to a budget implementation act being passed. It will be pursuant to notices we give to affected individuals. It will be pursuant to the obligation to post that information to Parliament, which we take very seriously, and we will abide by it. So maybe we're saying the same thing. I don't know.

**Hon. John McCallum:** No, we're not. I'm saying that in our information, each one of the cuts was described in detail on budget day. You're saying that Canadians will have to wait six to seven months—

**Hon. Tony Clement:** No, I think you're putting a few words in my mouth there.

**Hon. John McCallum:** You said the fall.

**Hon. Tony Clement:** First of all, there is a budget implementation act in the spring, John. You keep talking about the fall.

**Hon. John McCallum:** Well, that's why I asked you which one, and you said both.

**Hon. Tony Clement:** I'm saying that there might be certain details available in the spring. They will be provided to Parliament. There will be certain details that will not be formalized until the fall. They will be in the fall BIA. And I think that's fair.

**Hon. John McCallum:** I don't understand why the technology has deteriorated in seven years so that you can't do it on budget day.

**Hon. Tony Clement:** It's not a question of technology. It's about being specific enough to provide accurate information to Parliament.

**The Chair:** John, that's your five minutes exactly.

If there are going to be exchanges like that, with people interrupting, I'm going to ask you to direct your comments through the chair in the future.

Ron Cannan, you have five minutes.

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair, and thank you, Minister, and your colleagues for being here today.

I have a couple of really significant issues, as a member of the international trade committee. I know that within the program expenditures there is reference to \$3.3 million for the U.S.-Canada Regulatory Cooperation Council. Could you enlighten the committee on exactly what the U.S.-Canada Regulatory Cooperation Council is going to be using this funding for?

**Hon. Tony Clement:** I'll defer a little bit to officials. But for the benefit of the committee, let me just indicate that certainly I've been briefed regularly on the Regulatory Cooperation Council and where they're at. I can indicate to this body that certainly it is active. They are in the process of drilling down from the announcement made by Prime Minister Harper and President Obama. They are working on a work plan to identify specific areas they can move on to collaborate to reduce red tape that doesn't have a health and safety aspect to it, which we would be concerned about, but that can help us keep our border as thin as possible. So it is an active committee. It's actually working now, perhaps quietly. But sometimes the best work done is more of the quiet variety.

Michelle, you might want to add to that.

**Ms. Michelle d'Auray:** Thank you, Minister.

The Regulatory Cooperation Council is engaged actively with about 20 departments and agencies and their counterparts in the United States. The funds are used to support the secretariat and the development of the action plan. And now the plans are actually going to be brought forward and discussed with the key industries or stakeholders on the components that need to be moved forward. It is time limited, because they have to deliver on the action plan. Those commitments are made as well with their U.S. counterparts. So there are a number of initiatives and activities under way across the border that are engaging business people from both countries.

**Mr. Ron Cannan:** Excellent. I think the sooner we can implement these regulatory reviews the better.

I was in Portland with Mr. Kennedy, who was Canada's representative working with President Obama's administration. At the conference I was at they likened the perimeter to a set of suspenders and the 49th to a belt. We're thinning out the belt and thickening the suspenders to try to increase the flow of goods and services. So it's very important for our economy.

One other area of significance is trying to understand the whole parliamentary budget review process. My colleague, Mike Wallace, and I both come from a background in local government. We've been trying, and Mike's been doing a fantastic job, to bring forward some ideas. And it's been really encouraging, as all of us are working together as a committee to look at the estimates cycle and the budget cycle.

In your letter, Mr. Minister, you referred to the main estimates and the timing of the budget. To improve the system, would you see as a possibility implementing the budget later in the year, as was recommended by some who have come to the committee?

• (1610)

**Hon. Tony Clement:** Let me say that I'm really interested in how we time the presenting of the main estimates to this committee and therefore to Parliament, and how we coordinate that with the budget timing. I think we're all dancing around the same thing, but I'll just say it and put it on the record. It's all out of whack right now. That's the way I look at it.

If it makes you feel better—I know you're frustrated with it—it's frustrating for us too, because we're trying to deliver timely and accurate information and we've got the cart before the horse on some of this. So by the Standing Orders and by other rules that I cannot in any way resile from, here I was a few days ago presenting the main estimates, three weeks before the budget. The main estimates are a valuable tool for having the baseline, but as we're all saying, it's going to be changed by the budget in some manner or another. I think it is important for us that we get this looked at.

The supply cycle itself is in legislation. It's not just the Standing Orders, as Michelle reminded me, but it does have parliamentary procedure in it as well.

So it's a combination of things that I'm really looking forward to you looking at, and I guess I'm expressing my interest in presenting to our fellow parliamentarians and to the government some solutions. I think that would be very useful.

**The Chair:** Thank you, Ron. That concludes your five minutes.

Minister, I appreciate your remark. “Out of whack” might be the root word for wacky, and we do find the whole process almost incomprehensible, some of us.

**Hon. Tony Clement:** I feel your pain.

**The Chair:** We're going to begin a second round, if you're still with us, Minister, for a while longer. We appreciate that.

First in line for the second round is Denis Blanchette, for five minutes.

