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—
Chair

Mr. David Christopherson

Standing Committee on Public Accounts

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• (1530)

[English]

The Vice-Chair (Mr. Daryl Kramp (Prince Edward—Hastings, CPC)): We will now bring to order meeting number 16 of the Standing Committee on Public Accounts. I remind my colleagues that today's meeting is televised.

Before the committee today is the 2011 Fall Report of the Auditor General of Canada.

The witnesses we have before us today are no strangers to this committee. We have with us Interim Auditor General John Wiersema, Assistant Auditor General Wendy Loschiuk, and Assistant Auditor General Neil Maxwell.

Colleagues, I would draw to your attention the fact that we have visitors here today to observe the happenings of the public accounts committee. It's a parliamentary delegation from Bangladesh, composed of four committee chairs along with their officials and their staff, led by Dr. Mozammel Hossain, the chair of the committee on social welfare of the National Assembly of Bangladesh.

I believe we should welcome them.

[Applause]

The Vice-Chair (Mr. Daryl Kramp): There is a possibility—depending, of course, on the scheduling and the time change and the implications of such—that the members of this committee may have an opportunity to meet informally with the delegation tomorrow. That of course is still subject to change.

Before we begin our meeting today, if I may—and I believe it would certainly be in order—I want to thank Mr. Wiersema for what will be his last appearance before this committee serving in his capacity as Interim Auditor General. We thank him not only for serving as the Interim Auditor General, but for his service for the past 33 years.

John, if I may be casual, in my personal thoughts here, which certainly, I know, are shared by all members on this committee and, I can assure you, on behalf of Canadians, we thank you.

[Applause]

The Vice-Chair (Mr. Daryl Kramp): That having been stated, sir, the floor is yours for an opening statement.

Mr. John Wiersema (Interim Auditor General, Office of the Auditor General of Canada): Thank you, Mr. Chairman.

Thank you very much for those kind words. It has indeed been an honour to serve as the Interim Auditor General and to work with this committee over the years, but in particular it has been an honour to serve as Interim Auditor General as an officer of Parliament. I have done my best to meet the needs of this committee. Thank you for your kind words.

[Translation]

Good afternoon, Mr. Chair.

I am pleased to present my fall report, which was tabled in the House of Commons yesterday. As you mentioned, I am accompanied by Assistant Auditors General Neil Maxwell and Wendy Loschiuk.

The first chapter in this report contains the findings of our second audit of Canada's economic action plan. Our first audit, tabled a year ago, focused on the design and roll-out of the plan. The second audit looked at how three programs were implemented.

For the three specific programs we audited, the government was diligent in monitoring the progress of projects and their spending. It also took corrective action as required to ensure projects were completed as intended. The decision to extend the deadline was supported by appropriate analysis.

The government invested \$37 billion in the economic action plan. It is important that the government report to Parliament on the overall economic impact of the plan and the jobs created, as it announced it would do by early 2012.

[English]

In our chapter on issuing visas, we report that Citizenship and Immigration Canada and the Canada Border Services Agency need to do a much better job of managing the health, safety, and security risks associated with issuing a visa.

Visa officers are responsible for deciding whether to grant or refuse a visa to enter Canada. The system lacks basic elements to ensure that they get the right information to make those decisions. We found that many of the indicators that visa officers use to identify high-risk applicants have not been reviewed in years. Medical screening for danger to public health has focused on the same two diseases—tuberculosis and syphilis—and this has not been updated for 50 years.

Quality assurance practices focus on decisions to refuse a visa. In cases where the applicants are found admissible, the quality of the decisions is rarely reviewed. This means that CIC and CBSA don't know if a visa was issued to someone who in fact was inadmissible.

We've been reporting some of these problems with visas for 20 years, and I find it disturbing that fundamental weaknesses still exist. It's time for CIC and CBSA to resolve them.

• (1535)

[*Translation*]

The third chapter in our report deals with income support programs for farmers. We note that Agriculture and Agri-food Canada has improved in some areas, such as the accuracy of payments, but that problems remain. Farmers can wait up to two years for payment and the amount of the payment is hard to predict.

The audit also looked at the \$284 million program that provides funding to enable tobacco growers to leave the industry. The design of the tobacco transition program was rushed, making its delivery challenging. In some cases, recipients who received money for exiting the industry continued to produce tobacco, undermining one of the program's objectives. This underscores the importance of sound program design, including considering what could go wrong and how to prevent it.

[*English*]

I turn now to the fourth chapter in our report, which deals with Health Canada's role in regulating pharmaceutical drugs for use in Canada.

Canadians rely on Health Canada to ensure the safety and effectiveness of drugs. Health Canada has taken steps to ensure the quality of its drug reviews; however, we found that the department is struggling with timeliness and with transparency in some areas. In addition, it has not determined what measures are needed to address the potential for conflicts of interest in its reviews of drug submissions.

Health Canada is slow to act on potential safety issues related to drugs already on the market. It needs to get safety information out to Canadians more quickly and address the potential for conflicts of interest.

[*Translation*]

Moving on now to the last chapter in our report. This audit looked at how National Defence manages the maintenance and repair of its military equipment.

DND has adopted new approaches to contracting for maintenance and repairs. These new approaches have the potential to help DND better manage maintenance and repair activities and realize cost savings.

However, because implementation has been slow and hampered by lack of concerted effort and follow-through, the department has missed out on some of these opportunities. I encourage DND to take the necessary steps to move ahead with these new approaches.

[*English*]

In closing, Mr. Chairman, I would like to share with you some reflections based on the many years I have spent as an auditor of the federal government.

In my experience, government programs require certain fundamental elements in order to be successful. These include clarity of purpose, committed and sustained leadership, predictable and stable funding, and sufficient and appropriate management information. Most of the problems found by our audits over the years can be attributed to weaknesses in one or more of these areas. I encourage the government, as it undertakes its current review of spending, to ensure that these core elements are in place to secure the success of continuing programs.

Thank you again, Mr. Chair. This concludes my opening statement. We would be pleased to answer the committee's questions.

The Vice-Chair (Mr. Daryl Kramp): Thank you very much, Mr. Wiersema.

Now we will commence with our rounds of questioning. The rounds will be five minutes, as usual. We will be going through our normal routine schedule of questioning.

