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Chair

Mr. Pat Martin

Standing Committee on Government Operations and Estimates

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• (1530)

[English]

The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)): Good afternoon, ladies and gentlemen. We will open the 39th meeting of the Standing Committee on Government Operations and Estimates.

Welcome back, everyone, from your two-week sojourn.

We're going to continue the examination of the estimates process. We welcome two substitute members for the NDP today. I should inform you that there will be changes to the permanent members of the committee. That won't be happening today. We'll be introducing folks later on.

Today as witnesses we have Mr. Alex Lakroni, chief financial officer of the Department of Public Works and Government Services; and Diane Hall, manager for estimates. We thank them for appearing.

We've asked Mr. Lakroni specifically to give us a tutorial and walk us through the process as he sees it. I think we would all benefit from that, especially at this stage of the examination as we are all a little bit better versed in matters of the budget cycle. I think we would benefit from hearing again from Mr. Lakroni. We've asked him to give us a presentation of about 20 minutes and then we can either go to the traditional rounds of questioning or, if we choose to, we can just go to questions as they come up.

Is it the will of the committee to continue with the normal five minutes per party or, given the limited amount of time we'll have left, would you rather just have a free go-round of questions?

Mr. Mike Wallace (Burlington, CPC): Let's have a go-round of questions. As long as they are not all about five minutes each, so we won't have somebody taking up all of the time.

The Chair: How do you feel about that, Denis? Instead of going five minutes for this party and five minutes for that party, given the nature of the presentation and the non-political nature of it, we could just ask questions as we see fit.

Mr. Denis Blanchette (Louis-Hébert, NDP): Okay.

The Chair: Then we'll ask the clerk to keep a list of people interested. The only condition is that we try to keep the questions down to a reasonable time so that nobody dominates the questions.

That said, Alex, you are most welcome and the floor is yours.

[Translation]

Mr. Alex Lakroni (Chief Financial Officer, Finance Branch, Department of Public Works and Government Services): Thank you, Mr. Chair, and members of the committee.

I would like to take this opportunity to thank the committee for inviting me here today to participate in this review of the estimates. I am here in my capacity as a CFO representing Public Works and Government Services Canada, PWGSC. I am joined by Diane Hall, Manager of Estimates.

The history of the estimates is rooted in legislation and parliamentary tradition. This committee launched its review of the process for considering estimates and supply, and I am pleased to be part of your review along with the other parties that have appeared before you with a view to improving the effectiveness of the supply process.

[English]

As you will recall, our minister was here a month ago to present PWGSC's 2012-13 main estimates. My objective today is not to repeat the minister's presentation or to discuss the programs of my department, but rather to cover the estimates cycle from beginning to end with a view to informing this committee about the large and varied amounts of information now being provided by departments.

In addition I will overlay the timelines of the estimates documents with those of the federal budget and the public accounts, using PWGSC as a reference. That said, as the Treasury Board Secretariat is one of the stakeholders for this review, I want to emphasize that questions touching on potential changes and implementation arising from this review should be addressed directly to the secretariat. TBS manages many of the systems and procedures in the supply process at the government-wide level.

At this point I also want to acknowledge the secretariat's efforts to improve the estimates process.

I appreciate that the context for this review is to provide views on the form, content, and cycle of the estimates document. My understanding is that this committee is primarily interested in Parliament's accountability and control over expenditure, thus in voting by expenditure type versus voting by program; the timing of the estimates vis-à-vis the federal budgets; the type and format of information presented; and the usefulness of cash versus accrual information.

Any changes contemplated by Parliament to the existing estimates process dealing with timing, voting, and the type of information provided would require an examination of the pros and cons. Parliament must also be mindful that the request for additional information as a means to exercise more or better control may produce unintended consequences in terms of complexity and confusion. Therefore, Parliament may wish to take this opportunity to review the estimates and streamline information that it deems less useful and/or that causes confusion.

In principle, controls are essential to ensuring that taxpayers' dollars are directed to priority programs, that they are spent as intended, and that results are achieved. Hence, the following questions remain for your consideration: what is the right level of control and what does Parliament want to control? Is it programs or the types of expenditures with their corresponding authorities?

• (1535)

[Translation]

Now, let me describe the PWGSC funding structure for the 2011-12 main estimates.

Last fiscal year, PWGSC set out to spend \$6.1 billion to fulfill its mandate as a common service provider to government departments.

Parliament ultimately approved a net appropriation of \$2.5 billion, as PWGSC anticipated earning \$3.6 billion, or 59% of its budget, in revenues from client government departments.

PWGSC's funding structure is more complex than that of many other departments. In 2011-12, PWGSC had 13 different funds, served over 100 departments, one of which is PWGSC, and presented information in at least six different ways to Parliament, at seven different junctures.

[English]

I understand you are interested in a walk-through of the estimates process from a PWGSC perspective. For that I have a presentation deck addressing the three key themes that have emerged from discussions with previous witnesses.

This presentation will take about 20 minutes. If you prefer, I could present it in an abbreviated fashion. Either way I would be pleased to address your questions at the end.

I understand, Mr. Chair, that you prefer the complete version. With your permission, I would now like to go to the deck presentation.

The Chair: Yes, please.

Mr. Alex Lakroni: I understand that everyone has a copy in French, English, or both languages. I will start by saying the following.

[Translation]

The goal of this presentation is to provide the committee with a walk-through of the estimates process and documents from PWGSC's perspective.

On page 3, you can see what I am going to cover. I will briefly describe the estimates and supply cycle. I will discuss the main

documents listed in points B to H. Then I will summarize the facts and differences.

Also included are four annexes on PWGSC's program architecture, the structure of the department's votes, the matter of gross versus net expenditures and lastly, cash versus accrual information.

[English]

Moving on to page 4, you'll see that this slide provides an overview of the cycle. It may be familiar to you, so I'm going to summarize it at a high level.

Basically, although you see four arrows, it shows three supply periods. I'm not going to go into the details as they are all in front of you in the documents. The message here is that departments produce about 11 documents every year, eight of which are tabled. "Tabling" doesn't mean just for vote purposes: some are tabled for vote purposes and others are tabled for information purposes. We're going to go through them one by one later on in the deck.

The page 5 slide bring us back to the basics: what are we trying to achieve? The purpose of the supply cycle, we have to keep in mind, is to ensure that taxpayers' money is directed to government priorities and programs; that due diligence is exercised by departments, central agencies, and parliamentarians; that departments have sufficient expenditure authority or flow of cash in a timely fashion; and that there is transparency and accountability and the measurement of results. The goal here is to ensure that the cycle remains practical, effective, and efficient.

Moving on to page 6, you can see that the slide shows the five major exercises. To produce the 11 documents I talked about earlier, eight of which are tabled before Parliament, there are five major exercises in addition to the federal budget and the public accounts. These are the main estimates; the reports on plans and priorities; the supplementary estimates, of which there are three; quarterly financial reports three times a year; and lastly, departmental performance reports, which are built from the three quarterly financial reports.

On page 7, we have a pictorial view of the tabling order of these documents. Under each document, you have a box that starts with an arrow and either a V or an I, which stand for "voted" or "information". You should note that what provide spending authorities to departments are numbers one and three, those being the main estimates and the supplementary estimates (A), (B), and (C). Each of these documents has specific coverage in terms of time, so the coverage varies from one quarter to three years.

In essence, each document brings something different to the table. I will go through them one by one later on, after we look at the timelines and the sequence on the next page.

We'll turn to page 8, please. This is a key slide because it shows the sequence and the overlap factor of documents over two fiscal years. At the top, we took 2010-11 as an example. At the bottom of the horizontal line, we took 2011-12 as an example. In the middle, you have a red mark. That is the end of the fiscal year and the beginning of the next.

So while departments are working in supplementary estimates (B) and (C) for a given year, they are also working at the same time on the ARLU—I will come back to what ARLU means—main estimates, and the RPPs, those being the reports on plan and priorities, for the new year. So there is an overlap in terms of documents over two years.

The federal budget is tabled in the February-March timeframe. Interim supply is issued before or at the beginning of the fiscal year. Then departments continue working on the DPR and public accounts for the old year.

Right now we are in April and we're working on the DPR and the public accounts for the year that has just finished. At the same time, we're working on supplementary estimates (A) and supplementary estimates (B). Later on in the year, we'll be working on supplementary estimates (C).

So these exercises work based on a tight calendar between central agencies and departments and on cut-off dates. Needless to say, there is a significant workload behind the cycle to produce these documents on time with the information required or prescribed.

Now let's dive into these documents one by one. In doing so, I'm going to talk about what each one of these documents does—what it is, what it does, and what it doesn't do. I will start with

• (1540)

[*Translation*]

the main estimates on page 9.

The main estimates are the department's planned financial requirements for the upcoming fiscal year. They represent the first year of the approved departmental Annual Reference Level Update, or ARLU.

[*English*]

In English it's the ARLU.

[*Translation*]

What is the departmental Annual Reference Level Update? It is an internal exercise undertaken by departments with the Treasury Board Secretariat. It is a technical or accounting exercise that begins with a base budget that is adjusted to take into account all the decisions that have been made and approved by committees, by Treasury Board. The ARLU is simply a multi-year update of approved Treasury Board submissions.