[*Translation*]

**Mr. Denis Blanchette (Louis-Hébert, NDP):** Thank you, Mr. Chair.

Mr. Minister, thank you for being with us today.

My first question has to do with your projected spending reductions. In the documentation here, it says that Treasury Board estimates a reduction of \$192 million, 40% of which corresponds to amounts that are being transferred elsewhere.

**Hon. Tony Clement:** Yes, but—

**Mr. Denis Blanchette:** Allow me to finish, and you will see where I am going with this.

That is also the case for other departments. Take Shared Services Canada for example. As someone who looks at total spending, you are fully aware, as am I, that transferred funds do not represent reductions, just money that has been moved around.

I would like to hear your view on the upcoming budget cuts. Furthermore, why is the process not further along at this stage in the game?

**Hon. Tony Clement:** Once again, I must say that the 2012 budget will be tabled in a few days.

**Mr. Denis Blanchette:** Notwithstanding that.

**Hon. Tony Clement:** Perhaps we can give another answer to that specific question.

**Ms. Michelle d'Auray:** Thank you, minister.

I appreciate the member's question.

The Treasury Board Secretariat's budget is indeed undergoing a net reduction of \$192 million. I believe that is the figure you are referring to. Vote 1, which represents the department's operating expenditures, entails a net reduction of \$11.3 million, most of which stems from the strategic review applicable to the department. Obviously, a few other votes also represent a reduction, such as a \$105-million decrease under vote 20.

So it isn't all just transfers.

**Mr. Denis Blanchette:** I understand all that; there are reductions and increases scattered throughout. Had those transfers not been made, however, the budget would have gone up, not down. What I am trying to figure out is the point of this entire exercise if a large chunk of the funding is simply being transferred at the end of the day.

In any case, I want to switch gears and talk about—

• (1615)

**Ms. Michelle d'Auray:** I want to clarify that there will be a net reduction.

**Mr. Denis Blanchette:** Yes, but not that much.

You cut second-language instructors at the Canada School of Public Service. You said that the private sector would do a better job performing that function. In the school's 2010-2011 Report on Plans and Priorities, it had to review its language services.

Did you base your decision on the review done by the school?

**Hon. Tony Clement:** A decision was made in 2006 to make those changes. As the President of the Treasury Board, I am the one who implements that decision. The decision was made six years ago.

**Mr. Denis Blanchette:** Are you saying that you implemented a decision that was made in 2006?

**Hon. Tony Clement:** The decision—

**Mr. Denis Blanchette:** I am talking about the decision that was made in 2006.

**Hon. Tony Clement:** It was in 2006, yes.

**Mr. Denis Blanchette:** That is what you are telling me?

**Hon. Tony Clement:** Yes.

Would anyone else like to comment?

**Ms. Michelle d'Auray:** The decision that was made was to transfer the responsibility of providing second-language training to each individual department. So it was decided that a limited and decreasing number of instructors would be kept at the Canada School of Public Service for a specific period of time. That period is now over. The decision was made based on language schools being able to increase their capacity while meeting standards during that period of time, and that is what happened.

The school, together with the Public Service Commission, also established standards for training, instructors and testing, to ensure that public servants could meet the requirements. So standards have been established, the private sector can take over and departments have the necessary funding. The decision was made in 2006 and provided for a gradual reduction. The decision has now been fully implemented.

**Mr. Denis Blanchette:** Thank you.

[English]

**The Chair:** Denis, I'm afraid your five minutes are up. Thank you very much.

We'll now go to Scott Armstrong for the Conservatives.

**Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC):** Thank you, Minister, for being here, and also thanks to your officials.

Could you please take us through the agriculture and agrifood department to explain the estimates presentation and process to us?

**Hon. Tony Clement:** I could, but my officials are well briefed on this, so if you don't mind, I'll pass it along to them.

**Ms. Michelle d'Auray:** Perhaps Sally should do that.

**Ms. Sally Thornton (Executive Director, Expenditure Operations and Estimates, Expenditure Management Sector, Treasury Board Secretariat):** Certainly. Are you referring to supplementary estimates (C)?

**Mr. Scott Armstrong:** Yes.

**Ms. Sally Thornton:** Let me ask you to turn to page 20 in your supplementary estimates (C). You see the ministry summary for Agriculture and Agri-food. You begin by looking at the departmental votes on the left-hand side. Those are your controls.

You'll notice that vote number 1, your operating expenditures, is followed by a little "c". What that means is that some place in this document, supplementary estimates (C), there is a change to that vote. Typically we will underline if it's a change to vote wording.

You will also notice that along with the description of the vote there is an addition of some wording that is underlined. In this instance what we're adding to that vote authority is "the provision of internal support services to other organizations".

Now, you are going to see that change in more than 20 organizations in supplementary estimates (C). What that change reflects is an amendment to the Financial Administration Act last June that allows departments to provide internal services to other departments—finance, HR—to increase the efficiency and effectiveness of delivery of those services.

The departments did not have the mandate to recoup moneys and then spend those moneys for providing that service, so we have had to change their vote wording to ensure that they have the mandate, not just to deliver those services for another organization but to receive moneys and then reuse those moneys.

You are going to see that change in more than 20 organizations. It is also reflected in one of the annexes, when we talk about dollar votes. A number of organizations have \$1 items so that they can have that change to their mandate.