We will be starting with Mr. Saxton, please, for five minutes.

Mr. Andrew Saxton (North Vancouver, CPC): Thank you, Mr. Chair.

Thank you, Auditor General and other witnesses, for being here today.

I'd like to begin by asking you, Auditor General, to confirm what you have been saying in regard to Health Canada's approval and review process for pharmaceutical drugs. Can you confirm for this committee that you found their process to have an end result of safe drugs for the market and that they do a good job of ensuring safety for drugs in the Canadian marketplace?

• (1540)

Mr. John Wiersema: Yes, Mr. Chairman, I can confirm that Health Canada does a good job in reviewing its drug submissions. When Health Canada does approve a drug for use in Canada, it has a rigorous process behind it.

Nevertheless, Health Canada is struggling in two areas in particular.

It has service standards: timelines that it expects to meet with respect to its review and approval of drug submissions. For the most part, it is struggling with meeting those timelines. The review process takes longer than the standards that Health Canada has set for itself.

The other issue that I will flag, Mr. Chairman, has to do with monitoring of potential safety issues with respect to drugs that have been approved for use. The department actively monitors those safety issues, but in many cases the time it takes to conduct its review of a potential safety issue and to communicate the results of its review to Canadians is too long. In some cases, it can take up to two years to assess those safety issues and communicate the results to Canadians.

Mr. Andrew Saxton: Okay, but you do confirm that the end result is that we have safe drugs on the market...?

Mr. John Wiersema: I confirm, Mr. Chairman, that Health Canada does a good review of the drug submissions it receives.

Mr. Andrew Saxton: Okay. Thank you.

Auditor General, as our chair mentioned, you've been serving the public for over 33 years. You have experienced a tremendous amount during that time. We'd like to thank you again for your many years of service to Canada.

I'd like to ask you now about what the highlights are—and perhaps some of the low lights—and what are some of the more memorable things that have happened to you in those 33 years, and what advice you might have for us going forward.

Mr. John Wiersema: The highlights and lowlights...? Well, I got married—

Some hon. members: Oh, oh!

Mr. John Wiersema: No, no, that's in the former category, obviously. That clearly is in the former—

An hon. member: Say grandkids.

Mr. John Wiersema: As for the highlights, not to put too fine a point on it, Mr. Chairman, the highlights are my marriage and the births of my kids and my grandkids.

In terms of my career with the office, which is what I think the member was referring to, the highlights would be, most recently, my appointment as Deputy Auditor General. I have had the distinct pleasure and honour of serving Sheila Fraser, Auditor General of Canada, since March of 2004. The fact that she named me as her Deputy Auditor General and that I was able to work very closely with her as deputy for seven years towards the end of her mandate was a highlight. We obviously talked together about many auditing issues. The fact that I was able to advise her on positions she took on those issues was the highlight of my career.

Mr. Andrew Saxton: Do you have any advice going forward?

Mr. John Wiersema: In terms of advice to put forward, I think I'll come back, Mr. Chairman, to my chapter on matters of special interest and importance.

As I indicated in my opening statement, I truly do believe that a great majority of the negative audit observations about which this office comes in front of this committee have to deal with one of those four key elements, where the objective of the program isn't clearly defined: what we're trying to achieve and over what time period, realistic objectives, and clear roles and responsibilities. I think a lot of our observations have to do with that area.

Committed and sustained leadership: in the report we tabled yesterday, you'll note a couple of areas where we've reported on these observations in the past. Government has indicated that it was going to address them but in fact has not. I think that's fundamentally a question of committed and sustained leadership.

Predictable and stable funding: the government's funding cycle is short-term in its nature. It basically looks out five years and a lot of programs receive what's called sunsetted funding. I think it puts senior managers in the public service in a very, very difficult position for planning strategically for the long term if they don't have security of their funding, in some cases for the short term and in almost all cases beyond the five-year timeframe.

The fourth comment, Mr. Chairman, has to do with sufficiency and appropriateness of management information. I truly believe this is a chronic problem in government; it's fairly widespread. Government managers do not have the information I think they should have to manage well: information on their objectives, on the results they're trying to achieve, on service levels, and on costs to deliver services. I think you'll see quite a number of audit reports pointing to deficiencies in these areas.

• (1545)

The Vice-Chair (Mr. Daryl Kramp): Thank you.

Perhaps in closing remarks you can elaborate further, should you have the time, but we're out of time here.

Now we'll go to Mr. Dubé, *s'il vous plaît*.

[*Translation*]

Mr. Matthew Dubé (Chambly—Borduas, NDP): Thank you, Mr. Chair.

I would like to echo the chair's comments by thanking you for your work and for joining us today.

I would like to focus on chapter 5, which deals with the situation at National Defence. It seems it leaves quite a lot to be desired. For several weeks, not to say several months, this department seems to be having a fair number of problems. I think, for example, about the F-35 issue, which was brought up in the House. It seems to be clear that the problem is one of management.

Several times, you mentioned management in the short term and lack of management in the long term. Going by the comments you made in response to a question from my colleague, I would have to say that stable long-term funding is one of the chronic problems that affects the department as a whole.

What, in your view, are the impacts of this department's short-term vision, specifically on the maintenance and repair of its equipment? How could this hurt, with particular reference to the effectiveness and the safety of our military forces?

Mr. John Wiersema: Thank you, Mr. Chair.

First of all, I would say that the situation is perhaps even worse than you described it.

[*English*]

The department has been able to keep its equipment maintained and operational in the short term, but even there, with respect to the short-term situation, in my view it doesn't have proper information systems on its equipment and the costs to maintain that equipment.

Right now, the department is not in a situation to be able to allocate its own staff costs that it incurs, the costs of its own infrastructure, its maintenance and repairs, and its activities. That situation exists even today. The department has indicated, in response to our chapter, that it intends to have that information system in place by 2013.

With respect to going forward, the department is exploring what I believe to be some innovative and potentially quite productive approaches to arranging for the maintenance and repair of its equipment. In my view, those approaches have lost momentum. They haven't received the attention they deserve within the department, and I encourage the department to get on with exploring those approaches further, in particular because there are also opportunities for cost savings there, I believe.