• (1545)

[*English*]

So it covers multiple years.

[*Translation*]

The first year of this planning exercise becomes the main estimates, which are tabled by March 1. House rules stipulate that they be tabled no later than March 1.

The main estimates support the government's request to Parliament for authority to spend public funds.

Moving on to page 10.

The main estimates allow parliamentarians to see the department's budgets by vote, by program and by standard object. They explain year-over-year variances and provide the information on a cash basis. They focus on two fiscal years: the upcoming one and the previous one. They are used as a basis for interim and full supply.

This does not appear in the presentation, but the main estimates set out statutory initiatives for information purposes only. The main estimates do not capture new federal budget initiatives or cabinet authorities that come after the departmental ARLU.

The members of Parliament must vote on the main estimates appropriation bill.

Now on to page 11.

[*English*]

It illustrates the page proof. That is basically what you see in the blue documents. I've put here four pieces of information for your information. First are the types of expenditures, or basically the votes on which Parliament is expected to vote. The second view is by program activity. The third view is year over year. I ran out of space, so I put here the distribution by standard object.

Therefore, we have at least four angles of information in the main estimates. Each is relevant on its own. The question here is that if someone wants to draw the full picture they need to connect the dots and draw conclusions. Sometimes it gets into a thorough analysis, or endless analysis and reconciliations.

I'll move on to page 12.

[*Translation*]

We all know what the federal budget is: the annual blueprint for how the government wants to set its annual policy agenda. It serves as a vehicle to implement the government's priorities and sets out the government's economic and fiscal outlook.

Page 13 now.

The federal budget includes both revenue and spending measures. It provides financial information on an accrual basis, unless stated otherwise. The budget has a multi-year scope ranging from 2 to 5 years. The federal budget is not fully reflected in the main estimates, nor does it provide spending projections by department.

It is important to understand that the government is under no obligation to table the federal budget on a specific date. Members of Parliament vote on the federal budget implementation bill, once it is introduced in Parliament.

[*English*]

The next slide is about the RPP, the reports on plans and priorities. The purpose of the RPP is to provide departmental details to support the main estimates.

On page 15, in terms of the details it allows parliamentarians to see the planned spending by program activity. It provides information on a cash basis and has a four-year scope: the current year plus three planning years. It highlights the planned departmental expenditures and outcomes and may include cabinet approval after the ARLU. It also includes the future oriented financial statements on an accrual basis with a two-year scope, the current year and one future year. It includes supplementary information via hyperlinks, including revenues and capital transfer payments.

The RPP does not always capture the federal budget announcements, depending on the budget timing. It does not provide information by votes and standard objects, and Parliament does not vote on the RPP.

On page 16, I included two tables to contrast the transition from the main estimates to the RPP and to show you the difference. We took as an example at the 2011-12 main estimates.

If you look at the bottom line of the main estimates, in the circle you will see there is a plan to spend \$2.581 billion on specific program activities. In the RPP, that number became \$2.717 billion. It's explainable. These are approvals that occurred post-ARLU or post the main estimates. In this case specifically, they include the long-term vision plan, the homelessness program, and the financial interoperability stewardship initiative.

Here I would note that an item could be known but be in the process of approval and therefore not be reflected in the RPP. The question I pose here is whether the RPP provides a full and stable picture of the planned spending. The answer is probably no, but it gives the best information of the plan at the time of the tabling.

● (1550)

With regard to the supplementary estimates, page 17 shows that there are three supplementary estimate exercises in a fiscal year. They seek approval for additional spending authorities for the planned spending or against the planned spending for things that are not in the main estimates, including Treasury Board submissions after the main estimates and transfers between departments. The question here is, are three supplementary estimates exercises needed? We used to have two not that long ago.

Moving on to page 18, the supplementary estimates allow parliamentarians to see the department's budget by votes, by items and by standard objects. They are on a cash basis. They focus on one year, the current fiscal year, and they capture the federal budget announcements. The departments supply the Parliamentary Budget Officer with departmental budgets by program activity five days after their tabling. The supplementary estimates do not include or show information on a gross basis, but on a net basis. Therefore, the revenues are not reflected in the supplementary estimates. Parliament votes on the supplementary estimates appropriation bill.

On the next page we're going to talk about quarterly financial reports, or QFRs. They are financial tables comparing planned and actual expenditures, and explain variances for both the quarter and year-end as well as comparative information for the preceding fiscal year. QFRs must be prepared for the first three-quarters of each fiscal year. Key components of these reports are financial highlights, risks, uncertainties and significant changes to operations, personnel and

programs. QFRs supplement year-end reporting, they're entering a view of spending. I think of QFRs as mini departmental performance reports. The only difference is that they are based on types of expenditures, not by program.

On page 20, QFRs are published on the website. They allow parliamentarians to see the budgets by votes and by standard objects. They are on a cash basis. They cover two years, the current year and the previous year, and they reflect cabinet authorities. They do not, however, reflect the full fiscal year and there is no report in the fourth quarter of a fiscal year. They are not audited or tabled in Parliament and therefore are not subject to votes.

On page 21 you have an illustration using PWGSC. Be mindful that 2011-12 was the first year these reports were introduced. On the left we have a display of type of expenditures by votes. On the right you have the distribution by standard objects in these reports.

● (1555)

[*Translation*]

On to page 22 and public accounts.

The accounts of each individual department and agency are rolled up into the Public Accounts of Canada.

The public accounts are tabled by the receiver general and are presented in three volumes. The public accounts represent the complete set of departmental financial statements for the Government of Canada in its entirety. The public accounts show all expenditures made under each appropriation, all government revenues and payments, assets and liabilities and so forth.

The public accounts are reviewed by the House of Commons Standing Committee on Public Accounts, and not by this committee.

Moving on to page 23.

The public accounts provide information by vote, by program activity and by standard object. They give members of Parliament the information they need to understand the financial affairs, resources and transactions of the government. They have a 2-year scope: the fiscal year just closed and the previous year, for comparison purposes. They provide information on an accrual basis, and I am referring to Volume I. However, Volumes II and III provide information on a cash basis.

The public accounts do not capture departmental performance, simply the facts.

Members of Parliament do not vote on the public accounts.

Some of you may be wondering what Volumes I, II and III cover, so here are a few details. Volume I is a summary report of the financial statements of the Government of Canada. Volume II provides the details of expenses and revenues for each department. Volume III provides additional information and analyses, such as the financial statements of revolving funds.

Page 24 now.

[*English*]

refers to the departmental performance reports.

The purpose of the DPR is to present and report on results and accomplishments by comparing actual spending to the total authorities given in a fiscal year. Specifically, the DPR presents results against the main estimates, the RPP, the total authorities, and actual spending. It is normally tabled in the fall following the end of the fiscal year. It could take up to seven months after the year end.

Page 25, in terms of the details, shows that the DPR provides a financial summary of the estimates exercises that occurred in the fiscal year that just closed. The DPR allows parliamentarians to see the department's actual spending by program. Also, it provides information on a cash and accrual basis.

It has a two-year scope: the year just closed and the previous year. It includes departmental financial statements, on an accrual basis, with a two-year scope, and it links to the public accounts.

The DPR does not provide information by votes and standard objects. Parliament does not vote on the DPR.

Page 26 is an example extracted from PWGSC's DPR for 2010-11. It displays multiple stages of the budget cycle, from plan to results.

In the main estimates, the department was planning to spend \$2.5 billion on a net basis. In the planned spending for the RPP, that number moved to \$2.538 billion. The total authorities by the end of the supplementary estimates (C), that is, what the department had authority to spend, were \$2.963 billion. The actual spending against that total authority was \$2.743 billion. This shows the evolution of the planning, the authorities, and the spending.

I am nearing the end of my presentation.

Page 27 provides a summary of the facts and differences. On this page, what you see in the left column are all of the documents I talked about. As I mentioned at the beginning, departments produce 11 documents. Eight are tabled and five are voted on. There is significant work behind producing these documents. Yet there are challenges with respect to the availability and clarity of the right information needed to exercise due diligence.

At this juncture, I would suggest going back to the basics and would ask the following questions: What does Parliament want the controls to be on? What is the level of the controls? What information is needed to support these controls?

Right now, controls are on the type of expenditures, with a huge amount of information supplied at different times. Each type is relevant on its own. The challenge is connecting the dots and performing the analysis to extract the full picture.

The second column, the votes or the funding mechanisms, is where the controls are. That's what drives the supply. The information is what you see following the second column: program activity; standard object; cash versus accrual; gross versus net; and time scope, from a quarter to three years.

•(1600)

In the column before the last one, you will see what Parliament does and doesn't vote on, and the tabling dates.

On the last slide, slide 28, I would like to offer other considerations supporting this review. I grouped them into three categories. Under timing disconnects or timing challenges, in the category of main estimates versus budget time lag, I note that the DPR is tabled approximately seven months after the beginning of the new fiscal year.

On the budget versus RPP timing, a ministerial reference could be made to budget items. I'm referring to the federal budget here. I also refer to the relationship between the main estimates and the RPP.

The second category has to do with control of departmental spending. The vote is on the type of expenditure versus the program activity or outcome. The vote is on a net basis and not a gross basis.

The third category is on the accounting methodology. Votes are on a cash or accrual basis.