That's a consistent approach to vote wording.

Another area in which you may see a "c" can be seen in item 10 or vote 10, which is their grants and contributions. In that case, there is no underlined wording: we aren't changing the terms of that vote. But you will note that we are changing the dollar amounts.

In this amount, what you will notice is that we have a transfer in—it's not in brackets, so it's a positive transfer—and we actually have two transfers of grants and contributions. Both of these can reflect back to vote 1, where you see a transfer out. That's your third column.

So transfers from an organization to another are bracketed, because money is going out; transfers in either from another vote or from another organization are not bracketed, because they're in. There's always a net balance throughout the course of the estimates.

Those transfers may be within one organization from one vote to another—because as you know, the vote is your control function and an organization can't move money between those votes without getting parliamentary approval—or it may be from one vote in an organization to a vote in another organization.

On the corresponding page, page 21, you will see some transfers in to the CFIA that also total up to the vote out.

We have the distinction.... You will also notice a number of items in the ministry summary that have an "(S)" beside them. Those are statutory items. Let me remind you that while we present statutory items in the main estimates and supplementary estimates, they are there for information purposes. The actual expenditures are predetermined by other pieces of legislation, such as the Employment Insurance Act and other acts, but they are here for information. Generally, the distribution of statutory expenditures is about two-thirds of your government-wide expenditures. Out of your \$251 billion, only \$90 billion are voted.

What we show, again, is your vote descriptions, your authorities to date—and these include your main and supplementary estimates, (A) and (B) in this instance—and then transfers and adjustments, which are changes that are being made through this supplementary estimates (C), and your totals to date.

That's your overview for each ministry.

Let me ask you then to flip to page 22. This is where you get your more detailed explanation of requirements to support that ministerial overview.

Your ministry summary is really what is reflected in the legislation, in the vote wording, and in the dollar amounts. Then you get more explanation provided by the department, which breaks down the specific requests and shows the voted appropriations and exactly where they're going.

For example, you can see the "Funding to support a profitable and innovative agriculture and an agri-food and agri-based...", and which vote it is—it goes into vote 10—and the total amount.

●(1620)

You will also see a number of transfers. This is where you see transfers between votes. Again, this is just more detail than was provided earlier. You'll see that we're transferring money for "Internal reallocation of resources"; we're transferring money from vote 10 to vote 1. That has to be clear in the legislation, which you vote on.

**The Chair:** Ms. Thornton, we are well over time.

**Ms. Sally Thornton:** Sorry.

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

I don't know where you would be, Minister, without these unbelievably competent women you surround yourself with.

**Hon. Tony Clement:** I know exactly where I'd be, Mr. Chair—up Beaver Creek without a dam.

**Voices:** Oh, oh!

**The Chair:** For the NDP, Alexandre Boulerice.

[Translation]

**Mr. Alexandre Boulerice:** Mr. Minister, a bit earlier, you said that your policy was to provide detailed information when it was available. I want to continue along the same lines as my colleague Mr. Blanchette.

According to the Canada School of Public Service's report on plans and priorities, an evaluation of its language services was scheduled for 2010-2011. The internal audit report exists but has not been made public. Jobs were cut and instructors were laid off. Why keep the report secret if it exists? The reason is that the report contradicts the decision that was made and shows that the training courses were actually effective and efficient and produced good results. Is it not? Why not make the report public?

**Hon. Tony Clement:** There is no contradiction. The secretary told me there were some reports, but no final report at this time. Once it has been finalized, however, the report can be published.

**Ms. Michelle d'Auray:** Yes, precisely.

**Mr. Alexandre Boulerice:** Do you know how long that could take? People have already lost their jobs here.

**Ms. Michelle d'Auray:** Allow me to answer.

As I explained earlier, the decision goes back to 2006. It was based on the idea that departments should take responsibility for their employees' language training to better meet their needs.

When all the funding used to be centralized, language training was not necessarily related to needs stemming from departmental business or activities. We realized that some people were taking language courses even though they may not have needed them. With decision-making decentralized and each department responsible for the area itself, language training can be much more needs-based. In addition, more effective use of funds is possible.

A language industry was then created to respond to a new need. The school continues to administer tests and standardize training. It will continue to do so.

●(1625)

**Mr. Alexandre Boulerice:** You will still agree that it would be somewhat strange if the report indicated that the service that was provided was efficient and affordable.

I could go over a number of other issues, but as I have only five minutes, I will discuss the Disclosure and Reprisal Management Program provided by the Office of the Public Sector Integrity Commissioner of Canada for protecting whistle-blowers.

Although a new commissioner has taken office and some real investigations are being conducted, that program is supposed to be reduced by 22%. Shouldn't public servants be worried about being less and less protected when they blow the whistle on questionable or fraudulent activities?

**Hon. Tony Clement:** Yes. I can tell you that the 2011-2012 estimates have increased by \$1.2 million for a new system for...

**Ms. Michelle d'Auray:** The \$1.2-million difference you are seeing in the main estimates comes solely from money allocated for creating a case management system. That system is supposed to allow and facilitate request management and the processing of submitted cases. That's all the money was intended for. Now that the system has been set up and is operational, the money has simply been withdrawn. So, it's not an actual reduction.