With respect to the question on the financing, here again, particularly as the department moves to long-term and fewer contracts for maintaining its equipment, there will be challenges with financing, because the department only has stability and security of funding for the short-term but in some cases will be entering into contracts for repairs and maintenance of its equipment that will extend long beyond the funding horizon.

[Translation]

Mr. Matthew Dubé: Thank you. This is a department that spends huge sums of money and that negotiates for the purchase or maintenance of equipment that is used in some pretty difficult situations, like wars or peacekeeping missions. I can't see how, in 2011, these information systems are not being used.

How long has your office been making these recommendations for? Do you have any indication that things will be different this time, and that your recommendations will be taken into account?

Mr. John Wiersema: I hope that it will be different this time. That is a good question to ask the department.

[English]

I think this is.... Forgive me, Mr. Chair, I probably shouldn't be giving advice to this committee, but I think this points to the important role that this committee can play in the accountability process. In recent years when the public accounts committee had hearings with departments, it asked for action plans with details on who was going to do it and when it was going to be done. That wasn't in place in 2004 when we last reported on this issue.

So I believe there's an important role for the committee to play here in asking the department for action plans. The committee could satisfy itself as to the sufficiency of those action plans and the committee could also use those action plans as the basis for subsequent follow-up.

Forgive me, Mr. Chair, but I think the committee can help us here.

• (1550)

The Vice-Chair (Mr. Daryl Kramp): I think you've earned that right, sir.

Mr. John Wiersema: Thank you.

The Vice-Chair (Mr. Daryl Kramp): You have 20 seconds, Mr. Dubé.

[Translation]

Mr. Matthew Dubé: I would like to come back to the matter briefly. Because these transactions involve such large sums of money, is it your experience as an auditor that it is normal that such systems are not already in place at the Department of National Defence?

Mr. John Wiersema: No, Mr. Chair, it is not normal, and we said exactly the same thing several years ago. So the department has to deal with the issue.

[English]

The Vice-Chair (Mr. Daryl Kramp): Fine. Thank you.

Now Mr. Shipley, please.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you.

Thank you, Mr. Wiersema, for being back here, which is being talked about as being maybe your last official duty as interim Auditor General, and thank you.

I'd like to go to chapter 3 because I want to get an understanding of your comments in talking about the farmers: that the agriculture industry can wait up to two years for a payment and that the amount of the payment is hard to project.

On the amount of payment I agree. Unfortunately, we got tied in with a past program that makes that understanding of bankable very difficult.

But the two years.... I'm being told by my producers that I think some of that problem comes with farm businesses, corporations, that have off-calendar year-ends. So if they end up in March...they actually can end up about a year and three months behind just because they've been off the calendar year-end.

I've talked with the federal Minister of Agriculture. In Ontario, it is run by Agricorp, through which those funds are funnelled. My understanding also is that there are some problems with the systems of Agricorp in being able to deal with the numbers. Ontario is one of the largest in terms of agricultural producers out there and across Canada.

Can you help explain to me what that actually means? I know we have to wait for CRA to get the information back. I do know that we actually put out 50% ahead, which helps; that's on an estimate in terms of what they may be getting and that has to be documented. But I'm wondering where does.... Because it's not just federal. I'm wondering if you could help us understand the complexity of it and why you think there's maybe a delay of two years.

Mr. John Wiersema: Thank you for that, Mr. Chairman. With your permission, I'll perhaps ask Mr. Maxwell to elaborate.

The Department of Agriculture is very aware of this challenge. It is a challenge between targeting the particular needs of an individual producer versus the timeliness of payments. The more targeted you become, the more data you need. The department is aware of this. It is still taking a long time for producers to get their money.

There are two important points to note here. Yes, the provinces are involved in delivering these payments, but ultimately I don't think the producers care very much whether it's a provincial responsibility or a producer responsibility. If they're looking to get support from the government, they're looking to get it as quickly as possible.

Mr. Bev Shipley: In Ontario's case, they do the delivery. Our Minister of Agriculture does not have the issue of the changing and being able to roll that out more quickly. I wonder if you have any explanation of that collaboration—I don't see it in the report—and how that works when it becomes.... I know there are delays and they're are frustrating—tell me—but I'm not so sure it's all based on what's in the report in terms of that responsibility of the federal government.

Mr. John Wiersema: The only very quick comment I'll make, Mr. Chairman, is that the federal government, in consultation with the provinces, designs the program. Much of the delivery takes place at the provincial governments, so there is a shared responsibility here.

The Vice-Chair (Mr. Daryl Kramp): Mr. Maxwell.

Mr. Neil Maxwell (Assistant Auditor General, Office of the Auditor General of Canada): Thank you, Chair.

I would add that there are probably two main causes for the delays. The one that has been discussed here is the complexity of the design of the program. We also found a number of areas where the federal administration could be streamlined.

Probably the most important point I'd underline in answering that question is that Agriculture and Agri-Food Canada themselves don't have a good answer as to why those delays have occurred. We were quite surprised that they hadn't analyzed where the blockages and choke points were in the process. That was one of our recommendations.

• (1555)

Mr. Bev Shipley: Good. I look forward to that discussion when we have them in front of us.

The Vice-Chair (Mr. Daryl Kramp): You have 30 seconds.

Mr. Bev Shipley: Can I quickly go to the economic action plan? You've done a review of it. A huge number of programs and projects went out. I don't know if there has been a program that did so much in a short period of time. I guess that was sort of the initiative of it.

Did it deliver on what it said it would do? Did money go to the intended purposes? Did the government actually get what it paid for?

Mr. John Wiersema: We audited three programs in the economic action plan, aggregating some \$7 billion of spending. We have a positive message to convey to Parliament. Those three programs were well managed and carefully monitored by the departments. The departments intervened where necessary and ensured that the Government of Canada got what it paid for.

The overall success of the economic action plan is not something we're in a position to assess. One of the main findings of this report is that the government itself has committed to report to Parliament on the results achieved from the economic action plan. We think that's vitally important for something as significant as this.

We lend our full support to the government on moving forward to provide that accountability reporting back to Parliament.

The Vice-Chair (Mr. Daryl Kramp): Thank you very much.

Madam Blanchette-Lamothe.