That concludes my presentation. I have a few annexes here that I don't intend to go through unless you want me to. They are related to how we manage this internally, including on a gross versus net basis, and accrual versus cash basis.

Merci.

The Chair: Thank you, Mr. Lakroni.

I don't know how the committee feels. Do we want Mr. Lakroni to walk us through the annexes, or would you rather proceed to questions?

An hon. member: We could go to questions and use the time.

The Chair: I think that's generally accepted then.

Thank you, sir, for walking us through this. I can see that you've put a great deal of time and effort into guiding us and making this as simple as humanly possible. The final comments you made hit the nail on the head. How do members of Parliament apply scrutiny, oversight, and due diligence ultimately if we can't understand the information we're given?

So that's our challenge, and that is why we're undertaking a very comprehensive study to try to introduce more plain language into the interpretation of these very complex financial documents.

We've put together a list. I wonder if we could keep the questions to one minute or so, and one-minute answers. If there's a supplementary question from the same person, maybe they can have 30 seconds for clarification. That way we can work through the seven or eight people who have expressed interest, because we only have about half an hour.

John McCallum is on the list. The first one to indicate an interest is Denis Blanchette.

•(1605)

[*Translation*]

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

Mr. Lakroni, thank you for clarifying how all of this works. I would say all the committee members are quite appreciative of that. The bottom line here is that this is overly complex. Nothing can be added to it. As parliamentarians, we have a tough time wading through everything, and I am absolutely certain that, on your end, doing the follow-up is not without problems.

Something occurred to me while you were speaking. I wondered whether we, as parliamentarians, vote on the right things, meaning, when we vote on the budget, we are not really voting on what the government spends. As for departmental spending, the Report on Plans and Priorities more effectively captures the reality.

Am I wrong in thinking that?

Mr. Alex Lakroni: I will try to answer your question.

You are not wrong when you say that the Report on Plans and Priorities is closer to the reality. That is true when it is tabled, but we work in an environment where things are always changing. Numerous initiatives that are being refined do not appear in the report, although they are implemented afterwards. In any case, this report is the document that most accurately captures the reality at the time it is tabled.

As for whether parliamentarians vote on the right things, I would say yes. There is, however, a need to address how that information is structured for parliamentarians. There is no denying that all the necessary information is there to make the right decisions. The issue is figuring out the level of analytical skill necessary to connect the dots and understand the big picture. Looking back, I can say it started with a need for a specific piece of information. If a piece of information is relevant, it gets added. Every time a piece of information is added, it is in response to a specific need, but it further complicates the big picture. That is why, at the beginning of my presentation, I said that things had changed and we needed to get back to basics.

What does Parliament want to control and to what extent? What information does it need to do that?

[English]

The Chair: Thank you.

I'm wondering if we're going to run into difficulty. It's hard to give short answers to such complex questions. It's hard, and we have very little time.

Do you have a brief supplementary, Denis?

[Translation]

Mr. Denis Blanchette: Of all the documents that the department prepares and that you mentioned, is there one that you could stop producing tomorrow without it affecting anything at all?

Mr. Alex Lakroni: If I had to name one, I would say the future-oriented financial statements. They exist for a specific reason, since they include projections for the future, but they are based on accrued items. I have not yet made any decisions based on the information in those statements, which came into force recently. But that does not mean that I won't do so down the road.

[English]

The Chair: Thank you, Mr. Lakroni.

That took almost five minutes. I think we'll just go back to the traditional five minutes per party. That way, everyone will get an opportunity.

Jacques Gourde, you might as well just take five minutes and enjoy yourself.

•(1610)

[Translation]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you, Mr. Chair.

Mr. Lakroni, you've done some wonderful work. This is complex stuff. I think well-informed people can understand it all without too much difficulty. The general population, however, is in the same boat as we are, in other words, trying to make sense of what we are voting on. We vote on a budget and on votes that tell us how much money will be spent by every department or for every program. As is often the case, the year changes in the middle of the process. Last week, for example, I announced the New Horizons program, which will draw on funding voted on in 2011 for use in 2012. So that money has to be spent in the next six months. So it might be October or November 2012 before we know whether the total amount allocated to the program was spent, but the report for the 2011-12 fiscal year may not come out until 2013.

How can we wrap our heads around that? What can be done to simplify things? Maybe, we need to deal with things individually. To my mind, if the goal is to give Canadians clearer information, we need to figure out how to make things simpler and more effective.

Mr. Alex Lakroni: I believe there are at least two possible types of control. What matters most to Parliament? Is it control in terms of expenditures or the programs themselves? So far, the voting is done by expenditure type or the form of the funds. Is it capital? Is it operations, contributions or grants? The other possibility is to proceed by program. Every department presents its programs and Parliament votes on them, which is a more specific approach.

As I mentioned, there are pros and cons to both options. If you opt for control by program, will you be able to analyze the programs by department? Will you be inundated with details? You need to have the right information on each program at the right time.

I think you need to look ahead and have information on the life cycle of the program, even though the vote is for a specific year. When voting on programs, you often vote for a single year without knowing the total impact over three, four or five years, how long the program will actually run. Knowing a program's full life cycle would give parliamentarians the bigger picture and help them make well-informed decisions when approving programs.

Mr. Jacques Gourde: From what you said, I gather that it is up to parliamentarians to choose the kind of documents and information they want to have. So we could turn the whole process upside-down and change how we look at things. That would not be an easy undertaking. We are talking about traditional documents with long histories. It would have to be done in a number of phases.

Mr. Alex Lakroni: I am not suggesting overhauling the current process, because it does exist for a reason. However, the information, as it is currently presented, is intended to give two perspectives, the form of the funds or type of expenditure, and the program information. When both are presented, when the focus is on the type of expenditure, when comparisons and analyses are done, that is when things get complicated. Is a total overhaul in order? Or would it be preferable to streamline the types of information and present it more effectively in the right place at the right time? That is the question.

Mr. Jacques Gourde: Thank you.

[*English*]

The Chair: Thank you, Jacques. That was perfect.

Matthew Kellway, for five minutes.

Mr. Matthew Kellway (Beaches—East York, NDP): Thank you very much.

At the beginning, Mr. Lakroni, you had talked about all departments having different ways of doing the supply cycle, if that's an accurate way to put it. Is what you have presented today applicable across all departments? If so, where do we get into the differences?

I ask my question because I sit on the defence committee and to date I've found that trying to access the estimates through that committee is virtually impossible for me—so far anyway.

Could you tell us please what's common to all departments in what you have presented here.

•(1615)

Mr. Alex Lakroni: The process is common to all departments and is managed by Treasury Board Secretariat and central agencies. What is different is the nature of the information that exists in some departments and not in others.

I'll give you an example. About 60% of PWGSC's appropriations are revenue dependent. Parliament's vote is on the net appropriation, and so the department presents the revenue information in a variety of documents. That is not common to all other government departments. So those departments not subject to revenue don't present that information at all.

Another example is that there are some departments that are heavy in grants and contributions. It's a key component of delivering their program. So they present that information in a variety of ways. Other departments that are not heavy in grants and contributions, such as Public Works, and don't present that information.

Another thing for instance is that in Public Works we have several revolving funds. It's the way our business is funded, and so we present financial information on those revolving funds. Other departments don't have them.

But the process is the same for everyone.

The Chair: You have about two minutes left, Matthew.

Mr. Matthew Kellway: Thank you, Mr. Chair.

How far does the process take us in understanding these things? If we are to do our jobs as parliamentarians and understand this process

that you have laid out, can we really understand what is happening in our departments, or do we need an entirely different level of information to understand those differences by department?

Mr. Alex Lakroni: I think the information is there to understand everything or almost everything you need to understand as parliamentarians. The question here is connecting the dots and doing the analysis, because the information serves specific purposes. For instance, accrual information adds a full-cost dimension on performance, whereas cash information is key for the supply of cash departments. When you provide the two, a normal person would start to ask why those doesn't reconcile. So if you don't have the story or the data to make those reconciliations, it creates confusion, complexity, frustration, etc. But the information is there.

The Chair: That is about it for your time, Matthew.

The clerk has just recommended that we title our report "Connecting the Dots". It seems that you have to know some secret handshake or guess a magic name like Rumpelstiltskin so that all the information will be revealed. But we don't have the magic word so far, apparently.

Scott Armstrong is next for the Conservatives.

Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC): With Rumpelstiltskin you might lose your first-born child, and we don't want that to happen.

My question is similar in nature. One of the things that makes it difficult to connect the dots goes back to the time disconnects, particularly in the area of the main estimates versus the budget.

Do you have any suggestions or analysis of the timing of those? Can we make or recommend any changes to try to reconcile those two documents so we can actually see what's happening in the current year? Does that make sense to you?

Mr. Alex Lakroni: Yes it does. I don't have an analysis, but I look at this from two perspectives. From the departmental perspective we are positioned to provide information to serve parliamentarians' needs for decision-making when they need and want it. So that is not a big issue, aside from the workload, etc.

From the decision-makers and parliamentarians, the main estimates' tabling date is mandatory by the Standing Orders, whereas the budget timeline is not necessarily mandatory. So the budget could be tabled in February, March, or another time. If there is a need to have the budget at a different time from votes on the estimates but to have a more complete picture at the time of voting on the estimates, the budget could move to a different time.

