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Chair

Mr. Pierre-Luc Dusseault

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•(0845)

[Translation]

The Chair (Mr. Pierre-Luc Dusseault (Sherbrooke, NDP)): Order, please. Today is our 15th meeting. We are going to study the main estimates 2014-15.

It is an honour to have Minister Clement here with us today. He was able to find the time to appear before our committee and give testimony on the main estimates.

As usual, we are going to give the witnesses time for their presentations, followed by questions from members of the committee.

Mr. Clement, thank you for being here. You have five minutes.

Hon. Tony Clement (President of the Treasury Board): Thank you, Mr. Chair.

Good morning, everyone.

[English]

Thank you, members of the committee, for providing us with the opportunity to speak to you about Treasury Board estimates as well as the government-wide mains.

I'm joined today by officials from the Treasury Board Secretariat, including the secretary, Yaprak Baltacioglu; Jim Ralston, Comptroller General of Canada; Daniel Watson, the chief human resources officer for the government. You may recognize Bill Matthews, assistant secretary of the expenditure management sector.

Bill's going to say a few things as well, but I just wanted to give you a brief overview of government-wide 2014-15 main estimates.

[Translation]

Again this year, the main estimates show a significant decrease in the amount of voted expenditures. As you will see, the estimates for the voted amounts are down by almost \$800 million compared to last year, which is a clear result of our government's commitment to reducing unnecessary spending and balancing the budget.

[English]

Chair, the 2014-15 main estimates provide information on the \$235.3 billion in planned budgetary expenditures for the 2014-15 fiscal year. This includes \$86.3 billion in voted expenditures, which have decreased from \$87.1 billion in 2013-14. This also includes the \$149 billion in statutory expenditures.

[Translation]

Mr. Chair, the main appropriations include an increase of \$311.7 million for Health Canada in order to stabilize, renew and expand important health programs and services for first nations and Inuit communities,

[English]

the Canada Mortgage and Housing Corporation's \$253.1-million investment in affordable housing program, as well as a \$70-million fund for housing in Nunavut, and an increase of \$59.6 million for the National Research Council of Canada to realign industry-focused research.

Parliament will be asked to approve the amount of voted expenditures through interim and full supply bills, of course. I should say that the main estimates continue the steady decrease in the amount of voted spending. Over the past four years, since fiscal year 2010-11, there has been a decrease in the main estimates voted appropriations.

[Translation]

At the same time, statutory expenditures have gone up by \$3.53 billion, mostly because of the changes made to the estimates for seniors' benefits and the Canada health transfer.

[English]

Overall, these main estimates reflect the results of the government's cost containment measures.

As for my own department, in 2014-15, the Treasury Board Secretariat is asking for \$7.4 billion in planned spending. This amount does include certain increases as they're related to an increase in pay, less expenditures, operating budget carry forward, and employer contributions made under the pension program.

The secretariat's reference levels were reduced by \$7.6 million in 2012-13. By the end of the 2013-14 fiscal year, ongoing savings will reach \$15.1 million and \$23.6 million by the end of 2014-15.

Just to give an example, as a follow-up to budget 2012, the Treasury Board Secretariat cut \$100,000 from its annual spending on travel to align with our government's commitment to reduce travel expenditures.

Our government remains focused on modernizing and simplifying the administrative systems of government as well as promoting productivity, innovation, and excellence in the public service. Returning to a balanced budget is not an end in itself; it provides a host of benefits that go well beyond the bottom line. It frees up taxpayer dollars that may otherwise be spent on interest costs to lower taxes and invest in the priorities of Canadians. It helps keep interest rates low. Instilling confidence in consumers and investors, these dollars spur economic growth and job creation. It strengthens our country's ability to respond to longer term challenges such as population aging and unexpected global economic shocks.

● (0850)

With your say-so, Mr. Chair, I would now ask Bill Matthews to give you a little more detailed information on the main estimates, and afterwards we'd be happy to take your questions.

[Translation]

Mr. Bill Matthews (Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat): Thank you very much, Mr. Chair.

As usual, we have prepared a presentation to remind members of the committee of the content of the Government of Canada's estimates and to outline the government's estimates for the year ending March 31, 2015.

[English]

There are two objectives here. The first part is a quick reminder around how estimates work and what sort of content is there. The second part is to give you the highlights of changes in these estimates in terms of major changes in dollars. Given that the first part of the presentation is a reminder on how estimates work, the second part is probably more important in terms of the highlights of the estimates themselves, so if you want to signal me to move it along at some stage and speed things up, I'm happy to do so, because the second part, I think, is more relevant to the committee.

Having said that, let's start on slide number four. You should all have a presentation in front of you. Slide four, members have already seen several times. This is our reminder of the parliamentary reporting cycle. To situate ourselves where we are at present, we're on the far left side of the diagram, January to March 26. This is the time of year where we're effectively wrapping up the current fiscal year as well as starting the next. We were here not that long ago on supplementary estimates (C). We've had the budget and now we have the main estimates, getting ready for the start of the new fiscal year on April 1. A reminder that for departments to spend money, Parliament has to approve something so we need something in place by April 1. That's why the main estimates get tabled in advance of April 1, so that Parliament can approve what we call interim supply in advance of the fiscal year starting.

Slide number five is a reminder about the link between main estimates versus the budget, which has been a frequent topic of discussion at this committee, and it really does relate to the role of Treasury Board. When the budget is being prepared, it looks at spending approvals made by the Treasury Board up until about Christmas and they take that kind of pre-approved spending into consideration for the budget. New budget items that were announced in the budget a couple of weeks ago will be included either in future

main estimates, or those that are more urgent you will see in upcoming supplementary estimates (A), (B), or (C) for the current year. By way of example, if you had looked at budget 2014, you would have seen some renewed funding for the first nations water and waste water action plan of \$323 million over two years, if I recall correctly. A portion of that is in 2014-15. That is not in the main estimates because it was just announced in the budget, so you will see that in upcoming supplementary estimates (A), (B), or (C). That's a reminder of that link between those two things.

Slide number six is the structure of the main estimates themselves. There are two parts. Part one we call the government expenditure plan, which is the overview of federal spending and summarizes the key elements, including the distinction between voted and statutory, as well as budgetary and non-budgetary. A reminder that a budgetary expense is one that, if things go as planned, the bottom line is there's an impact on the expenses of the government. Non-budgetary are things like loans, where we expect to recover them, so if we do recover them, there is in effect no impact on the eventual bottom line of the government.