**Mr. Alexandre Boulerice:** Okay.

I want to discuss lobbyists, which is something this committee has considered. We see that, in next year's main estimates, an additional \$54,000 will be spent on lobbyist registrations. However, \$112,000 will be cut from examinations and investigations carried out under the legislation. So more lobbyists will be registered, but fewer resources will be available for investigations and examinations in order to check whether those people are violating the law and the regulations. That's a contradiction.

**Hon. Tony Clement:** Actually, it is less than \$8,000, as the funding has been changed.

**Ms. Michelle d'Auray:** The changes were made to that vote based on the priorities set by the commissioner. The modification resulted in a difference of \$8,000 compared with the total budget.

**Mr. Alexandre Boulerice:** Yes, but the money is allocated for different reasons. More lobbyists are registered, but there are fewer investigations.

**Ms. Michelle d'Auray:** Yes, but those changes were made by the commissioner herself. She's the one who asked for them. We did not ask for them. Those are their own projections.

**Hon. Tony Clement:** This office is well managed; that's all. We did not make that decision.

[English]

**The Chair:** Thank you, Alexandre. That's what this exercise is all about: drilling down deeper.

Next we have Mike Wallace for five minutes.

**Mr. Mike Wallace (Burlington, CPC):** Thank you, Mr. Chair.

Minister, thank you for coming.

I really have questions for your officials, but I have one question for you. You may not be able to answer it at this point, but you had a significant role at the provincial level as Minister of Health, with probably the largest budget in the province—I'm guessing that it would be. You will have had experience reviewing spending and estimates at the provincial level.

Is there anything at the provincial level that they're doing right from which we could learn here?

**Hon. Tony Clement:** Not presently.

**Voices:** Oh, oh!

**Mr. Mike Wallace:** I meant in terms of process, not politics.

Do you have any comment on how it works at the provincial level? I just don't know how it works with the province.

**Hon. Tony Clement:** There are some significant differences.

I served not only as the Minister of Health but also in other ministries. I also served on the Management Board of Cabinet, which is the complementary agency in the Ontario government to the Treasury Board.

There are some differences in approach of which I'm cognizant. There are certain things that I have learned from that experience that I'm trying to apply here. I think it helps me in my role as President of the Treasury Board. The only thing I would signal at this point is, to repeat what I said over the weekend and have been saying for a while now, that there are some things I think we can do—and this body is important to that process as well—to move from a culture of spending enabling to a culture of cost containing.

I think that involves two things that human beings rely on to change behaviour: one is how you're compensated and what the reward system is; the second thing is how you are overseen. There has to be accountability.

Obviously, one is more structural, which we'll have to deal with, but the other—how we oversee this—is a joint role that I have with you. I'm looking forward to making some positive changes.

• (1630)

**Mr. Mike Wallace:** I appreciate that.

Here are the questions for your staff. Again, they're all process stuff for me at this particular moment.

I'm looking at the ends of supplementary estimates (C) for this year, and then I look at the main estimates for the new fiscal year coming. At the end of supplementary estimates (C)—and I'm using the same section, so it's everything up to vote 33 and the three statutory pieces after that—the total estimates to date are \$4.5 billion.

When I look at the main estimates for 2011-12, for the new fiscal year, they're at \$5.8 billion. There tends to be a significant difference there. I just don't know why that is. Shouldn't the ends of the supplementary estimates (C) reflect what the total ask is that is reflected in the main estimates for this coming fiscal year?

Sally might be able to answer that question.

**Ms. Michelle d'Auray:** The biggest changes for us, Mr. Chair, are really in relation to the central votes. We get attributed to the Treasury Board votes at the beginning of the year and we disburse them throughout the year. So you will see the reductions from our central votes going out, because they're transferred out to departments.

For example, we get the central votes for the operating budget carry-forward. It shows up in our main estimates. Then we disburse them to the departments. It's the same thing for capital expenditure; it comes in and then it goes out.

On top of that, there are also some reductions, as we were discussing earlier, whereby we have in fact reduced our expenditures.

**Mr. Mike Wallace:** On central votes, we had PCO in front of us a week ago or so. In not one of their estimates books did the numbers match what was previously authorized—not one. They didn't have supplementary estimates (A), and there were none in supplementary estimates (B) or (C) and none in the mains.

Their answer was that they were changed because of central votes.

Where does a guy like me find that? How do I follow that bouncing ball? I can't figure it out.

**Ms. Michelle d'Auray:** They are in the annexes, where you see the vote transfers.

**A voice:** Ah!

**Voices:** Oh, oh!

**Mr. Mike Wallace:** Is it possible, then, Michelle, that there could be a footnote or some number at the bottom of the page to say “look here”, so that we can find it? It's very difficult for me to find—and I don't have a social life; I look at these things all day long.

**Hon. Tony Clement:** While they're looking around, could I just make the point that this is one of the reasons I want to get all of this stuff online much more, because I think that when you have an online version of these things, we can start to hyperlink and it will be easier to follow the bouncing ball.

That's just my point of view, which is why I'm really pressing hard to get all this stuff online, with less paper. It saves some trees, but it will also make it easier, I believe, and more functional for you and for the taxpayer to understand and follow these things.