There are other options you could consider, such as starting the year with interim supply, as we do now, and then voting later in the year once parliamentarians have a more complete picture, including on budgetary items. This will have impacts, of course, but the benefit would be a streamlining of the supplementary estimates exercise. Instead of having three you may need to have one or two, because a vote has occurred on a much more complete picture after the main estimates or after entering supply.

•(1620)

Mr. Scott Armstrong: So if we vote on interim supply as parliamentarians, we get a brief advance look and give the departments some leash to deal with them until later in the year.

Do you have any suggestions on how long that process could be? When would we be able to align the two? Would it be July, August, or September? We'd have to look at when Parliament sits as well. But in terms of the difference between interim supply and when we actually get to the full supply and vote on the whole thing in line with present spending, what kind of timeline are we looking at in terms of months?

Mr. Alex Lakroni: The timing is a function, again, of going back to what is to be accomplished with what information. If the vote remains on the type of spending and at the same time we're asking for program information year-over-year, on an accrual and cash basis, etc., it will take more time to connect the dots. But if we say that Parliament wants to vote on, let's say, programs, and the rest of the information is supplementary and we are going to focus on...then the time should be relatively shorter.

Mr. Scott Armstrong: Right. So really, we dictate what you report on by what we ask of you. Maybe that's the answer to some of our questions, that we should indicate what we really want to focus on, narrowing what you have to report back to us, so we can probably make a better judgment as to whether or not we support it.

Mr. Alex Lakroni: That is correct.

Mr. Scott Armstrong: Thanks.

The Chair: That concludes your time as well, Scott. Thank you very much.

From the Liberals, we have John McCallum. You have five minutes.

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

And thank you, as well, for your report.

In terms of connecting the dots, you seem to be saying that it's for us to figure out how to do that. I would have thought it was for you, or people in the public service who know much more about this than we do, to suggest to us how to connect the dots, or maybe even to produce additional documents that do connect the dots.

Is that a fair approach?

Mr. Alex Lakroni: It is up to public servants to serve the needs of Parliament and support democracy. These exercises are prescribed and managed by central agencies to serve specific purposes. An example of these purposes is the quarterly financial reports. They are newly introduced, so we were asked to produce them. We produced them. We do the best we can to balance the amount of information we put in these reports without adding to the confusion.

Hon. John McCallum: But are you telling us that it's up to us to figure out ourselves how to connect the dots? That's the impression I got. I'm not sure how we're supposed to do that without advice from people such as you.

Mr. Alex Lakroni: Due diligence is exercised at three levels at least. At the departmental level we exercise due diligence and we connect the dots from our perspective and in terms of what

parliamentarians need in various documents. It is also exercised by central agencies. And third, it's exercised by parliamentarians and the supports made available to them, for instance, the Parliamentary Budget Officer, to make sure that the dots are properly connected for parliamentarians from an analytical perspective.

•(1625)

Hon. John McCallum: I'm still confused. You're telling us the dots are already connected, if we were just to look in the right place. Is that what you're saying?

Mr. Alex Lakroni: If you do analyses and connect the dots, all the information is there. Yes, that's what I'm saying.

Hon. John McCallum: But you're not really helping us to do that.

Mr. Alex Lakroni: We are helping.... Sorry, I think that when the time comes for the main estimates for instance, we have no latitude as a department but to provide parliamentarians with the prescribed format, that being the amount that is reflected in the ARLU plus the Treasury Board submissions that are approved. It is an accurate, accountable, and transparent picture that we provide in the main estimates, and we say this is our planned budget as in the ARLU.

When the RPP comes, we supply you with the information, the additional information or additional approvals that are known to us. So the information is there now. That document, that planned document reflecting three years, is not subject to a vote by parliamentarians, although it connects the dots.

Hon. John McCallum: Okay. Perhaps I can change the subject.

On the subject my colleague raised about the timing of the budget versus the main estimates, quite a number of witnesses have suggested to us that Canada is one of the few countries that doesn't get this right, in the sense that the main estimates don't reflect the current year's budget. As one technique to solve this problem, from a technical point of view, if the budget were in, let's say, November or December instead of February or March, would that normally give enough time to get the budgetary information into the main estimates to be tabled by March 1?

Mr. Alex Lakroni: It's one of the options, yes.

Hon. John McCallum: What's the counter-argument? We've had a lot of people telling us to do that.

Why wasn't it done years ago if it's such a good idea?

Mr. Alex Lakroni: I think you would want to take that question to the Treasury Board Secretariat in terms of the decision-making on the timing of the budget's tabling. As I mentioned, it's not prescribed, according to my knowledge.

The Chair: That concludes the time. Thank you, John.

Now we'll go to Mike Wallace for as long as we can.

Mr. Mike Wallace: I'll be very quick, Mr. Chair. Thank you very much.

Thank you for the presentation. It was excellent.

I have a couple of quick questions.

First, when we're comparing mains to mains, it's estimates to estimates, but is there a reason that we cannot add last year's actuals as a column in there, so that I know when I'm reading that this is what you actually spent? The supplementaries aren't included until the next year.

Is there a reason that we can't put at least one year's actuals in there?

Mr. Alex Lakroni: You could. You could add a column about the actuals. Now, I doubt it's available at the time of the main estimates, because the main estimates are provided in the fall based on the ARLU. That's what is submitted to Treasury Board. At the same time, the public accounts, which reflect the actuals, have not been finished yet.

Mr. Mike Wallace: Okay.

I like your suggestion about using the interim supply period's additional time and then maybe later in the spring or early summer having the mains reflect maybe what was in the budget. That's one concept we haven't heard yet in terms of making a change.

I guess most of us haven't really looked at the RPPs or the DPRs. In actual fact, one of the things we're talking about is the deemed approved issue. Really, by having the DPR at committee and forcing the committee to look at the DPR, even though it's in the past, you'd at least be able to say, "Here's what you asked for, here's what you spent, and here's what it was spent on". The DPR should be comparable to the RPP, then. We know that in the estimates, as you showed us, the numbers don't match up, because things can change in the interim through a cabinet decision or whatever, and money gets spent.

Based on your experience, would we be better off as members of Parliament if, as the estimates go through, each committee says that it wants to look at a particular program, what you're spending, and what your outcomes are? We'd give notice to the department—four weeks or whatever the number is—that on this day you'll come to see us and explain to us what we're doing on that, what it's costing, what it cost in the past, what we expect to spend in the future, and all those kinds of things.

In terms of our having better input, or at least understanding, is it possible that we change the process a little bit? The estimates might stay deemed, but there'd be a process whereby the committee could ask about a specific program, or would maybe even be required to ask for one every year, so that the members of the committee would be on top of at least one thing that was going on in the department. Is that possible?

• (1630)

Mr. Alex Lakroni: I think it's an option, a viable one. I don't think it's any different from today, because at any time you could call a department to speak and answer about a specific program that is of interest to you. You could, for instance, hear from our colleagues on real property or acquisitions or the parliamentary precinct. At any

time you could call and say that you wanted to hear about this program.

It would better inform you, and the more you got to know the department, particularly a department as complex as Public Works, the better positioned you would be to judge the estimates at whatever point they are tabled before you.

Mr. Mike Wallace: My experience is that this doesn't happen. We do studies on different things, let me just put it that way.

I'm just looking for a better way for us to be more informed. I'm one of the ones who tries to connect the dots. I spend a lot of time at it.

The Chair: It's like pin the tail on the donkey.

Mr. Mike Wallace: It's very difficult.

Anyway, we appreciate this. We have a number of things we'll be looking at.

Maybe, at the end of the day, Mr. Chairman, we'll be able to call them back and say that this is what we're recommending and get some feedback before we move forward.

The Chair: That would be very useful. Your time is just up, Mike.

Thank you very much. That was very helpful.

And thank you again, sir, for a very interesting presentation. I can see that you have put a lot of time and energy into this on our behalf and we appreciate it very much, Mr. Lakroni, and Ms. Hall. Thank you for being here.

We're going to suspend the meeting for a moment because we have a next witness coming to us by teleconference, and we'll get that connection made. I apologize to those who didn't get time to ask questions. Our one hour has expired.

We are suspended for one moment.

• (1630)

_____ (Pause) _____

• (1635)

The Chair: We will reconvene the meeting of our Standing Committee on Government Operations and Estimates.

We're very pleased to welcome by teleconference our next witness, from the University of Victoria's school of public administration, Professor David Good.

Welcome, Dr. Good. We are very grateful that you've taken the time to join us today. I'm glad you were able to hear some of our previous witnesses' testimony. Our committee has been undertaking a comprehensive analysis and review of the supply and estimates process with an interest in trying to make it a little easier for us to give the proper oversight and scrutiny that is our obligation and duty as members of Parliament.

We're very glad to have you here today. The normal practice is to allow you 10 or 15 minutes to make an initial presentation, and then committee members from all parties will be looking very much forward to asking you questions for the duration of the hour.

Having said that, Dr. Good, welcome and you have the floor.

Dr. David Good (Professor, School of Public Administration, University of Victoria): Thank you very much, Mr. Chairman.

I greatly appreciate the opportunity to appear before the Standing Committee on Government Operations and Estimates, and I do applaud members of the committee for undertaking this study of the estimates and the supply process.