The bulk of the estimates, which is part two, is the actual department-by-department detail in what's planned in terms of spending. Then you'll also see a draft of the appropriation act itself, which Parliament will eventually be asked to approve.

In slide number seven, to remind you of part two of the main estimates, which again is the department-by-department detail, you will see the *raison d'être* for each department: the planned spending, voted and statutory, with a comparison to the previous year for each department. You'll see a departmental highlights piece. It will highlight things that are included in this year's main estimates that were not in last year's main estimates. A good example would be if you think about the Department of Public Safety, the program for disaster financial assistance was renewed during the fiscal year and is included in this year's main estimates. It was not in last year's main estimates; it was in a supplementary estimate last year. That's highlighted in that department's explanation so you can better understand the changes in dollars if you're comparing main estimates to main estimates.

● (0855)

Slide number eight is a reminder, since we were just here on supplementary estimates (C), that main estimates differ from supplementary estimates.

Supplementary estimates are very much transactional. A department is looking for a certain amount of money to do a certain thing, and that is incremental in nature. Main estimates take all of the approved incremental funding and group it together into totals.

By way of example, when we were here a few weeks back on supplementary estimates (C), we were talking about Citizenship and Immigration. They had money for the Canada-Quebec accord and also increased funding for temporary residents as well as for citizens. That funding is now rolled into their main estimates total. You will not actually see it line by line, but it's in the total.

That's just to highlight the difference between main estimates and supplementary estimates.

As to the types of votes you will see in these estimates, you'll see program expenditures. For departments that are smaller in nature, less than \$5 million, we lump everything together in what's called a program vote. For departments that are larger, you'll see voted money for operating, voted money for capital, voted money for grants and contributions. Those are the three types of votes you'll see for the larger departments.

The other unique bit you'll see is something called Treasury Board central votes. I have listed those for you on slide eight. Those are votes that the Treasury Board allocates to departments. There's quite a variety among these. We can speak about them, if members are interested, but you'll see the list here. It includes everything from government-wide contingencies, a normal allocation of \$750 million that is not always used but is there if it's needed, down to operating budget carry forward, which is allocations made to departments based on unspent funds in the previous year to encourage better spending planning, as well as pay list requirements, which the president has already mentioned in his opening remarks.

I'm happy to take questions on those if they are of interest to committee members.

On slide nine we have highlighted for you a few changes to presentation.

The first one I will speak to is the alphabetical order of departments. What that means for us is departments are no longer presented in the same order in English and French. If you wish to ask a question and are quoting a specific page of the estimates documents, I would ask that you give us a minute or two so that we can find the equivalent page in the other version so that all members can follow along.

The second change I will highlight is that employment insurance benefits are no longer presented in the main estimates. I'm happy to discuss the reasons for that. The EI account is a bit unique in that it runs out of an operating account. In discussions with researchers in the past about how to better align our reporting, we have always been talking about budgets, main estimates, and then public accounts, which is the last piece. We've made a change to the presentation to no longer include employment insurance benefits in the estimates, and I'm happy to take questions on that.

Last, for any sort of funding that is deemed to have been appropriated from one department to another because of a transfer in administration, there is a presentation change concerning how those show up. As a good example, members would be familiar with the move of the Canadian International Development Agency over to the Department of Foreign Affairs. In terms of how in-year appropriations are presented, there's a slight change. I've highlighted that for you as well.

The second half of the presentation is more on the numbers that you'll see.

[*Translation*]

If we compare the main estimates for 2014-15 with those for 2013-14, as the President of the Treasury Board has already mentioned, the total amount for statutory expenditures continues to go up because of the Canada health transfer and the old age security program. At the same time, voted expenditures continue to decrease.

[*English*]

This is, as the president has already mentioned, as a result of continued efforts to reduce the operating expenditures of government. The trend you're seeing in total is slight growth, but it's driven by the increases in the statutory payments, as mentioned, for the Canada health transfer as well as in programs for old age security.

Slide eleven gives you a little more context for what is going on between the splits between transfer payments, operating and capital, and public debt. What you'll see here is that the bulk of the spending is transfer payments, slightly more than 60%. Around 11% goes on public debt charges, and 28% on operating and capital.

If you're wondering how this compares with previous years, it's the same story as on the previous slide. The Canada health transfer and the old age security programs are very much transfer payments. They are causing the share of transfer payments to increase, while the other two categories are dropping slightly. Both public debt interest and spending on operating and capital are dropping slightly.

I will spend a few minutes on slide twelve, because these are the major changes from an organizational perspective, the largest increases and decreases by organization.

● (0900)

Foreign Affairs, Trade and Development spending is increased. That's actually linked to the first decrease you will see here, for the Canadian International Development Agency. The reason you're seeing that increase and corresponding decrease arises from the transfer or the merger that I already mentioned. CIDA is now part of Foreign Affairs, so Foreign Affairs' estimates increase; Canadian International Development Agency obviously goes down by a significant amount.

Continuing to run through the largest increases, for Treasury Board Secretariat as a department you will see a \$400 million increase for the operating budget carry forward. I can speak to how that works. It's one of those central votes that is allocated to departments. As well, you'll see some funding for pay list requirements around something called pay in arrears, which we can also speak to. Again, central votes are driving that, as well as increased payment around the pension plan for the employees whom we have going.

For Employment and Social Development, the change—increases, largely—includes the one I've already mentioned, which is old age security and GIS, largely being driven by demographics.

For Public Safety, we've already mentioned that the disaster financial assistance program is in this year's main estimates and was not in last year's main estimates. That is what is driving that increase.

The last increase here, \$676 million for National Defence, largely relates to a few capital projects they have going: light armoured patrol vehicles and Arctic offshore patrol ships, as well as spending on the Canadian Armed Forces health and service centres.

Those are the largest increases.

Among decreases, we've already covered CIDA.

The office of Infrastructure Canada estimate is decreasing, and that's largely to align spending plans with a more realistic projection of spending, considering what sorts of grants are coming in this year.