**Mr. Mike Wallace:** Thank you, Mr. Chairman.

**Hon. Tony Clement:** That was an editorial comment.

**Ms. Michelle d'Auray:** Let me refer you to page 158 of supplementary estimates (C). You will see, on pages 159 and following, “Allocations from...Central Votes”.

**Mr. Mike Wallace:** Okay. Thank you.

**The Chair:** We're learning. I've been here 15 years. By the time I've been here about 25 years, I might have some understanding of how these things work.

John McCallum, from the Liberals, has five minutes.

• (1635)

**Hon. John McCallum:** Thank you.

I'd like to return to the subject we were on earlier.

My understanding is that you're saying the details of the cuts will be in a combination of the spring and the fall budget implementation bills. In addition, one of your officials—it might have been one of the people at this table—I understand, said at the Senate committee that not all of the budget cuts will be necessarily in the supplementary estimates (A), but that some of them would be in supplementary estimates (B), which come also in the fall.

I just want to see whether we agree that the detailed information will be out and available to the public in a combination of the spring and the fall of 2012.

Is that right?

**Hon. Tony Clement:** Well, obviously there is going to be information in the budget on March 29.

In terms of the granularity that you're looking for, not all of it will be satiated by the budget. So yes, Budget Implementation Act 1, Budget Implementation Act 2....

Don't forget that it's a three-year plan. Some things will not really get going until year three, so it will take a little bit longer for those kinds of details to be accurate and in a form that I think is presentable as something for Parliament.

**Hon. John McCallum:** That leads me to my second follow-up question, because you're the chair of this committee seeking out these savings. When I chaired a committee not unlike yours, we were able to put all of the granular details of the cuts in the budget, and in your case you have to wait in some cases for six or seven months.

Does that mean you haven't completed the exercise?

**Hon. Tony Clement:** I don't want to have a disagreement between us, but I believe that our detail will be much more accurate than what you seem to remember about what you had.

**Hon. John McCallum:** Well, I can give you the website link, if you wish, to look at. But my question is, since it's going to take so many more months, have you completed all of the decisions regarding the operating and strategic review, or is it still ongoing, and is the reason you can't give the information sooner that you haven't yet made all the decisions?

**Hon. Tony Clement:** I really can't answer that, because some of it is budget confidence.

What I can say, again to repeat and make clear, is that we will give to the best of our ability information that is accurate and as timely as possible—when that information is available. Some of it will be available in the budget; some of it will be in the Budget Implementation Act in the spring; some of it will be in the Budget Implementation Act in the fall. Some of it is a more ongoing activity,

which means that next year's main estimates will have some more information.

So it really is an ongoing process, which means that there will be an ongoing dialogue with you and with our colleagues in Parliament as these details become available. I think that's the fairest and most accurate way that is consistent with our past practice and consistent with our responsibilities to report to this Parliament.

**Hon. John McCallum:** Thank you.

I'd like to come back to the question of AECL that was raised by one of my NDP colleagues.

The estimates indicate that “government contingencies” are supposed to be appropriations to provide the government with sufficient flexibility to meet urgent or unforeseen expenditures. May I ask you to give a little more detail on what was urgent or unforeseen about that expenditure?

**Ms. Michelle d'Auray:** The access to the contingency vote was essentially to deal with the upgrades that needed to be done to the Chalk River laboratory. Some of it was in remediation and some of it was for the winding down of the isotopes facility.

It was a question of timing for the Chalk River labs to be able to undertake the work and therefore for access to the contingency funding. The replenishment will be done through the supplementary estimates.

**Hon. John McCallum:** Okay.

Let me ask one last question.

Last night you told CBC that the public service's collective agreements have been in place since 1999.

**Hon. Tony Clement:** Well, Work Force Adjustment has been.

**Hon. John McCallum:** But I wasn't quite clear on the relevance of 1999, other than that it was a Liberal year, because you've had many collective agreements. Everything has expired since 1999.

• (1640)

**Hon. Tony Clement:** Yes.

No, the collective agreement is one thing. The exoskeleton of Work Force Adjustment has been in place since 1999.

The Work Force Adjustment is about what you do, when there is contraction of the public service, with people who are being laid off. There's a whole structure around it.

Because we have 11,000 a year leaving because of attrition, we have openings in certain departments, whereas other departments are contracting. What we try to do is match people and their skills to openings within the public service, so that they are guaranteed a job offer, if there is one there.

Certain people may not be guaranteed a job offer, so they're in another stream, and there's training and there's counselling and all those kinds of things. That's what I was referring to, the Work Force Adjustment.

**Hon. John McCallum:** Thank you.

I think my time is up.

**The Chair:** Yes, it is, John.

Thank you, Minister.

That concludes two rounds. I notice you're here longer than the one hour we thought we would have you for. We appreciate your staying.

Thank you, and we thank your officials from the Treasury Board Secretariat for a very useful presentation and review of supplementary estimates (C) and the main estimates.

I will suspend the meeting briefly, and then I'd like to reconvene in camera to discuss two brief items.

**Mr. Mike Wallace:** Are we not having the officials any longer?

**The Chair:** Actually, I suppose we could. Why not?

**Mr. Mike Wallace:** We have bells at 5:15. We can let them go. Treasury Board we can invite back any time. They're happy to come.