[Translation]

Ms. Lysane Blanchette-Lamothe (Pierrefonds—Dollard, NDP): If I may, I would like to talk about the issuing of visas. I am a little concerned. More than 10 years ago, you pointed out deficiencies and made recommendations. You were told that they had been accepted. Ten years later, here we are again with basically the same comments and the same deficiencies.

Do you have any reason to believe that, this time, accepting your recommendations means real improvements or do we still have to be skeptical that there will be any improvement in issuing visas?

Mr. John Wiersema: No, not yet. I think it would be important for the committee to call a meeting on the matter. The last time we audited this program, the Standing Committee on Public Accounts did not get into the process of asking for an action plan and some follow-up.

[English]

I think the committee would be better served to seek those assurances that these issues will be addressed on a timely basis from the affected departments themselves.

[Translation]

Ms. Lysane Blanchette-Lamothe: If I understand correctly, you are suggesting that we ask the department for an action plan and then, in due course, we do a new investigation into the same things.

Mr. John Wiersema: That is for the committee to decide. I feel that it is important to hold a hearing on the matter.

Ms. Lysane Blanchette-Lamothe: About how soon do you think it would be helpful to have another hearing about the issuing of visas?

Mr. John Wiersema: I feel that is for the committee to decide. In my opinion, this chapter is a priority and needs a hearing. That would be my recommendation.

Ms. Lysane Blanchette-Lamothe: Thank you.

With regard to the issuing of visas, your audit focuses on health and security. You have not said a lot about wait times, denials of consent, support for new applications and difficulties in renewing visas.

Is that because the questions of health and security are really critical, or because you did not see the relevance of working on matters related to the issuing of visas?

Mr. John Wiersema: I will ask Wendy to answer, Mr. Chair, but, in my view, this audit focuses on health and security.

Ms. Wendy Loschiuk (Assistant Auditor General, Office of the Auditor General of Canada): It does. In this audit, we limited ourselves to the part of the Immigration and Refugee Protection Act that says that there are some health reasons and some security reasons why you cannot enter Canada.

We looked at the system in place, with CIC and the Canadian Border Services Agency, to determine whether someone is eligible for reasons of—

• (1600)

Ms. Lysane Blanchette-Lamothe: Excuse me, I have to interrupt you because I still have a lot of questions.

Was it your choice to focus your work on security? In our constituencies, we hear a lot of concerns about wait times and denials of consent and so on. Why did you not look into that aspect of issuing visas?

Ms. Wendy Loschiuk: There are reasons for that. Different departments are involved. There is CSIS, the RCMP, the Canadian Border Services Agency and CIC. We have to make decisions and there is information to look at. We did not look into the system in other departments because the Canadian Border Services Agency is responsible for doing that. We stopped our audit at that point.

Ms. Lysane Blanchette-Lamothe: Thank you.

Mr. Wiersema, you often talk about sustained leadership. What do you mean by a lack of sustained leadership that would take care of the basic elements so that government programs could be effective?

Mr. John Wiersema: It is difficult to answer that question, Mr. Chair.

[English]

It's my last hearing as Interim Auditor General. I'll stick my neck out again. If senior officials say they're going to do something and have committed to the Parliament of Canada that they're going to do something, then I think they should be expected to deliver it.

If you've made commitments to Parliament saying that certain issues will be addressed at a certain point in time, I think it's important that people follow through and be held accountable for whether or not they deliver on those commitments. Do what you say you're going to do.

The Vice-Chair (Mr. Daryl Kramp): Thank you very much, Mr. Wiersema.

The time's up.

We will go to Mr. Hayes, please.

Mr. Bryan Hayes (Sault Ste. Marie, CPC): Thank you, Mr. Chair.

Mr. Wiersema, it's nice to see you again. I've enjoyed working with you in my very short time on this committee. You've provided great guidance and direction, and I wish I'd had you around many years ago when I had my own business. My business might have lasted a little longer. It did all right.

I do thank you for your 33 years of service. It's similar to my father's: exactly 33 years of service in the Royal Canadian Air Force. I'm probably a little bit passionate about our military because of that, so my questions are going to focus on chapter 5.

I think specifically, as I recall yesterday, you stated, "Regarding maintenance and repair of funding allocations, we determined that National Defence has an effective forum in place to allocate financial resources to define priorities". Can you elaborate on what exactly that means, on what effective forum is in place, and how does the department define its priorities?

Mr. John Wiersema: You'll have to forgive me on this one. It's in a level of detail in the chapter that I'll have to re-familiarize myself with, because my backup on this chapter isn't here. He had to go to another meeting.

The specifics on the way DND presently allocates its resources to priorities are described in paragraphs 5.17 to 5.21 in the report. There are a number of fora in which receipts for demands for needed military equipment can be presented. They are evaluated by senior committees within National Defence. They use what information they have available to make the best decisions they can make with respect to the allocation of those resources.

We note in the chapter that the requests for funding always exceed the department's capacity to fund the demands. They're only able to fund about 70% of the demands received. But the department does have a good mechanism in place to ensure that they make the best use they can in allocating those funds to the priority projects.

• (1605)

Mr. Bryan Hayes: Thank you.

Former Auditor General Sheila Fraser said the following:

My sense is there is good control. But I think once the decision is made to send our people into war, we have to make sure they are equipped properly, that they are well supported and well protected. And the costs of these things becomes almost a little irrelevant in the whole scheme of things.

Do you believe that the Department of National Defence and this government are ensuring that our men and women in uniform have the necessary equipment to complete their tasks?

Mr. John Wiersema: In my opinion, the Department of National Defence has been successful to date in ensuring that military equipment is properly repaired and maintained, but it does face significant challenges and opportunities going forward in continuing to be able to provide that level of support.

Mr. Bryan Hayes: You made a statement that National Defence has adopted new approaches and these new approaches have the potential to help National Defence better manage maintenance and repair activities and realize cost savings.

Can you discuss these new approaches that National Defence has adopted?

Mr. John Wiersema: There are two new approaches. The first is called the optimized weapon management system. It applies primarily to existing fleets. The department is trying to consolidate what were previously thousands of contracts into fewer numbers of contracts to support various fleets. They've adopted that system for four fleets within the air force, and they have a strategy of trying to consolidate the contracts into nine multi-year contracts.