In CRA, there is a drop, and that is twofold. I think I already spoke about this at supplementary estimates (C), but about half of that decrease relates to decreased export charges under the Softwood Lumber Products Export Charge Act. The other part is largely related to some changes at CRA due to increases in e-filing and less paper-based exchanges and decreased mailing costs.

Citizenship and Immigration is dropping. That is essentially because of the transfer of Passport Canada out of CIC. That is what explains that decrease.

Last on this list, you will see Correctional Services Canada dropping by \$262.9 million. That decrease relates to the expiry of some temporary funding that has now run its course.

Slide thirteen provides a reminder that this committee had made a recommendation that we link funding and estimates for items that were in a budget. Members were interested in knowing, the first time it appears in estimates, which budget it relates to.

From budget 2013, appearing for the first time in these estimates, on page 1 we have listed \$253 million for investment in affordable housing and \$70 million for housing in Nunavut. This is an example of those things being highlighted for you.

Also, if you go through the highlight section of departments' explanations of changes, you will see some links back to budget references: the \$311 million for Health Canada related to programs and services for first nations; \$95.6 million for Shared Services Canada around the consolidation of procurement of software. That is really not new money. It's basically money that used to be spent in departments that is being transferred over to Shared Services Canada, essentially to standardize and drive some efficiencies in procurement.

Last, there is some funding for National Research Council related to realignment of industry-focused research.

Slides fourteen and fifteen are both about Treasury Board Secretariat. The President of the Treasury Board has already given you a quick overview of Treasury Board Secretariat spending. As a reminder here, vote 1 is Treasury Board Secretariat's vote as a department for its operations. There are also those central votes that I

mentioned earlier, which show up under Treasury Board Secretariat but are more related to Treasury Board Secretariat's role as a government-wide organization, because those funds are allocated out to departments.

Slide fifteen gives you a listing by votes of main estimates 2014-15 versus 2013-14 and highlights for you the increases and decreases.

Last, as the president has already covered off, there's an upcoming study of the estimates.

You have the draft of proposed schedules to the appropriation bill in the annex of the main estimates. These main estimates support both the interim supply bill and the full supply bill. These will be tabled in March and June respectively.

● (0905)

In advance of answering your questions, I would like to say that I hope the information we give you here today helps you with your study of your estimates and we look forward to your questions.

[*Translation*]

The Chair: Thank you very much for your presentation.

Without further ado, we are going to proceed with questions from members of the committee. Let us begin with Mathieu Ravignat for five minutes.

Mr. Mathieu Ravignat (Pontiac, NDP): Thank you, Mr. Chair.

[*English*]

Thank you, Minister, for being here. It's always a pleasure to see you. To the other witnesses as well, thanks for coming.

I'd like to start off with a general concern which should be a concern all Canadians and all parliamentarians have, and that is the ability for us to do our job, to ensure oversight on expenditures. It seems you get a failing grade when we listen to the Parliamentary Budget Officer, Mr. Fréchette, who kind of kindly slams you, Minister, for reducing significantly parliamentary oversight. For example, the Parliamentary Budget Officer says that nearly two-thirds of expenditures here are only getting cursory oversight.

How do you answer the Parliamentary Budget Officer and Canadians with respect to the decrease or lack of transparency in these particular mains?

Hon. Tony Clement: Thank you for the question. It is an important one for parliamentarians and for Canadians as well.

The responsibility for oversight is shared. It is obviously part of Treasury Board's responsibility in its meetings and activities to provide oversight, but it's also parliamentarians who have to take up the responsibility of oversight as well. We've done a number of things to improve what we call expenditure management to enhance the tools that are available to explain, dig into, and to develop and implement the government's spending plans.

Mr. Mathieu Ravnagat: Why is the Parliamentary Budget Officer saying that almost two-thirds of expenditures are only getting cursory oversight?

Hon. Tony Clement: I'll let my secretary continue the response.

Ms. Yaprak Baltacioglu (Secretary of the Treasury Board Secretariat, Treasury Board Secretariat): Thank you very much for the question.

The Parliamentary Budget Officer points out what my colleague, Mr. Matthews, pointed out. The statutory expenditures are going up while the program expenditures, because we're in an era of reduction, are coming down. Your oversight in terms of the statutory expenditures is that Parliament approves the statutes under which these moneys are distributed. Beyond that it is formula-driven, because however many children you have under the statutory program, you end up paying that. It's a formula-driven oversight and we do have annual reports.

Mr. Mathieu Ravnagat: I understand that, but there's still less information given to Canadians publicly about what's going on with expenditures.

I don't have a lot of time. Five minutes is not a lot of time.

You've removed EI spending from the estimates. We're talking about 85% of projected budget spending that is not reflected. What's the motivation for removing EI expenditures?

Hon. Tony Clement: It was in discussion with this body's researchers.

Bill can answer that in more detail.

Mr. Bill Matthews: Sure. There are a couple of things. If you looked at the estimates in previous years in discussions in this committee in terms of researchers, we were always talking about the link to budgets, estimates, and public accounts. That's the cycle.

If you looked at estimates in previous years, and you have it in front of you, there is a summary table up front where we actually list all departments and their spending. I'm going to run through a bit of a history for you but it's page 19 in the English and if I recall correctly—

Mr. Mathieu Ravnagat: Could you be a little more brief, Mr. Matthews?

Why was EI removed?

● (0910)

Mr. Bill Matthews: I have to get there to show you.

You would have seen a line at the end of that in previous years. It's employment insurance. Every other item in this estimates book would have had details on departmental expenses. EI never did. It's driven by a statute that actually requires reporting in the EI operating account. If you go to public accounts, there's a nice note where three

of the financial statements...that actually reconciles the spending authority the departments had and what they actually spent.

You would think that spending authority should reconcile back to what was in the estimates. It didn't and that was a frequent question of researchers here. The reason it didn't was EI was not included there because it was different. When you look at EI, there is the amount, planned spending on EI, which is in the budget.

Mr. Mathieu Ravnagat: I think that answers the question. Thank you very much.

I'd like the minister to confirm whether he is doing anything else to EI in the future.

Hon. Tony Clement: Nope.

Mr. Mathieu Ravnagat: The ship is sailing as is?

Hon. Tony Clement: This was just discussion with the researchers of this committee to make the presentation more logical.

Mr. Mathieu Ravnagat: Thank you for that answer.