As a former public servant, I spent a good number of years dealing with budgets and the estimates in Ottawa, and I'm happy to report that I now have the time in a university to actually think and to write about these important matters of the management of public money.

I know you've heard much testimony from witnesses over the last number of weeks and months, and it's not surprising that everyone who has come before the committee has really made suggestions for improvement. I think it's a telling point, given our deep and important traditions of parliamentary government, that no one has recommended the status quo.

It's not my intention to quarrel or argue with what other witnesses have said, but I do want to set out what I think are some of the important issues that the committee is grappling with and suggest some improvements that I think might be made. In a way, it will be my small way of maybe helping you connect some of the dots.

A central principle of responsible parliamentary government is that the House of Commons holds the power of the purse. This means that the government has no money. It has no money except for that granted by Parliament, and the government can make no expenditures except those that are approved by Parliament. The House, of course, must be satisfied as a matter of confidence that all spending and taxation is consistent with legislation, with Parliament's intentions and the principles of parliamentary control.

The fundamental principles of parliamentary cabinet government limit the role of Parliament in the estimates process. It's the responsibility of the government to govern, in other words to establish the priorities, to put together a budget and the pending proposals, and then to present the estimates. Parliament approves the estimates and authorizes the government to spend the money. Government, not Parliament, spends the money.

In the estimates process, the role of Parliament is limited. It can only make one of three decisions on specific expenditure items. It can lower the amount proposed by government, it can reject the proposed expenditure in its entirety, or it can approve it unchanged. Reduction or elimination of an expenditure item is normally viewed as a want of confidence.

I'll spare the committee any history of the supply process, but I do want to make one important point, that the problems of supply and Parliament's frustrations with the estimates are not new. They are not new at all. In fact, they are very longstanding.

Shortly after the turn of the 19th century, in 1908, a royal commission observed that supplies were duly voted in the customary course in the small hours of the night by jaded members in a tired House. The resulting royal commission concluded dismally that parliamentary control over the government's expenditures was negligible. By mid-century it was no better. And in 1962, a leading student of Parliament, W.F. Dawson, observed that "...there is no part

of the procedure in the House of Commons which is so universally acknowledged to be inadequate to modern needs as the control of the House over public expenditure."

The substantial amendments to the supply procedures in 1968 did not really improve the process, and in fact by 1995 J.R. Mallory observed that from all sides, the view was the same: the review of the estimates was often meaningless.

By 2003, some parliamentarians were admitting that they were simply overwhelmed. The traditional notion of holding government to account was no longer feasible. There were just too many expenditures, too many reports, and too many programs to review.

If the criticisms have been many over a long and sustained period of time, the studies, the reviews and the suggestions for improvement have been very numerous. Since 1968, there has been three studies by committees and MPs: "The Business of Supply", "Meaningful Scrutiny", and "The Parliament We Want". These have resulted in some 113 recommendations, but, unfortunately, there has been little change.

I find this most regrettable, but I think it's also telling. It suggests that there is really no silver bullet here; there is no magic wand. I don't think there's a universal solution that we can somehow import best practices from somewhere else in the world and bring them to Canada. As in all matters of public money, particularly in democratic government, there are many competing interests at stake and there's a need to balance and rebalance things. This does not mean that nothing can be done; however, it does suggest that if we're to do something more than studies and reports, then the feasibility of things will be almost as important as their desirability.

• (1640)

Let me touch briefly on some of the issues and then suggest some areas where I think improvements could be made. These are in no order of priority.

First, I would make the Parliamentary Budget Officer a full agent of Parliament to assist parliamentarians and committees. I think the role and mandate of the Parliamentary Budget Officer needs to be clarified and strengthened by making the office legislatively separate and independent of the Library of Parliament, thereby operating as a full agent of Parliament. A confused mandate, which I think we've had since its creation, only serves to increase partisanship and the scoring of political points rather than channelling substantive information to elevate the level of debate to assist parliamentarians in the scrutiny of the budget and the estimates. As a full agent of parliament, the Parliamentary Budget Officer would have authority to have greater access to documentation.

To date the Parliamentary Budget Officer has primarily focused on economic and fiscal forecasts and costing analysis of selective government expenditures. However, the office has an important mandate with respect to the estimates, and it's a mandate that I think has received too little attention to date. As a full agent of parliament the Parliamentary Budget Officer could and should provide significantly greater support to parliamentary committees in their review of the estimates and in dealing with the business of supply.

My second suggestion is to obligate the government to include budget items in the estimates. The estimates have increasingly become unaligned with the budget. This year is especially glaring and troublesome, with the result that the main estimates is almost meaningless as a document to actively reflect the government's spending plans. In addition, the decision not to include the budget initiatives in the departmental reports on plans and priorities, the RPPs, to be tabled next month, is most regrettable and adds to this misalignment. It clearly reduces significantly the incentive for committees to thoroughly review the estimates.

In my view there is an urgent need for closer alignment between the budget and the estimates. I'm not particularly worried about the budget's economic forecast being done on a full accrual basis and the estimates being done on a cash basis. This is and can be reconciled. The real problem, to my way of thinking, is the lack of inclusion of budget items in the main estimates. The key challenge here is to ensure, to the extent possible, that budget items are included in the main estimates.

While the budget and the estimates have never been fully aligned, my experience was that there was greater alignment in the past between the budget and the main estimates. I recognize that it's not always possible to include budget items in the main estimates, particularly when we have budgets that deal with major economic difficulties, such as the program review budget of 1995, and more recently the major economic stimulus budget of 2009. These, I suspect, will be treated as exceptions; but the expectation and the norm should be to include the budget items in the main estimates.

To make this happen I think that two things need to be done: one is that there needs to be very close cooperation between the Treasury Board Secretariat and the Department of Finance; and secondly, I think we need to look at either an earlier date for the budget or a later start to the fiscal year. Those are two options to provide sufficient time to ensure that the main estimates are aligned with the budget.

My third suggestion is that we make committee membership permanent. I don't need to remind anyone how complicated and difficult the estimates are to review and how limited your time as members of Parliament is. I would suggest making committee membership permanent for the duration of the parliamentary session and restricting the number of associate members. I think this might help to foster greater continuity within committees and encourage more specialization and expertise, in particular in policy, program, and expenditure areas.

My next suggestion is to review tax expenditures and include them in departmental reports. By tax expenditures, I mean tax exemptions—deductions, rebates, deferrals, and credits—used to advance a whole wide range of economic, social, and other public policy purposes. These are a significant amount of public money. They amount to over \$100 billion annually. They've been variously described as backdoor spending, dark holes in the budget, and giving with both hands.

• (1645)

Despite the large amount of money and their increasing use, tax expenditures are not subject to a system of review and scrutiny as other expenditures. Tax expenditures are forgone revenues. In fact

they are not budgeted the same way as direct expenditures—in fact are not budgeted at all.

Since the first tax expenditure account was published in 1979 in the John Crosbie budget, little has changed with respect to the scrutiny of tax expenditures. They are not included in budgets and the estimates of departments. They are not part of the public accounts of government. They are not reviewed by Parliament and its committees. They do not come to the attention of financial watchdogs. They are not regularly audited by the internal auditors or by the Office of the Auditor General nor evaluated by program evaluators.

At a minimum, as part of the estimates documents, departments should provide parliamentary committees with a report on the tax expenditures relating to their areas of responsibility.

My next suggestion is to better align the vote structure and the program activity structure.

As you know, the vote structure is the essential element for parliamentary control of the budget. Parliament grants money on the basis of votes. The estimates are broken down by votes, and the government cannot spend more than Parliament grants without coming back to Parliament. The government must then come back with supplementary estimates. The vote structure is a fundamental balance between adequate control by Parliament to hold government to account and sufficient flexibility for government to ensure efficiency in government expenditures. Over the last decades, the vote structure has been adjusted, and in some cases loosened, to increase the flexibility of the government to organize the financing of its activities.

Proposals for changing the vote structure have come from government, the Treasury Board, and not from Parliament. The government's program activity structure, on the other hand, is a structure that the government uses to report on programs against its objectives. It is a program structure that's used in the reports on plans and priorities, tabled in the spring, and the departmental performance reports, tabled in the fall.

I would simply encourage parliamentarians to examine the vote structure and to ensure that you're comfortable with it. I would also encourage you to examine the government's program activity structure and to ensure there's sufficient alignment between the vote structure and the program activity structure.

My next suggestion is to keep budgeting on a cash basis; I would not move to accrual budgeting.

As you know, in the private sector accrual budgeting is the norm, and in government budgeting is done on a cash basis. Also in government, the financial statements are done on an accrual basis. I don't think that because financial reporting in government is done on an accrual basis, budgeting should also be done on an accrual basis.

Cash budgeting is not only simple and straightforward, but it's also easier to understand than accrual budgeting. Accrual budgeting requires relating future expenditures to present expenditures through discount rates, social rates of return, and requires judgments and discretion. As a result, it is more open to interpretation and I would worry that accrual budgeting could be more prone to fudging of numbers, budgets, and allocations.

Forward-looking budgeting and after-the-fact accounting and reporting are not the same thing. Accounting, while important and essential, should not drive budgeting and the estimates. Financial reports can and are reconciled with budgets.