**The Chair:** We do have bells at 5:15.

**Mr. Mike Wallace:** I didn't say you, Minister—they.

**Hon. Tony Clement:** Oh, them.

**Voices:** Oh, oh!

**Mr. Mike Wallace:** I like their answers. Not that I didn't like yours; I like your answers.

That's fine with us.

**Mr. Mathieu Ravignat:** Can we confer on this, Mr. Chair?

**The Chair:** Yes, we could excuse the minister and thank him for being here, and if the officials—

**Mr. Mike Wallace:** Why don't we suspend for five minutes?

**The Chair:** We will suspend and discuss this for a moment.

Would the officials contemplate sticking around for another 15 or 20 minutes, please?

• \_\_\_\_\_ (Pause) \_\_\_\_\_

•

**The Chair:** We will resume the meeting.

We have the officials from the Treasury Board Secretariat here to answer our questions regarding the supplementary estimates (C) or the main estimates.

I thank the three of you for remaining.

I don't know how you want to go in the rotation, but it would have been the Conservatives' turn, had they chosen to avail themselves of it, when the minister was here.

Does anyone from the Conservatives want their five minutes?

**Mr. Mike Wallace:** Sure, I'll ask a question.

**The Chair:** Okay.

**Mr. Mike Wallace:** I personally don't need five minutes, but I'll take the first round, if that's okay.

**The Chair:** Well, it is your turn, and then it would be Denis Blanchette next.

**Mr. Mike Wallace:** This is really two things.

On the Treasury Board central votes, how is it determined how much money to estimate? How do you figure out how to calculate it?

**Ms. Michelle d'Auray:** What they're based on is, I would say, historical perspectives of what normally departments would need. The operating budget carry-forward, for example, is based on the fact that departments can carry forward 5% of their operating vote. We do an estimate, *grosso modo*, of what has been.... If you took the 5% of everybody and then adjusted it for those who are likely to be able to avail themselves of this.... That's how we get to those amounts.

It's the same thing for the capital budget.

What we do, for example, for the contingency votes is again based on past practice.

The carry-forwards are probably a little bit more structured, because they are based on the operating votes and the capital votes of existing organizations.

• (1645)

**Mr. Mike Wallace:** Just explain to me, then, why the vote is centralized. Is it just an accounting thing so as to be able to move money around easier?

**Ms. Michelle d'Auray:** No, because, Mr. Chair, we have to look at what is admissible for the carry-forward. We have to be able to determine whether they have used up all of their existing votes. So it's not tasked.

**Mr. Mike Wallace:** So that's your management decision-making.

**Ms. Michelle d'Auray:** It is.

**Mr. Mike Wallace:** Okay, I didn't realize that.

**Ms. Michelle d'Auray:** It's not a pass; it's not an automatic.

**Mr. Mike Wallace:** I'm department A and I think I've saved my 5% to carry forward, but it actually has to get approval through your office.

**Ms. Michelle d'Auray:** That's correct.

**Mr. Mike Wallace:** I didn't know that. There you go.

The other question I had was about the \$1.3 billion that we set aside that everyone was excited about before because they thought we were giving out severance packages, but they were actually payments for voluntarily leaving.

If I caught it correctly, about 60% of that has been used up. How much of it has been used?

**Ms. Michelle d'Auray:** I think about 60% has been allocated.

About \$800 million, I believe, has been allocated.

**Mr. Mike Wallace:** Does that happening mean that as an employee I've had to voluntarily take the money in advance of ever leaving, just because it's owed to me?

How was it distributed, and what triggered the distribution?

**Ms. Michelle d'Auray:** Mr. Chair, as the collective agreements were signed and the bargaining agents agreed to these components, each department notified the individuals who are members of that union or bargaining unit and indicated to them...they got their specific numbers. They were told, "Here is how many weeks of severance you have and here is what you're admissible for. Do you want to take it? Here's the date by which you have to indicate to us."

Once those were done, then the departments compiled them, told us what they were, and we transferred the amounts to them.

**Mr. Mike Wallace:** You transferred them to the individuals?

**Ms. Michelle d'Auray:** No, we transferred them to the department, for the department to be able to pay them out.

**Mr. Mike Wallace:** And do they pay full tax on this money, or how is it treated?

**Ms. Michelle d'Auray:** Yes, it's taxable income.

**Mr. Mike Wallace:** It is taxable.

**Ms. Michelle d'Auray:** Absolutely.

**Mr. Mike Wallace:** Those are my questions.

Thank you, Mr. Chair.

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

Denis Blanchette, you have five minutes, if you wish.

[*Translation*]

**Mr. Denis Blanchette:** Thank you, Mr. Chair.

Ms. Auray, on the one hand, you are transferring \$9.9 million to Shared Services Canada for employees and so on, but, on the other hand, you are investing \$2.4 million in infrastructure renewal. Considering that you are transferring the operating budget, the payroll and the investment portion, what is that \$2.4 million for?

**Ms. Michelle d'Auray:** I will probably ask Ms. Walker to give you more details, but I can tell you that we had to invest because we split the system. Previously, we had an integrated system in the Department of Finance, but we had to split it up. The Treasury Board Secretariat is the only organization in charge of managing the system. Part of that will also be transferred to Shared Services Canada, as this infrastructure comes under that agency's authority.