Regarding CSEC—

[*Translation*]

The Chair: Mr. Ravnagat, your time is up.

Mr. Trottier, go ahead. You have five minutes as well.

[*English*]

Mr. Bernard Trottier (Etobicoke—Lakeshore, CPC): Thank you, Minister, for coming before the committee today to present the estimates.

I'm looking at the report on plans and priorities, which comes out at roughly the same time as the main estimates. It is a very useful document because it gives a longer-term view as to what the departments, and specifically the Treasury Board Secretariat, are doing.

I'm looking at the four main strategic outcomes you have: management frameworks, people management, expenditure management, and financial management. If we look at the trend from 2011-12 to 2016-17, we see a steady decrease in each strategic outcome in terms of the actuals and the estimates going forward. Could you explain what's going on behind each of these?

If I pick just one, such as expenditure management, it goes from \$50.9 million in 2011-12 down to \$31.8 million in 2016-17.

What has been the approach of the Treasury Board Secretariat, and why are those estimates going down pretty dramatically?

Hon. Tony Clement: Let me say a couple of things, and then maybe I'll defer to Bill.

Obviously, one of the things I've tried to do at Treasury Board is to make sure we continue to lead by example. If we're requiring other departments to tighten their belts, we should be doing the same thing, and we need to find better ways to deliver excellent service in our world at a more accountable cost. We never exempted ourselves from deficit reduction or other issues of rearranging things in a more cost-effective way.

Secretary.

Ms. Yaprak Baltacioglu: I think that the overall reduction reflects that under the expenditure reduction we will be saving \$23.6 million by next year. That explains that reduction.

Because Treasury Board is internal to the government, basically the approach we took was to look at our internal processes, to look at the redundant things we do, to look at the information that we asked for from departments, thereby putting an extra burden on us as well as them, and to look at some of the networks we had that might not be absolutely necessary. That shows the result of the expenditure reduction and how we're managing.

With regard to the specific question on, for example, the expenditure management group and that business line, Mr. Matthews is in charge of that and perhaps he could give examples.

Mr. Bill Matthews: Sure. I have a couple of quick ones.

We've moved to more e-reporting from departments; it used to be very much paper-based, but we're now getting more electronically. The other thing we did was to combine a couple of directorates so we actually consolidated our EX cadre to actually make us more efficient on the EMS front, but it's largely being driven by improved reporting efficiencies.

Mr. Bernard Trottier: The next part of my question is more about the role of Treasury Board and the President of the Treasury Board.

Most Canadians have a very nebulous image of what the Treasury Board is and what the President of the Treasury Board is. Some people would describe it as the chief operating officer of the government. I'm wondering about some of the efforts you're making in terms of expenditure management. What impacts of the things you do on the estimates will we see in other departments? Obviously, you're one part of government, and other committees will be looking at estimates for other departments, but some of the actions you're taking within Treasury Board might be driving some of those changes.

Hon. Tony Clement: I think that's a critical component, because we do really set policy government-wide when it comes to expenditure management and how things are reviewed. I've been a real advocate for better benchmarking in the system. I remember in one case a few years ago a report came back saying that a program was working well. I asked how we knew it was working well. The answer that came back was that everybody who got money out of the program really liked us. That's just not good enough in today's world. You have to have better benchmarks, better ways to measure performance, to ensure we're getting value for the tax dollar that is being expended. You always need to question if there's a better, more accountable way to deliver excellent service to Canadians. That's what we're looking for.

Basically, that's what I'm trying to drive through the system. I think we have made some changes in expenditure management that mean the reviews of existing expenditures are more robust and are driven towards making sure the programs and activities make sense.

• (0915)

Mr. Bernard Trottier: Okay. Thank you.

[*Translation*]

The Chair: Thank you, Mr. Trottier. Your time is up.

We will now turn to Mrs. Day, who also has five minutes.

Mrs. Anne-Marie Day (Charlesbourg—Haute-Saint-Charles, NDP): Good morning, everyone.

Thank you for being here, Mr. Clement. It is important to have you here for this meeting.

I would like to talk about employment insurance. You can see where I am going with this. In the past, the Liberal Party and the Conservative Party have transferred \$57 billion. Do you intend to put the \$57 billion back into the fund?

Hon. Tony Clement: Could you repeat your question, please?

Mrs. Anne-Marie Day: The Liberals and the Conservatives stole \$57 billion from the employment insurance fund. Will this estimated \$57 billion be put back into the EI fund?

[*English*]

Mr. Bill Matthews: I can take the question.

[*Translation*]

Thank you for your question.

In recent years, the EI model has changed.

[*English*]

The new regime has the EI operating account, which actually tracks premiums in and expenses and revenues out. It was a tracking account. This was not money that was held in a separate fund; it's all inside the CRF. Over time there had been basically more come into the account than was taken out of the account. That was just a tracking account; it was not a separate fund. The decision was made several years ago to actually start fresh—over an economic cycle, premiums and expenses should basically match—and to basically start from scratch in terms of the EI operating account. There was legislation passed by Parliament to establish that account and effectively start fresh.

The old bookkeeping account is gone and it was replaced by a new one, but it was largely just two different bookkeeping accounts, and the new legislation established the EI operating account.

[*Translation*]

Mrs. Anne-Marie Day: Let me ask you a supplementary question.

The financial information about the EI fund is in the Public Accounts of Canada, volume 1, section 4. We know what it is, it is written. Employers and employees contribute to the employment insurance fund, which currently generates around \$3 billion of surplus a year. Where does the \$3 billion go?

[*English*]

Mr. Bill Matthews: Thank you for the question.

The way the account works, it basically has to cover off the administration of the account as well as the actual benefits that flow out of the account. The recognition on the EI account is that you don't look at it year by year. It's an economic cycle. You'll get debate among economists over how long an economic cycle is. Some would say seven years, and some would say shorter or longer, but the intent is that the premiums over time should basically equate to the expenses that come out of that account.

The account is there. It's to be tracked. In theory, if it starts generating surpluses year after year, that would cause someone to look at the premium rate setting and ask if the premiums are too high or if they should be reduced. Conversely, if you're running a deficit year after year, that would cause the question of whether the premiums should be increased. The purpose of that account is to track that spending and the related revenues, but I would say that you shouldn't look at it on a year-by-year basis. You do have to look at it over time.