In considering the estimates, it seems to me that what's important for parliamentarians is to receive accurate and up-to-date information on how much the government has to spend and where it has to spend it. All things considered, I would stick with cash as a basis for budgeting.

Let me make one final suggestion before I conclude: I would suggest that committees need to develop a strategy for reviewing the estimates. From my experience as a public servant, the committees that have been most effective in reviewing the estimates have used a simple strategy. This strategy usually includes elements of the following. The members have been thoroughly briefed by government officials on the department, its programs, and expenditures; and the committee decides on a very simple and clear work plan for investigation, and its questioning of witnesses is disciplined and coordinated. The focus consists of one or two areas of expenditure where the committee feels the department is at risk, and the committee continues to seek additional information and analysis so that it can back up its focused investigation.

• (1650)

I know that some people, perhaps including academics, will not think this is very comprehensive, fulsome, thorough or complete. But from my own experience it can and does work for committees when they function as committees. I think that a clear and focused strategy would allow the committee to effectively draw upon the expert advice of the Parliamentary Budget Officer. It could also assist the committee in fulfilling its obligation to report on the estimates within the very limited timeframe it has available.

Mr. Chairman, that concludes my statement. I want to thank you very much for the opportunity to appear before the committee.

The Chair: Thank you very much, Dr. Good, for your very focused comments on a number of the issues we're wrestling with.

I should note for the benefit of committee members that you had 15 years' experience as an assistant deputy minister in the Treasury Board Secretariat and the PCO. So your comments are very valuable to us. I am sure there are many questions from committee members.

First for the NDP will be Denis Blanchette.

Is there a point of order?

Mr. Mike Wallace: I wonder if the witness can email us his presentation.

The Chair: Mr. Wallace is asking if it would be possible to send in a written version or email copy of your presentation, Dr. Good.

You obviously made a deep impression on the Conservative members.

Dr. David Good: I would be delighted to do that, Mr. Chairman.

[*Translation*]

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

Thank you, Mr. Good, for a wonderful presentation that oozed experience. It would be very helpful to work from those starting points.

At the beginning of your presentation, you said a balance has to be achieved between what is desirable and what is feasible. I wonder about the corporate culture of departments, about the ability to change certain practices, as you suggested. You said you would like to see more cooperation between the Treasury Board Secretariat and the Department of Finance. Obviously, we must change how we do things. Is it feasible to change practices given the corporate cultures that exist within the federal public administration?

• (1655)

[*English*]

Dr. David Good: That's a very good question and a very difficult one to answer. Culture is a function of history, traditions, and organizations, and with proper leadership there is a desire to change culture and make adjustments. But I remind my students that changing culture isn't like changing your underwear; it takes a long and sustained time period to do it.

On the Department of Finance and the Treasury Board, if you go back in history you'll see that at one point they were a single agency working together. They were part of the same organization, and then they were separated. Over the years they have worked more or less in close cooperation—sometimes more and sometimes less.

If we are to include the budget items in the main estimates, the Department of Finance and Treasury Board will have to work very closely together, given the limited timeframe, to ensure that those items are included in the main estimates. I think that's very important. It has been done on certain occasions in the past, and I believe it can be done in the future.

I've also indicated that there may well be exceptions when it cannot be done, in cases where the expenditure reductions are too large and vast, as in the 1995 budget, where it was not feasible to include those items in the main estimates. The more recent example is the 2009 budget, which was done in a very short period of time, as members will recall. There were huge expenditure increases, albeit for a very limited time, as should be the case with stimulus budgets. There wasn't time to include all of those in the main estimates.

[*Translation*]

Mr. Denis Blanchette: Thank you very much.

I have another question about something else. One of your recommendations is to better align the budget and the main estimates. My question has two parts. First of all, if we were to do that, are we not better off simply getting rid of one of them? Second, is it really so difficult for departments to produce the information we would need on a specific date, so as to make the study cycle shorter than it is now?

[English]

Dr. David Good: I don't think it's feasible or desirable to eliminate either the budget or the estimates.

The budget is a major policy document of intention and action on the part of the government, dealing with its fiscal policy, its expenditures and revenues. It's a comprehensive document that sets out what the government is going to do against the backdrop of its Speech from the Throne and, indeed, its campaign commitments.

The estimates, of course, are the transformation of the government's budget into expenditure programs and into votes for the approval of Parliament.

I think those two documents need and ought to be separate and distinct. My case has been for a greater alignment between the two.

[Translation]

Mr. Denis Blanchette: In that case, Mr. Good, should the estimates and the RPP be more similar? I am trying to see whether there is any duplication that we could eliminate, any efforts of the public administration that are not really necessary, at the end of the day.

• (1700)

[English]

Dr. David Good: There are a lot of documents that Parliament receives, over a thousand documents a year. I know there's frustration with so many documents and that one might feel overloaded with too much information.

I know that if I had a thousand students and had to examine a thousand papers each term, I would not be a very good professor. But professors look at things differently from parliamentarians.

I don't think there are too many documents. I think the departmental report on plans and priorities is an important document, a forward-looking document of what the department plans to do over the course of the fiscal year and the upcoming years, and that's done in the spring. The departmental performance report done in the fall, I think, is a good document that then examines what's been accomplished against the objectives that have been set.

I think what is important is to be able to align those back some way into the vote structure, which is what Parliament votes on, as those other two documents are set out by activity structures.

The Chair: Thank you, Dr. Good.

Thank you, Denis. That concludes your time.

Next, for the Conservatives, Ron Cannan will fire a few questions.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you very much, Mr. Chair. I'll give him a pat on the back for that one.

The Chair: He was talking about "martinizing" earlier, so I got him back.

Mr. Ron Cannan: Thank you very much, and as the member of Parliament for Kelowna—Lake Country, it's good to have the western wisdom bestowed upon our committee here, so I thank you, Mr. Good.

A couple of the comments you made alluded to our trying to control the public purse, and all of us are still trying to find that. So I want to take a couple of your comments a little further.

Making the PBO a full agent of Parliament was one of the thoughts you mentioned in your opening comments. In no particular order, here are my comments on that.

The PBO's role right now is broader, but what do you think of the idea of having the PBO report to the government operations committee and having a more focused scope for the PBO, so we could almost work in a parallel process? That would provide this committee with more resources to have a more thorough, in-depth view and, as you said, permanent committee oversight of the budget process.

Dr. David Good: I think the most important thing is to establish the Parliamentary Budget Officer as a full agent of Parliament and not for that officer to be shrouded into the library. I think that has caused a great deal of confusion as to the reporting and whom the Parliamentary Budget Officer reports to.

My view is that he should be an agent of Parliament and, as a consequence, be a real agent of Parliament and not the principal. Parliament is the principal, the budget officer is the agent. He would work then in supporting the principal, that is, Parliament and Parliament's committee.

I would also think he would have a particular relationship with this committee, given two things. One, it's a government operations committee handling government operations. It has responsibility overall for the estimates, or it's taken on that responsibility, and for its horizontal aspects. But I would not want to see it strictly focusing on this committee and no others. I would like to see the Parliamentary Budget Officer having some resources and some capacity to support the other committees in the actual examination of the estimates, something that has not been done to date.

Mr. Ron Cannan: Your other point was about having more budget items in the main estimates. We would either have to introduce the budget earlier or push the start of the fiscal year later.

From your 15-plus years of experience here in Ottawa, what do you think would be easier to implement, and what would be the implications?

Dr. David Good: That's a tricky question. I think the best and most honest answer would come if the committee were to call as witnesses the Deputy Minister of Finance and the Secretary of the Treasury Board to ask that question. I think that will be important. I think officials from both those agencies should be looking at that issue.

One thing is clear. Given that budgets are multi-purpose documents, one of which is to manage the macroeconomic situation or economy, we know the importance to the Minister of Finance, to the government, and indeed to all Canadians of having some flexibility in when you can bring a budget down given the economic situation. So that has to be examined.

But I think there could be opportunities to either extend the start of the fiscal year, given the requirements that have been set out, or, clearly, to get a date on which the budget would come earlier. But there are many practical considerations that need to be looked at, including the time when Parliament would review things, the traditions of summer and what these mean in this country, and various other things. So those are things that need to be looked at as a way of doing it.

I think what's important is that we commit ourselves—and hopefully the government will do this, with Parliament's strong advocacy—to ensure that can find ways to include these budgetary items in the main estimates.

• (1705)

Mr. Ron Cannan: Thank you.

I have less than a minute and have one last question about the issue of being deemed. As you know, if committees don't have the chance to review the information that's submitted, it just proceeds as normal and everything moves on. What's your thought about requiring that the documents be reviewed before they're considered deemed?

Dr. David Good: In an ideal world I think it would be better not to use this word “deemed”. I think deemed puts a bitter taste in people's mouths, a certain perception of losing things. On the other hand, Parliament needs to move on with its work.

I think if committees were to take a focused approach to the estimates, they could provide reports and should provide focused reports on one or two particular items in the estimates that they feel are important. That would be their report. We would not then have to deem it, and that report would be submitted before the deadline. Parliament would then be better served; I think it would be well served in that the committees would review those reports.