We think that approach has a lot of promise. Unfortunately, it wasn't deployed broadly across the Department of National Defence. When the project leader who was leading this initiative left the project, the initiative lost momentum. We think this approach has a lot of potential, and we encourage the department to continue to move forward with it.

The second new approach is the in-service contract support system. The thinking here is that when the Department of National Defence buys new equipment it will also buy a long-term support contract to repair and maintain that equipment—in some cases, up to decades into the future. There are huge risks and challenges here for the department in terms of the potential to lose expertise within the department and the reduced financial flexibility of the department, particularly in light of the fact that the funding cycle is so short.

We think this approach has some potential as well, and we encourage the department to identify the key risks associated with moving forward with it and making sure it has the appropriate mitigating actions in place.

The Vice-Chair (Mr. Daryl Kramp): Thank you.

That's it.

Next is Mr. Byrne, please.

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Thank you very much, Mr. Chair.

Mr. Wiersema, the chapter on regulated pharmaceutical drugs and Health Canada's activities is particularly pertinent to each and every Canadian. Our health and our health care are some of the most tangible and visible things that affect our lives.

On what struck me about the chapter, you gave an overall description of the industry. It's a \$31-billion-a-year industry in Canada, and over 500 million prescription medications are dispensed on an annual basis. The stakes are pretty high. That's one of the things you could not help but see in the chapter you wrote. This is big business. This is big money.

You noted in the chapter that the process of constraining or preventing conflict of interest has been somewhat suspect. Can you describe exactly what your concerns are about conflict of interest, not only within the regulatory approval process with outside players, but also within the Department of Health itself?

Mr. John Wiersema: Thank you for the question, Mr. Chairman.

Under the government's Treasury Board policy on the code of conduct for public servants, each department is expected to assess the particular risks that apply to its operations and ensure it has measures in place to mitigate those risks.

So with respect to regulating pharmaceutical drugs, in my view there are potential risks of conflicts of interest. Two examples come to mind, Mr. Chairman.

One is what I would refer to as complacency risk. If you're working with the same drug manufacturer too long, there's a risk you'll become too familiar with its processes and perhaps become complacent in your review.

Another risk I can think of off the cuff is the risk of financial benefit. Decisions to approve or not approve drugs could have impact on trading values of pharmaceutical companies, and public servants could inappropriately take advantage of that.

What we've found is that the department has not yet assessed its particular situation in regard to the risks that apply to the regulation of pharmaceutical drugs. We've encouraged them to do that and ensure they have appropriate mitigating actions in place.

The last comment I'll make, Mr. Chairman, is that I am aware that the department is now seized with this issue, and as recently as last week—Neil?—has undertaken certain initiatives to remind its employees of their conflict of interest obligations.

• (1610)

Hon. Gerry Byrne: Thank you very much.

You recommended in chapter 4—in section 4.63, I believe—that the disclosure of information related to drug approvals be not only for drug approvals but also for rejections. The industry itself has always rejected that, claiming that it should not be forced to provide proprietary information on something that was actually rejected.

But the department, Health Canada, has actually agreed with your recommendation. How far should this go? There's a difference between just simply saying, "Yes, we agree, we should provide more information...". What information really should be provided?

Mr. John Wiersema: Mr. Chairman, I'll ask Mr. Maxwell to answer that question.

Mr. Neil Maxwell: Thank you, Chair, for that question.

Just broadly speaking, we had two concerns. One was about timeliness and one was about transparency. This question gets to the transparency of the regulation of drugs. In that particular recommendation, we said that Health Canada really hasn't dealt with the commitments it has made in the past to increase the transparency.

The Vice-Chair (Mr. Daryl Kramp): The bells are ringing, but might I suggest that the chair will allow this round of questioning to be completed in its entirety, with Mr. Byrne? Then we will break for votes and return immediately after the votes, unless I have a unanimous motion to suggest otherwise.

Yes?

Mr. Andrew Saxton: We agree with you and we support that recommendation.

The Vice-Chair (Mr. Daryl Kramp): We're comfortable with this? Okay.

Let's take off the time off for my conversation.

Mr. Byrne, please finish.

Mr. Maxwell?

Thank you.

Mr. Neil Maxwell: I'll be brief.

We recommended that Health Canada disclose information both on rejected applications and on the ones in which the companies actually withdraw the application. Largely that was because of the practice of other regulators in other countries. We cite the case of the European Medicines Agency, which in fact is to disclose that very information....

Hon. Gerry Byrne: So in agreeing to that particular recommendation, Health Canada really cannot come back and now say to us as parliamentarians that it's all really subject to privacy information or proprietary rights.

You understand it to be that Health Canada will be disclosing all the information that is pertinent for transparency purposes in a rejection or in some of the other cases you also noted, like withdrawals with conditions or approvals with conditions. Would that be a fair categorization?

Mr. Neil Maxwell: Yes, Chair, the response to our recommendation begins with the word "Agreed".

Hon. Gerry Byrne: Yes, I couldn't agree more.

On the issue of—

The Vice-Chair (Mr. Daryl Kramp): Yes, you can have another half a minute.

Mr. John Wiersema: Pardon me, Mr. Chair.

Hon. Gerry Byrne: Sorry, Mr. Wiersema, you wanted to...?

Mr. John Wiersema: Very briefly, Mr. Chair, Health Canada will have to comply with the laws of the land in what information it discloses, so if there are legal requirements that prevent it from disclosing information, I don't think you can categorically say it is going to ignore the laws of the land.

Hon. Gerry Byrne: No, but I think what's important here is that when the government says “agreed”, it is doing so with full knowledge of what the law is, so it has already determined within its own ranks that by disclosing this information it would be in compliance with the law.

From our point of view as parliamentarians, Mr. Wiersema, I'll just say what you just said a little while ago. When you say “we agree”, then you do so with a full understanding of what you're agreeing to. We hope that's what Health Canada has indeed done and they're not playing a little bit of pokey-wokey.

The Vice-Chair (Mr. Daryl Kramp): Thank you, Mr. Byrne.

We're well over time now, so we will suspend the meeting until immediately after the vote.

•(1610)

(Pause)

•(1700)

The Vice-Chair (Mr. Daryl Kramp): Okay. We will commence.