[*Translation*]

Mrs. Anne-Marie Day: We must then expect contributions to be lowered across Canada, given that there are surpluses.

My second question has to do with the Public Service Superannuation Act. Based on main estimates 2014-15, that amount is supposed to increase by \$442 million, which is significant. What are the liabilities of the public service pension fund estimated at? Who manages the fund? Is it managed in Canada only or are there managers outside Canada as well?

● (0920)

[*English*]

Hon. Tony Clement: Do you have that, Yaprak?

Ms. Yaprak Baltacioglu: Yes.

For our federal government employee pension plan, the plan value is \$42.4 billion. The liabilities were assessed at \$46.8 billion, so we have an actuarial deficit of \$4.2 billion, as you mentioned.

Every few years actuaries come and assess where our investments are and what our future liabilities are. This one was done in 2011. There's going to be another assessment in 2014, so we will have a better sense.

Who manages this account? We have the Public Sector Pension Investment Board. It is outside the government. They are basically an investment body. They invest in all sorts of places. They invest in Canada. They invest internationally. Like all pension investment

bodies, they invest in the best markets where they can get better returns.

The reason the actuaries said that we have a deficit is that 2011 came right on the heels of the economic downturn in 2009-10. The markets went down, and with that all of the pension plans had quite a lot of challenges. This reflects that.

Under law, the moment we're under a deficit, as you correctly pointed out, we have to put payments in. On the Treasury Board side, under "Statutory", we explain that this year it's \$443 million that we have to put into the pension plan. We will do so, I think, for the next 12 years. However, if the actuarial definition changes, if the number comes down, then probably our payments will change.

[*Translation*]

The Chair: Thank you, Mrs. Day.

Mr. O'Connor, you have five minutes.

[*English*]

Hon. Gordon O'Connor (Carleton—Mississippi Mills, CPC): Good morning, Minister. I have just a few questions.

The first one is on equalization. I'd like to know how much we are transferring to provinces on equalization, and maybe it's too complicated to tell me, but roughly how much each province gets. What are the criteria for equalization, and is everybody being assessed on the same basis?

Hon. Tony Clement: Do you have that handy, Bill?

Mr. Bill Matthews: I can't give you actual numbers. I can tell you that the Department of Finance posts on its website a list of equalization payments by province.

Generally speaking, the criteria are the same. The only caveat I would add to that is that there are some other agreements, such as—I'm going from memory here—the accords with Nova Scotia and Newfoundland, which actually are outside of the equalization payment formula. You do have to factor those in, but as for the best source of information for equalization payments, the Department of Finance updates their website, I believe quarterly, with their forecasts on those fronts.

Hon. Gordon O'Connor: Can you tell me what the criteria are?

Mr. Bill Matthews: I cannot, but I can look into it.

Hon. Gordon O'Connor: Well, I did a little bit of research. My understanding is that Hydro-Québec is excluded from calculations of the revenues of the Province of Quebec, yet Hydro-Québec, in the 2012 numbers, which are the last ones I can find, gave the province \$900 million in taxes. Is this accurate? Is this being excluded?

Mr. Bill Matthews: I'm sorry, Mr. Chair. I think questions on the equalization formula are probably better directed to the Department of Finance. It's really their—

Hon. Gordon O'Connor: I never get to talk to the Department of Finance.

Okay. I'll try another one, and you'll tell me it's some other organization.

Under the Constitution, education is a provincial matter, yet I think we are giving something like \$10 billion a year to universities. Why are we doing it if it's not our responsibility?

Hon. Tony Clement: I can try my hand at that one, Chair.

Obviously, for primary and secondary education, we don't have any role, but we do have a role in research and in innovation, as well as in training. I think those are three areas where there is a recognized federal role, either independently of provincial governments or in concert with provincial governments. The bulk of that money, I would surmise, goes to those three categories, particularly R and D.

For some of our R and D, there are billions of dollars in tax credits that go to private corporations that are involved in innovation, but there are also public entities such as research institutes and universities that do research. We try to work with them to make sure that it actually gets to market. That's the kind of research we're mostly interested in, although we also fund curiosity research that does lead to things as well.

• (0925)

Hon. Gordon O'Connor: Yes, and I accept the research thing—that's pretty common-sense—and we're involved in training, but a heck of a lot of money is going to university students for loans and things like that.

Hon. Tony Clement: That's another area. You're quite right. Yes.

Hon. Gordon O'Connor: Why are we into that area?

Hon. Tony Clement: Does anybody know the history of that?

Ms. Yaprak Baltacioglu: Well, the short answer is that we would like an educated workforce, and not all of the university students can access loans and not everybody is privileged, where their families can pay. So governments successively—many governments, including this government—have ensured that there are student loans available to Canadian students. For these loans, the majority of them are paid back, so it's a facilitation for education and it's a policy choice.

Hon. Gordon O'Connor: I'm not arguing about whether they're paid back or not. I'm not worried about losing money. The issue is, isn't this a provincial responsibility? Aren't provinces responsible to run their universities and to keep their students at university, not the federal government?

Hon. Tony Clement: I don't think there's any province that's refused the money.

Hon. Gordon O'Connor: Yes, I know, but—

Hon. Tony Clement: They're entitled to it if they want.

Hon. Gordon O'Connor: —aren't we interfering with provincial jurisdiction?

Hon. Tony Clement: Well, I guess in order to answer that question, somebody has to complain, and so far no province has said, "We refuse this money for our students."

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): I think Gordon is.

Hon. Tony Clement: Yes. When he goes back to university, he's going to refuse the money; I know he is.

Hon. Gordon O'Connor: I paid my own way.

[*Translation*]

The Chair: Thank you, Mr. O'Connor.

We will now go to Mr. Byrne for five minutes.

[*English*]

Hon. Gerry Byrne: Thank you, Minister, and thanks to your esteemed officials.

You mentioned that the EI accounting is eliminated from the main estimates. Will it also be eliminated from the public accounts?

Hon. Tony Clement: No.

Hon. Gerry Byrne: The cash in, cash out related to employment insurance premiums will still be calculated in terms of the overall budgetary surplus or deficit from the Government of Canada in a particular year. Would that be correct?

Hon. Tony Clement: I would say so, yes.