Be that as it may, that investment is necessary because the system had to be split, and a secretariat-specific system had to be set up. That system is now transferred as an infrastructure to Shared Services Canada.

**Mr. Denis Blanchette:** Does the Department of Finance not transfer its portion?

**Ms. Michelle d'Auray:** Yes, it does. The split was made before Shared Services Canada was created. The infrastructure still has to be maintained, and that portion will be transferred to Shared Services

Canada. It has actually already been transferred, and the Department of Finance part will be transferred as well.

**Mr. Denis Blanchette:** In other words, even though you are making transfers to Shared Services Canada, strictly in terms of operations, you are still doing work that will eventually be transferred to that agency.

**Ms. Michelle d'Auray:** We are just completing the transfers. At the same time, for the sake of exercise and transparency, we had to allocate money to the Treasury Board Secretariat before sending it to Shared Services Canada, so that it would be clear in terms of appropriations.

• (1650)

**Mr. Denis Blanchette:** Another interesting aspect is your savings with the Public Service Health Plan benefit card. Could you tell us more about that? After all, we are talking about a significant amount of money.

**Ms. Michelle d'Auray:** I will ask Ms. Walker to answer that question.

[*English*]

**Ms. Christine Walker (Assistant Secretary and Chief Financial Officer, Corporate Services, Treasury Board Secretariat):** Thank you very much for the question.

The public service health care card was introduced a year and a half ago. The cost drivers for the Public Service Health Care Plan are really four things: the number of people—how much it's being used—the price of the good or service that it's being used for, the salary of the people within the plan, and the number of people within the plan.

What the introduction of the health card was able to do is work on the price. What it did was make it mandatory for people who wanted prescriptions to have generic drugs, unless prescribed differently by their doctors. The second thing it did was put a ceiling price on drugs so that pharmacies couldn't charge above that price.

[*Translation*]

**Mr. Denis Blanchette:** Okay. So your savings mostly come from the prices of medication.

**Ms. Christine Walker:** Exactly.

[*English*]

And there are other savings as well, but that's the most significant.

[*Translation*]

**Ms. Michelle d'Auray:** There is another very interesting aspect. In the past, people had to submit forms to insurance companies. They had to send them supporting documents. That's done automatically with the card. Therefore, we save on paperwork, and that leads to considerable administration savings.



It also enables us to monitor appropriate use. Previously, in order to do audits, we had to go through whole boxes of documents, including receipts, to validate claims. Now, we can monitor all claims simultaneously, not one at a time, to decide whether the insurer processes the claims properly.

**Mr. Denis Blanchette:** Will the savings be recurring or only partly so, if, for instance, next year we realize that administering all that carries a cost?

**Ms. Michelle d'Auray:** They will be recurring.

**Mr. Denis Blanchette:** Okay.

[*English*]

**The Chair:** I'm afraid that's your five minutes.

I know; it was just getting good, too.

The Conservatives have very generously offered—

**Mr. Mike Wallace:** We're going to share our time with the Liberals.

**The Chair:** —to share their time with the Liberals, as I was just about to say.

**Mr. Mike Wallace:** Of course, it's in a non-partisan question; otherwise, we'll take our time back.

**The Chair:** Right. He reserves the right—

**Hon. John McCallum:** All my questions are non-partisan.

**The Chair:** —to withdraw his generosity.

John, you have five minutes.

**Hon. John McCallum:** I just have one question, and you will agree that it is totally non-partisan. It is that normally I think you use the fraction three-twelfths for the first quarter of the year, but I noticed that in three cases it wasn't three-twelfths; it was four-twelfths for PWGSC vote 10 and Shared Services Canada vote 20, which is an area we've looked into, five-twelfths for Public Safety vote 5, and eight-twelfths, for some reason, for Justice vote 1.

My only question is, why is it not three-twelfths in these three cases?

**Ms. Michelle d'Auray:** Generally speaking, it is three-twelfths unless there are some specific requirements, which the department has to put to us and justify.

I will ask Ms. Thornton to give you the explanation as to why the others are higher than the normal three-twelfths.

**Ms. Sally Thornton:** There can be a range of rationales, but when departments come in, they have to request more than three-twelfths and have to provide an explanation to the Treasury Board Secretariat. Then, what you see reflected in the interim supply bill is the overall number for all those organizations with three-twelfths, and then you see it broken down by each exception, so that you understand which organizations and which votes are requesting more than their three-twelfths.

You'll notice in the bill this afternoon that you have three organizations requiring eleven-twelfths in a certain vote. Typically that has to do with the need or a potential need for that expenditure to be made almost in its entirety between April and June. There are about 30 organizations that require, in one or more of their votes,

more than the three-twelfths, and those are explicitly set out in the interim supply bill. And there is a story behind each.

•(1655)

**Hon. John McCallum:** Thank you.

**The Chair:** That was a good question and a good answer.

**Hon. John McCallum:** Thank you.

**Ms. Michelle d'Auray:** Mr. Chair, the supply is in fact in the main estimates. If you wanted to have a look at them, I believe they start on page....

Okay, the full supply.... But the interim supply, I guess, is not included in the mains.