We give our apologies to our guests, although I think they understand the realities of parliamentary process well enough that I suppose it's not necessary. We will get back to our line of questioning immediately in the hope that we can get through his and give everybody an opportunity to participate today.

The next line of questioning will be from Ms. Bateman, please.

Ms. Joyce Bateman (Winnipeg South Centre, CPC): Thank you very much, Mr. Chair.

What an honour it is to be at the last occasion when you're speaking in an official capacity and to thank you very much. As a public servant myself, I certainly took the role very seriously, and I still take very seriously this new role. I know you did the same for your entire career and *je vous remercie*.

There's another thing you've done incredibly well and I would like to hear a little bit about it. As you know, we have a deficit reduction action plan, and you have personally committed in your office to undergo a review of spending patterns and ensure that you're delivering on any efficiencies for taxpayers.

That is so much appreciated. I just want you to know that you're the only commission to do so—at least, that's what our information indicates. You told me the right name, sir: the servants of Parliament or the agents of Parliament. We're the servants to the people, but yes, the agents to Parliament, so....

Anyway, I just want to hear about your process and how you did it: what your intent was, what the reality was, and what you're doing on a go-forward basis.

•(1705)

Mr. John Wiersema: Thank you for the question, Mr. Chairman.

We have undertaken, as the member has indicated, a strategic and operating review of the Office of the Auditor General. I shouldn't speak for the other agents of Parliament, but my understanding is that the other agents of Parliament are undertaking similar reviews of their organizations.

We did this review over the course of the summer and the early fall, and I have written a letter to the chair of this committee outlining the results of our review. I would very much welcome—or my colleagues would very much welcome—an opportunity to discuss our thinking and to get the committee's reaction to what we're proposing as a result of our review.

In terms of the process, Mr. Chairman, essentially what we did was start with a basic question, which is was, where do we get the best value from our audit dollar and where do we invest our audit resources to make the most effective use of them and to best serve Parliament? The result of that exercise is outlined in the letter I have sent to the chair of the committee.

Basically, if you would like me to, at a very high level I can indicate what's included in that review, or we can leave it for a subsequent discussion.

The Vice-Chair (Mr. Daryl Kramp): The chair is comfortable with that, as long as we have the consent of the committee, in that it falls outside the purview of our discussion today. With the indulgence of the committee.... The question is fine with the chair, but if anybody has an objection to it, then it will not go on. Are we comfortable...?

We're comfortable. Carry on, Mr. Wiersema.

Mr. John Wiersema: Very briefly, Mr. Chairman, I will try to go from memory of what's included in my letter.

With respect to the performance audit practice, the work we're discussing here today, we are proposing that we would continue at roughly the same level of activity we're presently doing. We reduced that practice a number of years ago in response to funding pressures we were facing at the time.

At that time, we were producing 35 or so of these reports a year for Parliament. We've since reduced that to between 25 and 30. We think that's a good number. We think that gives us an opportunity to effectively cover most areas of government operations over a 10-year period, and we think we can get an appropriate level of parliamentary engagement in our performance audit practice at that level.

The key areas of proposed cuts are in our financial audit practice. What we're proposing is to discontinue I think almost 20 of the annual financial audits we do of a number of smaller government organizations. Our thinking there was, if we're not auditing the annual financial statements of big government departments like the Department of National Defence or Public Works and Government Services, we weren't sure we were getting good value for money from auditing the very small boards and agencies or tribunals.

For the most part, we're required by legislation to do those audits so we will need legislative changes in order to be able to effect those changes.

We've also done a very careful review of our internal services, our corporate services, and are proposing some cuts in that area as well. This involves things like stretching out our computer replacement policy. Right now, we replace laptops over three years. We'll stretch it out to four years. Other changes like that will reduce internal corporate services in response to the current fiscal environment.

In total, Mr. Chairman, the proposed cuts we think we can implement, subject to the legislative change between now and the fiscal year 2014–15, are approximately \$6 million or \$6.5 million, or 8% of our current main estimates funding. This will also comprise some 8% to 10% of our staff. We will have to downsize the staff to implement that, and we're reasonably confident we can do it largely through attrition, through retraining, and through redeployment in the office.

• (1710)

The Vice-Chair (Mr. Daryl Kramp): Thank you, Mr. Wiersema.

That is certainly a topic worthy of potential further discussion down the road, but our time is up now.

We will now go to Mr. Allen, please.

Excuse me. We have a point of order.

Yes?

Ms. Joyce Bateman: Mr. Chair, if my research was inaccurate in any way regarding the other agents of Parliament, I do apologize to this committee and to the Auditor General. We will be verifying that information, so I take full responsibility.

But thank you very much for this information.

The Vice-Chair (Mr. Daryl Kramp): Point taken.

Mr. Allen.

Mr. Malcolm Allen (Welland, NDP): Thank you, Chair.

Thank you, Mr. Wiersema, for being here.

Let me say on the record from those of us on this side of the table—we are a few more than when you used to come to report to us when I was here last time—that we thank you for all your hard work over the past almost 34 years. Indeed, with you as the interim Auditor General this past while, we've had a great experience. It has been a great joy to be in this committee while you've been here reporting and a great pleasure. I certainly appreciate that. I know that the New Democrats on this side of the committee appreciate all your hard work.

Let me talk a little bit about AgriStability, because it was referenced earlier. You talked about this idea of this holistic program, a shared program with the provinces, provided of course, that the provinces—which I believe we talk about in the report—build a business case on how they intend to implement it, in which case the department then approves it. That's all well and good. That's a good thing.

That would imply to me at least the service standard delivery they expect in that business case, yet your report indicates—and I'm referencing paragraph 3.42 on page 15—a 75-day standard where we're actually trying to make payments, and it talks about processed and unprocessed applications. In other words, the report says that for the processed applications, 23% were processed and approved and met the 75-day standard. I'm quoting from the report: “However, when unprocessed applications already beyond the 75-day standard were included, only 11 percent met the 75-day service standard”.

So it seems to me there's a long way to go to come close to the standard if only 11%—and this was the most recent report, I believe, from the year 2009. It seems to me they have a long way to go to actually meet the standard where folks who are waiting for the cheque—the bankable piece is the hard part to figure out anyway—at least are getting it within a 75-day standard. There's a long way to go if 11% are clearly meeting the standard and the rest are not.