Hon. Gerry Byrne: You've eliminated EI from the main estimates to ensure accountability, or to improve accountability, if I'm reading this correctly, but you're maintaining it within the context of the public accounts, which obviously makes sense. Let me ask, if you're eliminating an insurance program, EI, for the main estimates, but you're adding an insurance program, the disaster financial assistance arrangements, if you look at those two things.... EI, from an actuarial point of view, is easily calculated; it's relatively easy to formulate a position on it. But the disaster financial assistance arrangements can be very variable in any particular year, yet we're adding it to the main estimates instead of using reporting through the supplementary estimates.

Why would you do that?

Mr. Bill Matthews: I'll start specifically with the DFAA, the disaster financial assistance arrangements. It's been in the main estimates before. What happens is that as with any government program, from time to time it expires, and it comes in for renewal. For the last round of renewal, it wasn't ready in time to be included in the main estimates. It was actually included in 2013-14 in supplementary estimates. This year we have the information we need in time for the mains, so it's been picked up in the mains. It's not the first time. It's just the fact that if you're comparing the 2014-15 mains to 2013-14, you'll see an increase, and that's why. I was just trying to explain that.

Hon. Gerry Byrne: Mr. Matthews, how much are you booking for payouts under the DFAA?

Mr. Bill Matthews: If I recall correctly, and I'll check it in a second, I have \$600 million in my head. Just give me two seconds.

I'll come back to your EI question, because I think it's a good one. Remember that with public accounts there are two volumes. Volume I is the financial statements of the Government of Canada. It equates back to the budget. EI is in the budget. EI is in volume I. Volume II of public accounts equates back to main estimates, and that's the link we were trying to improve. Those two things are now more consistent.

Hon. Gerry Byrne: I understand that, but looking at this from the point of view that one of the most important milestones or accountability standards that Canadians want to see reported on, and we certainly do as well, is the overall budgetary surplus or deficit position of the Government of Canada.... You're eliminating EI from the main estimates, but including the surpluses in the public accounts, which is adding to our position and enables us to create a bit of a false sense of a surplus. You're including disaster financial assistance arrangements, which may or may not be paid, instead of including them in the supplementary estimates, which you have admitted is probably the normal process. You're eliminating significant funds from spending from Infrastructure Canada.

Leading up to 2015, this entire document appears to me—and I'll direct this to you, Mr. Minister—as a gerrymander to simply look like a surplus position for the Government of Canada when, in fact, if normal processes had been followed and infrastructure had been spent on the needs of Canadian communities, if Public Safety and Emergency Preparedness didn't book payouts under its insurance program until or unless they actually happened, and if the employment insurance fund had actually been included in the main estimates, we'd have a different situation on our hands in terms of visibility of whether or not we're in a deficit or a surplus, wouldn't we?

• (0930)

Hon. Tony Clement: Permit me to respectfully disagree. I think there was a report from C.D. Howe yesterday that said the federal government's estimates and predictions on budget were a lot closer to reality than in any other province or territory. We should take some sort of comfort from that independent study.

I would say to you that on the EI account, we pay what is statutorily required. The link is between what is in the budget and then what is paid out in the public accounts. The number in the public accounts is whatever is required to be paid out. Whoever meets the criteria of the program.... We as a government pay that out.

There's no gerrymandering, Gerry. There's simply a requirement to meet our statutory obligations, and that's what we do.

Ms. Yaprak Baltacioglu: In terms of infrastructure, it is not being reduced. This committee is familiar from years ago when we were presenting on infrastructure spending. The planned spending doesn't always match with what gets built so the money gets carried forward into future years. That's what's happening on infrastructure. It's the same thing with the disaster financial assistance program. The provinces have to submit the bills to us as to what they incurred as part of a disaster, and that's when we pay them. There's usually a lag between what the plan is because we have to plan for everybody getting everything done. But it never works that way, so then money

gets pushed to other years. It's the nature of the business in those things.

There's one thing I'd like to say on why EI was removed. Mr. Matthews was working with this committee. He had many appearances in terms of how to improve the main estimates and the estimates process. What he heard from the people who worked for this committee is that this particular number in the estimates was confusing because nothing ended up being added up. We thought it was a technical improvement that got made to these. Clearly, it's causing some issues for the committee. The intention, from the public service perspective, was Mr. Matthews trying to respond to the needs of this committee. Clearly, that probably missed the communications element of that.

[Translation]

The Chair: Thank you. I am going to have to interrupt you and give the floor to Ms. Ablonczy for five minutes.

[English]

Hon. Diane Ablonczy (Calgary—Nose Hill, CPC): Minister, I have three questions.

First, I see that the discretionary spending of government has decreased by 0.9%. There certainly has been a lot of gnashing of teeth for such a very modest reduction. Nevertheless, for the committee's benefit, Minister, would you put into context your vision or your plan for decreases in the discretionary spending of government so that presumably by next year we'll start living within our means. How do you see that unfolding year by year?

Hon. Tony Clement: I'm very proud of my role in expenditure reduction in a way that is sensible for Canadians, in making sure that their core public services are still maintained.

A lot of what we've done is consolidated in the back office operations of government. As you are probably aware, we had a system where each department and agency had a payroll and a human resources department as well as an IT services department. What we have found is that there are ways to consolidate that without impacting on the front office operations of government. We continue to do that.

My committee was able to find about \$5.2 billion in savings annually through the deficit reduction action plan. That's a real component of why we are going to be back into surplus a few months from now. I have a committee that is continuing to look for better ways to deliver excellent government services at a more accountable cost. Once those decisions are made, they'll be rolled into the budgets as well.

• (0935)

Hon. Diane Ablonczy: One of the changes you've instituted is Shared Services Canada, where every department shares computer IT services. I know that's a bit of a hobby of yours, an area of your expertise.

Can you tell us how this is going? The past changes to IT, as you know, have had a pretty bumpy road. In your view, how is this unfolding?

Hon. Tony Clement: Sure. I'll give you the short story version.

We took about 40% of the workforce involved in IT and put it into Shared Services Canada. When we did that, the deficit reduction program immediately took 10% of that consolidated budget and took it out as part of the draft savings so we achieved savings immediately. Now they're working on their work plan. The first thing out of the gate was our e-mail services in government, where we went from a hundred different suppliers to one. That, I think, is a consolidation. We're looking at our data centres. We have several hundred data centres. We want to get to half a dozen or a dozen data centres rather than 300 data centres. These are the kinds of things they continue to work on moving towards looking at the thousands of applications that are found on your average government desk top, and to start to consolidate that as well. It's an ongoing exercise. They continue to report to Treasury Board. The RPPs continue to describe how Shared Services Canada is meeting its aspirations.