Secondly, if the Parliamentary Budget Officer were supporting these committees, I think he or she would be able to assist in connecting the dots, if you will, focusing on some of the key issues when Fisheries and Oceans, Defence, and HRSDC and various other departments and agencies come to committee.

Mr. Ron Cannan: Thank you very much.

I appreciate your answers.

The Chair: That is your time, thank you.

Thank you, Dr. Good.

Next, for the NDP, we have Pierre Dionne Labelle.

Pierre, you have five minutes.

[*Translation*]

Mr. Pierre Dionne Labelle (Rivière-du-Nord, NDP): Good afternoon, Mr. Good. I listened to you speak with great interest. You

said that 113 recommendations had been made over the years to improve accessibility and consistency, and that none of them had been implemented. How do you explain the resistance to change? My colleague mentioned corporate resistance. Do you think there are also political factors at play in this resistance?

[*English*]

Dr. David Good: That's a very good and very difficult question. I think one has to look at the broader historical perspective. On the one hand, in modern budgeting there has been a diminished role for legislatures over a period of time. If we go back to the Magna Carta, back to the king, and see what's happened, we have seen a gradual reduction in the role of the legislature.

I think you're having Professor Schick, who is the international expert in this area, come to the committee in the future. It's a very good question to put to him. I think the role of Parliament has been smaller with regard to the actual analysis of the estimates, largely because it fundamentally cannot change what's in the estimates, save for a minority situation. I think that's had an impact on it.

I also think the budget has become the everything of government. The focus around the budget is enormous, and that has had an enormous impact on how the budgeting of public money has been perceived and I think the work of committees has gone somewhat unnoticed. I think if there were greater opportunity for some of the work of committees to be better noticed in the review of estimates, by focusing on one or two key areas, there might be greater opportunity to give more focus to it and, I hope, bring about some of the changes that are necessary.

The last point I would make is that Parliament has to present its position in a coherent way in its reports as well, and push forward with some determination and strength to deal with the issues that are there.

[*Translation*]

Mr. Pierre Dionne Labelle: I get the sense that when the Auditor General eventually informs us that program X or program Y is failing, it is usually too late. Midway through, the committee dealing with the department in charge of the program in question is not able to detect or see that the program is falling short. We are talking about reconfirming Parliament's role in budgetary oversight. But there is a flaw here. We don't have the tools we need to prevent these failings. Regardless of the government in power, this information always comes to light too late.

That was not a question. I would like to hear your thoughts on that. I would say you are quite bold in suggesting a non-partisan approach as far as the Parliamentary Budget Officer's role goes. You also mentioned tax expenditures; that's quite a bold suggestion on your part given the current majority government.

•(1710)

[English]

Dr. David Good: On the question of the Auditor General, we have a system where Parliament is involved in three areas when it comes to public money. One is before the fact, and that's in the finance committee, in its pre-budget consultations and discussions. That has worked very interestingly. In my view, ministers of finance have listened to what has been reported out of that committee and what has been done before the budget. It has had some indirect and subtle impact.

At the back end of the process we have the Auditor General. The Auditor General is a long-standing tradition in our country, a key part of parliamentary democracy in holding governments to account. We have a public accounts committee. All of that handles things after the fact.

The question is, as we see those dilemmas what do we learn and how does it get incorporated back into the system?

Squeezed between those two beginnings, the front and back bookends, is the estimates process, which approves and reviews the estimates and the business of supply. Your sentiment of trying to increase the learnings both from the front end of the process and the back end of the process particularly—back into the appropriations process—I think would be a very good idea. I support what you've said.

Just how that is done, I think, requires expertise and skill. I think some of my recommendations would indirectly help in that, including permanent membership on the committees, support from the Parliamentary Budget Officer, making sure budget items are included in the estimates, aligning the vote structure in a better way with the activity structure, and also ensuring that we handle expenditure reviews in a focused manner.

The Chair: Thank you, Pierre. Thank you, Dr. Good.

Next, for the Conservatives, we have Mr. Bernard Trottier.

Bernard.

Mr. Bernard Trottier (Etobicoke—Lakeshore, CPC): Thank you, Mr. Chair.

Thank you, Professor Good, for speaking with us today.

I want to talk about your recommendations. There have been other witnesses before this committee who have had some similar recommendations, and we could quibble about some of them.

The one I want to focus on is your last one about committees needing to develop more of a strategy for reviewing the budgets and the estimates. We had one witness here, John Williams in particular, who talked about the challenge of trying to be broad and shallow when it comes to looking at all of the estimates, versus going narrow and deep. Broad and shallow would be a high-level look at macro estimates, versus taking one or two departments and doing more of a dive and getting into things like departmental performance reports and reports on planning and priorities. I think you alluded to that.

I think it would be useful for parliamentarians to actually spend some time looking at the DPRs and the RPPs. I don't think many

parliamentarians actually look at them, ever. They are available. They are all online. The public can help themselves. Parliamentarians can help themselves, but they tend not to. Unless you put a structure around it for parliamentarians to do a deeper investigation, you won't get some of those important questions coming out.

I want to get some further feedback from you. There are two scenarios that come up in my mind when it comes to wanting to compel parliamentarians to spend some time with the RPPs and the DPRs.

I suppose one scenario is that the government operations committee could be the committee appointed to spend the time looking at those things on a selective basis. With 87 departments and agencies, we can't do all of them in a given year, but we can certainly dive into some of them. I suppose another approach is to compel other committees, not just the government operations committee, to spend some time looking at the DPRs and RPPs—for example, the aboriginal and northern development committee looking at the DPRs and RPPs for that department.

Could you expand on your recommendation? How do you think that could actually work in a parliamentary process when it comes to reviewing those kinds of reports?

Dr. David Good: I think you need the committees and you need an “s” on the end of “committee”. One committee cannot do it all. The Government of Canada is so vast, so large, has so much expenditure, so much complexity, all of this can't be done.

One thing I've learned, having spent 30 years in government, was how differentiated the business of government really is. What they do in the Food Inspection Agency is very different from what goes on in Industry Canada, where they manage the spectrum; or what they do in Fisheries management and how that's handled; or in HRSDC and its disability payments. I think one needs a certain element of expertise and capacity. That's why I think support by the Parliamentary Budget Officer would be very helpful to those committees.

I think this committee can play a more horizontal role, can play a coordinating role, and can perhaps provide a bit more of an overview. But I think you need that specialized, in-depth examination.

By “in-depth” I mean focused. I don't mean looking at everything. I mean saying that in Fisheries and Oceans what we really want to focus on this year is capital acquisition with respect to the coast guard. I don't know what the issue is, but that's what I'm getting at. In the case of HRSDC, maybe it's really about disability. Maybe that's what one wants to look at. And you have to look at the tax expenditures and the direct expenditures.

It's about trying to get the committee to decide upon—and this is not easy, particularly in a parliamentary committee—what the focus is and what the one or two areas are that it really wants to focus on, and then getting the support to do that and then writing the report around those things. That may also not just have impact on these estimates, but I hope can have forward impact on future estimates as well, sending certain signals and certain messages as to where you see risk, where you see problems, and where you see greater opportunities in the future.

•(1715)

Mr. Bernard Trottier: It sounds as if you're saying that we should become even narrower than I was suggesting, and not just pick a department but take a few items within a department's area of responsibility and do a deep dive in those.

Is that a good way to paraphrase what you're saying?

Dr. David Good: I think it is, but it may also be the case that you want to supplement the process by having this committee, government operations and estimates, look at one or two departments, at something that maybe goes horizontally across them. For example, there's search and rescue.

I'm picking out these areas, not because I'm saying they need to be examined, but because I know they involve many departments. They run across several departments.

So that could be an important role that I think could be played by the government operations and estimates committee. It may be the case that in some areas you want to have this committee look at departmentally or across departments, but I think inside the other departments you want to take a narrow and very focused perspective on what the key issues are you want to look at, the issues where risk is involved.

Mr. Bernard Trottier: Thank you very much.

The Chair: Thank you, Dr. Good. Thank you, Bernard.

Next for the Liberals, we John McCallum for five minutes.

Hon. John McCallum: Thank you, and thank you very much, Professor Good.

I'd like to go back to this issue that's come up about the timing of the budget and the estimates. Many witnesses have recommended that this timing be aligned, let's say, by doing the budget a few months earlier. I don't think I've heard any good reason to the contrary, why this would be a bad thing to do, other than that it would disturb long-standing tradition.

My first question is, are there any true counter-arguments? Let's suppose there are not. So my second question is, why has it been talked about all these years and never happened? One can think of bureaucratic resistance. Would it be Finance officials resisting giving information to their Treasury Board brethren in advance, or would Treasury Board be concerned?

Finally, at the political level, I think especially when it's a budget of cuts, politically government might resist giving out the details in a timely fashion because if they give out the details a year from now, everyone will have moved on. I think in your opening statement you regretted the fact that the budget information would not be included in the May documents, so maybe there's a political motivation for that as well.

I know that's more than one question, but I'd appreciate your views.

Dr. David Good: Thank you.

You had a lot of experience in dealing with these matters.

On the political side, I think there is a broader concern one needs to be sensitive to. I'll call it the politico-economic one, and that is the

business cycle and the sensitivity of being able to bring down a budget when it's needed or of making an economic statement that is perhaps more than just an economic update, because of the trends.