Mr. John Wiersema: Thank you for the question, Mr. Chairman.

Thank you very sincerely for the kind comments.

I will ask Mr. Maxwell to comment on the specific question dealing with the AgriStability program.

Mr. Neil Maxwell: Thank you, Chair.

We did find, as the questioner mentioned, that the department fell short on the service standards it had set, only reaching 66%. In a sense, the picture gets worse when you start bringing in unprocessed files.

Our main concern was that from the time the application comes in to the time the cheque finally gets there, it can be as much as two years. Our concern, of course, is that this is a program designed to support revenue losses by agricultural producers, and two years is a long time to wait to get that financial aid.

Mr. Malcolm Allen: Thank you for that.

Let me switch gears now to the tobacco piece. You reference in the report the previous program, what we called TTAP, which happened in 2005. In your most recent report, under TTP, you talk about how they “rushed” the program out the door.

What you do reference—and I'm not at the page actually, but I can probably find it if you need it—is 2005, when there was a smaller buyout program. It isn't in your report, but we certainly know there were articles written back in 2005, 2006, and 2007 that talked about folks who took the buyout.

In fact, there was a lineup. In other words, there were at least three to four times more people who wanted out than could actually get out, because the funding was small. I think it amounted to \$50 million to farmers and \$67 million in total. There was a provincial piece added into that. They got \$2 and change instead of \$1.05 in the later program, which was only federal—no provincial included.

In a buyout program that had just happened in 2005 for tobacco producers in that area and in Quebec, with the next program getting rolled out in 2008—the TTP—one would have thought that the lessons you've outlined in this report would have been learned from what happened in 2005, which was just three years before, not thirty.

I wonder if you had the ability to look at whether there was any relationship between the two or whether there should have been any relationship between the two as far as the department looking at it was concerned.

• (1715)

Mr. Neil Maxwell: Thank you, Chair.

Yes, indeed, we thought the program design was rushed in the case of the most recent program. We thought there were important lessons. In fact, one of the lessons from the program in 2005, TTAP, was the idea that you have to build a control into the design of the program to ensure there isn't a transfer of quota before the payment goes out, or else there's an easy means by which recipients can transfer quota, get the payment, and still be involved in tobacco production.

The Vice-Chair (Mr. Daryl Kramp): Thank you.

We're starting to run a bit low on time. The chair is going to bring the questioning down for the remaining four questioners to roughly three minutes and 45 seconds for each questioner in order to allow us to finish on time and still have everybody complete a round.

Next is Mr. Aspin, please, followed by Mr. Byrne.

Mr. Jay Aspin (Nipissing—Timiskaming, CPC): Thank you, Chair.

I would like to add my personal congratulations, Mr. Wiersema. Your contribution to Canada and to your department has been fantastic. I'm a new member and I've only had the pleasure to work with you for a few months, but I've very much enjoyed it.

My question zeroes in on DND. We're in North Bay. We're Canada's centre for security surveillance. We're also the headquarters of 22nd Wing. As you pointed out several times, DND has an enormous budget and is spending millions of dollars on our operations overseas and at home.

From your audit, what did you find that is a positive indication of how the Department of National Defence is spending the taxpayers' money?

Mr. John Wiersema: Well, as I indicated, Mr. Chairman, the Department of National Defence is exploring two new approaches to contracting for maintenance and repair of military equipment. I believe both of those approaches hold promise for improving the availability of the equipment and reducing costs. I believe the department in fact set itself a target of 15% reduction in costs through the optimized weapon management system.

Unfortunately, that initiative lost momentum, and the other initiative, the in-service contract support initiative, hasn't received the attention, the management priority and leadership it requires in the department.

The recommendation that we make in this audit is to encourage the department to provide the leadership necessary to move forward with those approaches. In our view, they do hold the potential for good things.

Mr. Jay Aspin: Thank you.

Chair, if I may, quickly, my second question relates to the recommendation on Canada's economic action plan. Other than the information collection systems for the community adjustment fund, did you find any other issues with the review of project submissions, the audit of individual projects, or the process used to dispense federal money to municipalities? Were those important processes done appropriately?

Mr. John Wiersema: Yes, Mr. Chairman, they were.

The Vice-Chair (Mr. Daryl Kramp): That's fine. Thank you.

You can have about 30 seconds if you'd like, or we can transfer to the next person.

Okay, we will go to the next person.

Mr. Byrne, you have the luxury of maybe another 15 to 20 seconds, compliments of the folks across the street.

Hon. Gerry Byrne: You're very kind, all of you. Thank you.

I would like to address some of the issues regarding your chapter on the issuing of visas. It has not gone unnoticed by many of us that Parliament itself has been seized with providing the executive with new legislative tools to be able to manage Canada's immigration system for some pretty high-profile circumstances, particularly that of human smuggling.

It seems interesting to many of us that we have some serious issues, which you've pointed out, with the issuing of visas, which is a fairly standard practice. Your audit notes that of the 1.4 million visas that Canada processes, including the 317,000 visas for permanent resident status, you've identified some serious issues regarding quality and controls. From a security point of view that seems to be a very significant issue, and yet it's a circumstance that has been around for quite some time.

Mr. Wiersema, would you be able to elaborate for the committee some of the concerns you had about controls of visas and also about the quality assurance that Canadians should have that we're being properly protected?

• (1720)

Mr. John Wiersema: Thank you for the question, Mr. Chairman.

The first point I will make is that, as I think the member is alluding to, the Government of Canada has been in the business of issuing visas for a long time. This is an important function for the health, safety, and security of Canadians.

Frankly, at this point I would have expected that we would have better processes behind that than is currently the case, particularly in light of the fact that some of these matters have been raised in two previous audits, going back as far as 20 years, where the department indicated that it was going to undertake corrective measures.

Quite a number of areas of the system need strengthening. You've alluded to some of them and one in particular, which is the quality assurance process for decisions to issue visas in terms of a systematic process to do that. Are we making good decisions? Do we need to improve our processes? There is no quality assurance process in that systematic quality assurance process. I think that's an important matter that the department had previously indicated it would address and put in place.