Hon. Diane Ablonczy: Thank you for that.

One of the areas that is not discretionary or statutory is payments under OAS. As you and I and all of us know, Canada's population is rapidly aging. In fact in the next 15 years, that aging of Canada's population will increase exponentially.

How is the government planning to cover the fairly significantly increased costs of payments and supports for older Canadians when the numbers will be massive?

Hon. Tony Clement: I think this is an important whole-of-government challenge, Madam Ablonczy. Part of what we're trying to do in terms of realigning how government delivers services is to, as I put it, ensure that we have the ability, with the right political decisions, to have balanced budgets for a generation.

As I say, we've found ways to deliver between \$5 billion and \$6 billion in ongoing savings annually. We continue to find ways to realign our expenditure on human resources to make it consistent with other public sector as well as private sector norms. Part of that was booked in budget 2014 as we looked at certain benefits.

These are the kinds of things that I think will make the provision of benefits sustainable in the future, but more aligned with reality.

[Translation]

The Chair: Thank you.

Mr. Ravnat, you have the floor for five minutes.

Mr. Mathieu Ravnat: Thank you, Mr. Chair.

[English]

I actually want to build on something that Madam Ablonczy asked you, because there's a contradiction between what you told her and what's in the plans and priorities document about back office transformation.

In fact, this is one of the key risks identified:

...the complexity and pace of the transformation agenda may exceed departments' and the Secretariat's capacity to drive standardization and consolidation of the back office.

Yet in 2012, you said that 70% of savings would come from this exercise.

How can you ensure its successful implementation when it's clearly identified as a fundamental risk?

Hon. Tony Clement: Let me just say in the first instance that just because it's a risk doesn't mean that we ignore the risk and that the risk is going to happen. We identify risks. That's our responsibility in the RPPs. But we have put in place measures to mitigate or eliminate the risk.

Secretary.

● (0940)

Ms. Yaprak Baltacioglu: The risk in the report on plans and priorities of the Treasury Board Secretariat refers to human resource and finance back office operations. What the minister was talking about earlier was the information technology—e-mail, data centres, and networks—that went to Shared Services Canada.

The risk that we identified there is absolutely justified; because we are a very large organization, we are running on many financial systems, many human resource systems. But worst of all, we believe that not everybody in the government does the same thing in terms of a process, so we are reforming the process. The human resource system is actually being standardized across the government. I think this year we will have that in place. Finance is a couple of years behind that, but that will get there.

Then we have on board all of these departments—

Mr. Mathieu Ravnat: Thank you, Madam.

Minister, are you still confident that 70% of savings can be had by this plan?

Hon. Tony Clement: I think by and large that's an accurate number. I haven't seen any evidence to the contrary.

Mr. Mathieu Ravnat: Okay.

I'd like to ask you a question about CSEC. CSEC got rapped on its knuckles and caught red-handed spying on Canadians at the border, yet they got rewarded with an 80% increase in their spending. You'd think you would have liked to give them a slap on the wrist.

How much of this 80%, this \$829 million, will go to spying on Canadians?

Hon. Tony Clement: Actually, I think the great majority of it is for the new building they're going into, a state-of-the-art building to protect the security of Canadians against the bad guys. That's how I would answer that question.

Mr. Mathieu Ravnagat: And the bad guys are Canadians as well?

Hon. Tony Clement: No, the bad guys are mostly foreign terrorist organizations intent on the destruction of our way of life.

Mr. Mathieu Ravnagat: AECL: why do we keep throwing money at this? Years ago we decided to get out of the business. Why are we still in it and rewarding these guys, who are clearly not picking up the slack?

Hon. Tony Clement: We are restructuring all of AECL's operations. As you know, we divested certain operations and other operations are in the process of transformation, but permit me to be ecumenical and agree with the honourable member that there have been decades' worth of bad decision-making. We're finally cleaning up the mess and we'll be in a much better position in the years going forward.

Mr. Mathieu Ravnagat: On the Public Service Labour Relations Act, evidently you have decided to do away with the board—

Hon. Tony Clement: With the board?

Mr. Mathieu Ravnagat: Yes. That is, the Public Service Labour Relations Board.

Hon. Tony Clement: It's a merger actually with the other—

Mr. Mathieu Ravnagat: Yes, you call it a merger. It could be called elimination.

Hon. Tony Clement: It still will be making decisions.

Mr. Mathieu Ravnagat: The service has been abolished, right?

Hon. Tony Clement: I wouldn't characterize it that way, sir.

Mr. Mathieu Ravnagat: Okay, was the board consulted on the decision?

Hon. Tony Clement: No, this was a government policy decision.

Mr. Mathieu Ravnagat: Why do you feel you shouldn't have consulted them?

Hon. Tony Clement: I'm going to predict that a board that had a certain way of doing things wouldn't necessarily want to change.

From our point of view, it just made more efficient sense to consolidate two boards that were doing the same kind of thing in two different areas and have the same back office and make sure that you —

Mr. Mathieu Ravnagat: So it's a cost savings justification.

Hon. Tony Clement: I would say basically it's—

Mr. Mathieu Ravnagat: How much money is it going to save?

[Translation]

Mr. Daniel Watson (Chief Human Resources Officer, Treasury Board Secretariat): It is important to remember that, in the past, employees could go to three or four different places to file one series of complaints only. From now on, there will be only one place where they will file their complaints and they will have the same fundamental rights. Having only one place will make things easier for bargaining agents, employees and managers who must deal with those complaints. As a result, instead of going to three or four places, they will go to one place only.

The Chair: Thank you.

Mr. Adler, you have the remaining two minutes.

[English]

Mr. Mark Adler (York Centre, CPC): Thank you, Chair.

Thank you, Minister, and all of your officials, for being here today. I know you have been working very hard, and I want to thank you for everything you have done.

I do have a couple of questions, Minister. You mentioned earlier that there were 100 different e-mail suppliers and 300 different data centres. How did we get to a position where we have that kind of ridiculous situation?