If you go back and look at the dates of budgets since the Second World War, you see a huge change, a huge variation, in those dates. There have been fall budgets, spring budgets, and summer budgets. There's a whole series of them. I think there is a legitimate need for some kind of flexibility.

Now, that doesn't mean you can't establish a budget date by bringing it forward. Say you had an earlier budget because there was a requirement that you have it in December or November or something like that. I think that's certainly a possibility. Alternatively, change the fiscal year and push it back further, as the Americans have done. Their fiscal year I think starts November 1, if I'm not mistaken. I stand to be corrected on that. But it has been pushed back over the years. Those are other options that need to be considered.

I think, though, in the end there is also a need for very good cooperation between the Minister of Finance and the President of the Treasury Board and a clear understanding that the concept of budget secrecy is quite different today from what it used to be. As you well know, it was put in place because of tax advantages that could take place. The reality is that the budget deals with so much of government, well beyond taxation, I think that argument is less significant.

I think making sure that Treasury Board officials are plugged in and working with Finance is very important, particularly when you get into areas where Finance has less expertise, and that's in the operations of government. In fact, the areas that have recently been cut, the \$75 billion target of the strategic and operating reviews, really fall under the bailiwick of the Treasury Board as opposed to the Department of Finance, inasmuch as those are the operations of government where Treasury Board's expertise lies. Finance needs Treasury Board to figure out how that money works and how it operates and how it's to be presented. That cooperation is extremely important at the centre of government.

Departments, of course, know more than most people, because they are there. But I think linking that together with Finance and Treasury Board officials will be very important if they are to do what you're proposing.

•(1720)

Hon. John McCallum: On the question of the Parliamentary Budget Officer, I certainly agree with you that he should be a full officer of Parliament.

You made one point I hadn't heard before, that if he were a full officer of Parliament, he'd have greater access to information. Would he have some sort of statutory ability to get the information he lacks today?

Dr. David Good: Right now he has no statutory power to get information, as I understand it. If one were to amend the act and look at his being a full agent of Parliament, it's not inconceivable that one could also consider greater access, through statute, for the Parliamentary Budget Officer, as is the case for other agents of Parliament.

Hon. John McCallum: I think that's a very good idea, but it's probably about the last thing this government would want to do.

Thank you.

Dr. David Good: I won't comment on the last question.

Hon. John McCallum: It was just a statement.

The Chair: We didn't expect you to.

Thank you very much. We can let Mr. Braid comment on it if he likes.

Mr. Braid, you have five minutes.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you very much, Professor Good, for being here. Many of the questions I had have been covered by my colleagues, but I do have one.

At the beginning of your presentation, you gave a great historical summary of previous studies and recommendations on this same topic. You mentioned some 113 recommendations that have been made in the past.

I'm just curious to know if there are any previous historical recommendations that still make sense, other than your own recommendations of course. Are there any that were recommended and not adopted that would still be relevant and effective today?

Dr. David Good: That's a very good question, and I think it deserves a good analysis. I haven't done that analysis, but I do know that the sentiment of many of the recommendations has been very similar. In many respects, they have advocated greater support for the committees and sustained support over a period of time. I think that's one recommendation that has been made time and time again. I think we've made some limited progress on that, but I think there's a need to make considerably more. That's where I think the expertise of the Parliamentary Budget Officer would be very important.

I don't mean in any way to suggest that the support from the library has not been professional and has not been solid. But I do think we need, in this complex world, to step up the game and get more expertise provided for it.

I must admit that I haven't done the analysis you're suggesting. It's a very good question and is one that I think should be examined. I think there are many things in there, perhaps not in all the details but in the sentiment, that are quite similar to a number of the recommendations you've been hearing from witnesses over the last number of weeks.

Mr. Peter Braid: Thank you.

Do you have any thoughts on why the Office of the Parliamentary Budget Officer hasn't really focused on this particular area, the area of estimates?

• (1725)

Dr. David Good: I think there are a couple of reasons why that's the case. You should know that when the parliamentary budget office was first instituted, I wasn't enthusiastic. I was a bit skeptical at the beginning because I saw the Congressional Budget Office, and I had been in the United States and knew their system was radically different from ours, and I was skeptical.

But I think this Parliamentary Budget Officer has been focused on things where the likely payoff in the short run is the greatest. He has a certain style. He has been very good in his analysis of the fiscal and economic forecasts. He's been good on the costing, and he's put out reports in advance of the government, in advance of its economic update and other things. He's also used the media, I think quite effectively, with regard to that. I think there has been a considerably greater play with respect to those things than there would be in the case of the estimates.

Yet Parliament has the responsibility to review and approve the estimates, and I think it's very important that the expertise of the parliamentary budget office, the entire office, be available to Parliament and be used in its focused review of the estimates.

Mr. Peter Braid: Thank you.

I'll provide my remaining time to Mr. Wallace, if I could.

The Chair: You have 90 seconds, Mike.

Mr. Mike Wallace: Thank you, Professor Good, for coming today.

In the preamble to your discussion before your recommendations, you talked about—and we all understand—that we can reduce, we can approve, or we can completely deny the estimates, based on what the authority is, but that they are confidence motions or tend to be deemed as such.

Do you agree with that process? Do you agree they should be confidence motions? Do you think there is another way we could do it, that we could send a message as a committee without forcing an election?

Dr. David Good: That's a very good question, and it really links quite closely to John Williams's proposal in a previous parliamentary committee, to see whether or not one could allow committees to look at reallocations within the vote and not to have that deemed a confidence question. In other words, it was to decide that a certain amount of money, maybe 3% of the operating budget, could be looked at, and if a parliamentary committee wished, it could cut one expenditure and reallocate funding to another area across the reallocation, given the priorities it would see.

If that were to work, that would have to be deemed not a confidence motion on the part of the government, otherwise it gets played in a much different way. I guess that's really a question for government: it's whether and how they're going to view those items in the budget as confidence or not.

The tradition, history, and momentum have been to view the entire budget as a matter of confidence. That has certainly been the trend. We have certainly seen that. We of course have had different situations, as we recently had with minority situations. I think it's quite difficult in a practical way to get certain aspects of the total budget, particular aspects, deemed not to be matters of confidence.

Here I come back to my earlier line that as we move forward, I think we need to look not only at what's desirable but also what's feasible.

I see this as more or less as having problems with feasibility.

Mr. Mike Wallace: Okay, thank you.

The Chair: Thank you, Mike.

We have a couple of minutes left and we had a bit of a late start with Dr. Good.

So, Matthew Kellway, if you want to take two or three minutes, that would bring us to the end of the clock.

Mr. Matthew Kellway: Thank you, Mr. Chair.

Thank you, Professor Good.

I'm an interloper on this very fraternal committee, and I hesitate to rock the boat. When we started, I very much appreciated your comments about tradition and the role of Parliament. I did get a chance to read a couple of pages of your paper about Parliament and public money. Yet, when I hear your recommendations, with respect, they strike me as somewhat formalistic, in that they stand in stark contrast to my experience—albeit limited—as an MP. I was just elected last May, Professor Good.

I've sat on two committees and watched ministers come before the committee and the spectacle of caucus members of that minister having to ask pressing questions, and it doesn't happen, frankly.

We had the spectacle last week at the public accounts committee, which I attended, where the government side insisted on going in camera to discuss witnesses, including bringing civil servants to the table to answer questions about what I think is clearly a big problem, an obvious problem, to everybody. We had the spectacle of the demonization of the Parliamentary Budget Officer for estimates on the F-35 that in fact turn out to be underestimates of the F-35. And when I say “demonization”, I'm talking about by the government side.

In light of all of my experience, or at least my perception of my experience of all that, I wonder if you could please comment on how to reconcile that with your recommendations, which all seem to be premised on committees acting as committees.

• (1730)

Dr. David Good: That's a very good question. If I understand it properly, it's a question of getting the balance right, in my view. It's a

question of how we operate in a democracy in areas of public money, where we have a parliamentary system with a government that governs and a parliament that approves the money that the government gets. We need to balance that system in an effective way.

I think the fundamental role of Parliament is the power of the public purse and the ability to review that and to grant the authority and hold the government accountable in the process.

That's why most of my recommendations appear to be somewhat formalistic. It's because I hold the role of Parliament in high regard. I think the formalities do in fact matter. We need to marry that with a fast-paced world in which budgets are changing, expenditures are changing, and information is being propelled very quickly. We want to find a way in which committees can operate as viable entities, while recognizing they are fundamentally made up of partisans who are elected to Parliament to represent political parties and their own constituents. And we want to try to find a way we can support permanent members and others on committees through expert advice and information. Hopefully they can work to connect the dots and bring things together, formulate some penetrating questions and analyses, and make some improvement in the process.

The Chair: Thank you, Matthew. That pretty well wraps up our time.

Thank you, Professor Good. I think that's a very good tone and comment on which to end this session. We very much appreciate your giving us your time and long expertise on this issue.

As Matthew mentioned, the document you wrote about Parliament and public money has been circulated to all of the committee members. We will benefit from it a great deal.

Thank you for taking the time today, Professor Good.

Dr. David Good: Thank you very much, Mr. Chairman, and all the very best to the members of the committee.

The Chair: Thank you sir.

I believe on that note, the meeting is adjourned.

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