On the issue of the diseases they focus on, we're focusing on the same two diseases we were focusing on 50 years ago. I think it's quite reasonable to expect the department to have considered the current context—where there are 56 reportable diseases in Canada—and what that might mean for the diseases where they focus their activities. That has yet to be done.

The Canada Border Services Agency staff who provide advice on security issues to the visa officers are not adequately trained. Their work is poorly documented. They don't always perform the mandatory checks. I think these are important matters that I would have expected to be addressed some time ago.

Hon. Gerry Byrne: Particularly—

The Vice-Chair (Mr. Daryl Kramp): Sorry, but you're well over your time now, Mr. Byrne.

Mr. John Wiersema: I apologize for the long answer.

The Vice-Chair (Mr. Daryl Kramp): On another occasion, certainly, this issue will be before committee.

Mr. Dreeshen.

Mr. Earl Dreeshen (Red Deer, CPC): Thank you very much.

I, too, would like to echo everyone's comments today on the great work you've done. It has been really interesting to get to know you and hear your perspective on the different things that have taken place.

I know I don't have very much time, and there are a couple of items I would like to talk about.

One of the key components of our economic action plan was the knowledge infrastructure program. I had an opportunity to go to different colleges and universities throughout the country to see the types of things that have happened and the great innovation they've been able to put together. Mr. Clement was here a while back, and he was the one who was responsible for the program and for looking at these measures that had to be put in place to ensure that taxpayers' money was spent appropriately.

I wonder if, in about a minute, you could talk about what you did see as far as our knowledge infrastructure program was concerned.

Mr. John Wiersema: What we saw with respect to KIP, the knowledge infrastructure program, Mr. Chair, was consistent with what we saw in the other two programs. The public servants who

were involved in administering and delivering these projects did a good job. They monitored these projects very carefully, with frequent reporting, took corrective action where necessary, and ensured that those projects were delivered as expected. Where there were decisions to delay projects, or to extend a deadline, those decisions were appropriately supported as well.

Mr. Earl Dreeshen: Thank you.

I'd like now to go back to the issuing of visas. I've gone through the observations and recommendations, which talk about the initial training that visa officers had. We're finding that there are a lot of younger people who are coming in here, and they've had the opportunity to get the training over this last five years. That was mentioned in section 2.19.

It looks as though there's a lot of optimism that we're going in the right direction. There are a number of different things. I won't go through the percentages of uptake that you find in each of the departments for the different types of things that they're focusing on. Of course, as has been mentioned, there are those negative things that people have to look at.

I think, when we're taking a look at the recommendation and the response, you're going to see those two trying to work towards best practices and so on. I guess that's more of an editorial opinion from me.

I do have one last thing—and I know that I don't have much time—and that has to do with exhibit D.1 on page 41. The footnote having to do with the First Nations Statistical Institute talks about time ending on the 2008, 2009 and 2010—

•(1725)

The Vice-Chair (Mr. Daryl Kramp): Briefly, because you're running out of time.

Mr. Earl Dreeshen: I'm sorry.

In 2010, there is a number that is associated with that particular event. I wonder if you could explain that.

Mr. John Wiersema: Very quickly, Mr. Chair, the Office of the Auditor General has not yet completed the audits of the First Nations Statistical Institute for the years ending March 31, 2008, 2009, 2010, or 2011, because the agency itself has not yet been in a position to present audited financial statements to us for audit. There is a matter of concern there.

We expect to be issuing those reports shortly, in the coming weeks, but that agency has not yet been able to produce auditable financial statements.

The Vice-Chair (Mr. Daryl Kramp): Thank you.

Now we will finish off.

Mr. Dubé, the last Conservative questioner will not be able to participate, in that we are running out of time. You can close off.

[Translation]

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

I would like to quickly talk about chapter 1, where Canada's Economic Action Plan is mentioned. Forty-seven billion dollars was spent on the action plan and the point of it all, we were told, was job creation. But, in your report, you say that “the program was designed in a way that did not allow for performance measurement and reporting against this key objective”. A lot of time has been spent trumpeting the results of this program that was ultimately designed to create jobs.

Could you explain what you meant by “in a way that did not allow for performance measurement”?

Mr. John Wiersema: I will be very quick, Mr. Chair.
[English]

Our comments on measuring jobs apply to only one of the three programs that we audited, the community adjustment fund; that particular program had an objective specifically related to creating or maintaining jobs. Given that it established that objective, we expected that they would have had some mechanism to track the actual job creation. As I recall, Mr. Chairman, that's \$2 billion out of the overall \$47-billion economic action plan.

The other two programs we audited did not have specific objectives relating to job creation, which is why, Mr. Chairman, we strongly encourage and support the government's plan to prepare an overall report on the results of the economic action plan, both in terms of its success—or otherwise—in stimulating the economy and in creating employment early in 2012. We think it's important to complete that accountability process.

The Vice-Chair (Mr. Daryl Kramp): Fine. Very briefly, Mr. Dubé.
[Translation]

Mr. Matthew Dubé: Of course, we would like to see a system like that implemented in the future. But is it your view that, even if

we are just talking about \$2 billion, which is still a lot of money, a system like that should have been implemented from the outset?

Mr. John Wiersema: I am not sure, Mr. Chair.
[English]

The methodology for counting jobs—part-time jobs, determining whether or not they're related to a particular project, downstream effects of spinoff jobs—is extremely complex. I don't think any country in the world—that I'm aware of—has developed a methodology to do that well. Therefore, we support the intent of the government to report on job creation using the macroeconomic modelling techniques. To do it any other way is fraught with so many problems that I doubt it would result in a reliable measure.

• (1730)

The Vice-Chair (Mr. Daryl Kramp): Thank you very much.

We've reached the conclusion of our meeting today from a time point of view.

Let me take this opportunity to certainly thank our witnesses for appearing here today and for all of their work in the preparation of this fall review and, of course, the work of their support staff as well. It takes quite a team to make it happen.

You've done a marvellous service for the Canadian people today.

Let me as well take this opportunity, serving as your vice-chair, to thank all of my colleagues on all sides of the table here for their cooperation and courtesy in getting through this process in a most comfortable fashion. Hopefully it's a harbinger of great things to come for the effectiveness of this committee. Thank you very kindly.

The meeting is adjourned.

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