**Ms. Sally Thornton:** The interim supply reflects that portion of the mains, but the specifics are in the bill that's being tabled today.

**Hon. John McCallum:** Thank you.

**The Chair:** Is that it, John?

We have Alexandre Boulerice as our last questioner, then, to take us up to the top of the hour.

[*Translation*]

**Mr. Alexandre Boulerice:** Thank you for joining us.

I have a somewhat more general question.

The main estimates for 2012-2013 total \$251.9 billion, but the 2011-2012 spending estimates, including the main estimates and the supplementary estimates (A), (B) and (C), are \$259.7 billion. That is a decrease in spending estimates of nearly \$8 billion.

The 2011-2012 main estimates total \$250.8 billion. Here, it's a matter of \$251.9 billion. So, the amounts are fairly close, which means that, if we really want to save \$7 billion, practically no new spending should be approved by parliamentarians as part of supplementary estimates (A), (B) and (C). Otherwise, we won't be able to reach the \$8 billion in savings the minister talked about.

I know that supplementary estimates can sometime include global decreases, but in this particular case, there would need to be virtually no spending across supplementary estimates (A), (B) and (C) for the anticipated amount of money to be saved.

Is my analysis correct?

**Ms. Michelle d'Auray:** That's not exactly....

**Mr. Alexandre Boulerice:** That's why you are here.

**Ms. Michelle d'Auray:** We mustn't forget about statutory votes. Most of the increases come from statutory votes. They are provided for information purposes, but statutory votes cover pension plans and employment insurance. And that's where most of the increases come from.

In addition, in his report, the Parliamentary Budget Officer also pointed out that the biggest increases come from statutory votes.

**Mr. Alexandre Boulerice:** Thank you for that helpful clarification.

I also have a question about the considerable reduction in capital investment over the last two years or so. I asked Ms. Ambrose a similar question when she appeared. I would have also liked to put the question to Mr. Clement, but he has a busy schedule, and I understand that. In terms of capital investment, the amount is 4% lower than it was before the economic action plan was implemented. However, the wind-down of the economic action plan cannot explain that. We feel that reducing capital investment is tantamount to putting off investments that will have to be made eventually.

If you decide to stop upgrading or maintaining a bridge, that bridge's need for upgrades and maintenance won't be reduced. You will have to play catch up later on. The bridge's lifespan will not magically increase. Instead, it will decrease if the bridge is not properly maintained. Is that really a good way to save money? If not, is it just a way of putting off investments that will eventually be necessary?

**Ms. Michelle d'Auray:** The Department of National Defence is one of the organizations that require the most capital investments. Every time there is a change in the purchase and acquisition of goods and services included in that vote, there are major repercussions. If we don't take into account the Department of National Defence's capital investments, which fluctuate because they depend on the department's purchases, there is an increase.

**Mr. Alexandre Boulerice:** That's if we do not take into consideration the Department of National Defence.

**Ms. Michelle d'Auray:** Exactly. The considerable change you are seeing for that whole vote is attributable to the Department of National Defence, whose expenditures fluctuate based on the purchases and acquisitions made from one year to the next. If you do not take that department's portion into account, there is indeed an increase in capital investment. That way, federal assets are actually looked after and maintained.

• (1700)

**Mr. Alexandre Boulerice:** Thank you.

Can I share the remainder of my floor time with my colleague Mr. Ravignat?

[English]

**The Chair:** There are 45 seconds for Monsieur Ravignat.

[Translation]

**Mr. Mathieu Ravignat:** My question is more general. It is about the supplementary estimates process. This suggestion comes from the Parliamentary Budget Officer. Wouldn't it be useful to establish a

clearer link between supplementary estimates and more details on the program architecture? Do you have that type of information? If the process is eventually changed, could you provide that kind of information to us at times that are convenient for estimate assessment?

**Ms. Michelle d'Auray:** Thank you for the question.

I want to bring your attention to the main estimates. When we publish our projections, the information is broken down by department and by program architecture. That information is already provided in the main estimates.

As for the supplementary estimates, they focus much more on certain activities. Normally, that information is not included, but it is in the main estimates. At the end of each department description, you will find the breakdown of funding or projections based on program architecture.

**Mr. Mathieu Ravignat:** Okay.

Why do you think the Parliamentary Budget Officer recommended that budgetary votes be allocated to program activities rather than to operating expenditures and capital investments?

[English]

**The Chair:** Very quickly, please, Madame d'Auray.

[Translation]

**Mr. Mathieu Ravignat:** I just want to understand; my question is not of a partisan nature.

**Ms. Michelle d'Auray:** I think that, in his letter, Minister Clement also suggests that you study this. Parliament has some control based on votes. If you change the control method based on programs, a completely different control mechanism will be created. I don't think that one is better or worse than the other. It's simply a matter of deciding which control mechanism should be used.

**Mr. Mathieu Ravignat:** Okay.

[English]

**The Chair:** That's very interesting.

I think that concludes the rounds.

We will again thank our witnesses from the Treasury Board Secretariat.

Madame d'Auray, Madame Thornton, and Madame Walker, this has been very helpful and very useful. Thank you very much.

I'm going to suspend the meeting for just 30 seconds or so, and we'll reconvene in camera, if that's okay.

[Proceedings continue in camera]







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