• (0945)

Hon. Tony Clement: Over time things build up. One of the problems when you have things in silos is that people will then, within their silo, recreate the wheel. In that sense, because IT was siloed in different departments and agencies, they all had their own IT contracts. They all had their own IT applications and so on. Finally we got to the point where we said that this is not logical. We are one organization. We want enterprise solutions, to use that buzzword, and so we have found a way through Shared Services Canada to consolidate a lot of this.

There is still some IT that goes on in individual departments, but to the extent that we can consolidate and still achieve the goals of the organization, that's what we decided to do.

Mr. Mark Adler: Are there any glaring examples? You mentioned those two, but are there any other glaring examples where you said, "Oh, my goodness, how did this—"

Hon. Tony Clement: I'll give you one right off the bat, which is on licence fees for software. It got to the point where vendors were coming up to me and saying, "Look. You have all these different departments each paying licence fees for exactly the same software. We're willing to keep accepting the cheques from the government, but you might want to consider some consolidation on software so you can reduce your licence fees." That's exactly what we've done.

Mr. Mark Adler: You mentioned that suppliers were coming up to you. I have constituents coming to me in my office and giving me...a lot of it is anecdotal from their own experiences, but some people come with some pretty good ideas. How do constituents who have either worked in government or have an idea or have some experience convey those messages to you or your departmental staff about how to possibly save some money?

Hon. Tony Clement: Sure, we're always open to ideas, Mr. Adler. To the extent that it's a procurement issue, of course, in that sense, we will not engage with vendors when we are going through a procurement because there are certain processes, but in the absence of that, we're always open to new ideas on these.

[Translation]

The Chair: Thank you. I am going to have to cut you off.

I thank the minister for being here and for finding the time in his busy schedule to appear before our committee. I am sure that all the members of the committee have appreciated it.

We are going to suspend the meeting for a few minutes. We will then come back with other witnesses who will be able to continue answering our questions on the main estimates.

● (0945) _____ (Pause) _____

● (0950)

The Chair: We'll reconvene the meeting.

Two new people from the expenditure management sector have joined us, namely Ms. Santiago, executive director, and Mr. Sprecher, director.

Mr. Matthews, who always honours us with his presence, has a few clarifications to make. We will then move to questions from members of the committee.

Mr. Matthews, you have the floor.

Mr. Bill Matthews: Thank you very much, Mr. Chair.

[English]

In the first part of the meeting, I spoke too quickly on slide twelve of my slide deck when I was explaining the decrease in Citizenship and Immigration. I incorrectly stated that Passport Canada had left Citizenship and Immigration. It is in fact part of Citizenship and Immigration, and the reason for the decrease is a technical matter revolving around the revolving fund, so that effectively there's a surplus being run in Passport Canada; because of the 10-year passport there's a large influx in cash. That explains that decrease by that organization.

In addition to that, my colleagues found some answers to questions that were asked with respect to equalization payments, as well as with respect to Mr. Byrne's question around the disaster financial assistance arrangements and how much money was indeed included in the estimates. Maybe I'll turn to Marcia to give those answers quickly and then we can resume.

Ms. Marcia Santiago (Executive Director, Expenditure Management Sector, Treasury Board Secretariat): For the disaster financial assistance arrangements the contributions to provinces are listed on page 269 in English and page 294 in French. It's a total of \$762 million in contributions for 2014-15.

Regarding the question on equalization, the total forecast at this point for 2014-15 is \$16.7 billion. By province, it's approximately \$360 million in P.E.I., \$1.6 billion in Nova Scotia, \$1.7 billion in New Brunswick, \$9.3 billion in Quebec, \$2 billion in Ontario, and \$1.8 billion in Manitoba.

[Translation]

The Chair: Thank you for those clarifications. They answer some of the committee's questions.

We will continue with questions from members of the committee.

Mrs. Day has the floor for five minutes.

Mrs. Anne-Marie Day: Thank you, Mr. Chair.

Welcome, Ms. Santiago and Mr. Sprecher.

I would like to ask you a few questions about the Communications Security Establishment.

In main estimates 2014-15, the Communications Security Establishment is requesting \$796 million in vote 1 for the program's expenditures. That is an increase of \$408 million compared to main estimates 2013-14. According to them, this change is primarily because of the \$300 million anticipated for a new building, as well as an increase of \$100 million in contract payments for 2014-15.

Here is my first question. Of the \$100 million for contracts, how much will be used for the maintenance of the building?

Mr. Bill Matthews: Thank you for your question.

[English]

The maintenance, of the \$100 million it's \$19.2 million, so let's say around \$20 million just to be rough for maintenance, and about \$75 million for what's called service payments and that's for the actual operations of the facility itself. It's distinguished from maintenance so that's kind of how the \$100 million splits out. So \$19.2 million exactly for maintenance....

You're quite right in terms of your understanding of the increase in CSE's budget being driven by this new building. It is a public-private partnership in terms of how it was constructed so it's not our typical model of operations where the government is building something. It is being built through a public-private partnership. That's why you're seeing the \$100 million in contract payments, split as mentioned between maintenance and service payments.

● (0955)

[Translation]

Mrs. Anne-Marie Day: Will the \$100 million be recurring fees every year?

[English]

Mr. Bill Matthews: I can't speak with certainty, but I would assume for the maintenance cost that would be a good estimate. I think it may only be eight months' worth of funding, so you would have to extrapolate that over 12 months. I would expect it would increase slightly when we're operating a full year. The amount you're seeing here is for eight months of operations. I would expect it would increase by about one-third, if my math is correct, in future years.

[Translation]

Mrs. Anne-Marie Day: Can you tell us what the benefit is in building a new facility through a public-private partnership?

[English]

Mr. Bill Matthews: Certainly, the P3 format is something the federal government has not done a lot of.

A great example would be the bridge to P.E.I. Many of our provinces are making extensive use of P3s. The advantage to the government is around actually getting payment or linking payment to actual production. The government is sort of protected from risk in terms of construction cost overruns, delays, and things like that. It's an easier way to hold the constructor to account in terms of tying the compensation to actual delivery. It's not just the building of the facility itself. These are ongoing operations, so there are service standards built into the ongoing operations of the building and they effectively transfer more of the risk to the private sector.

[Translation]

Mrs. Anne-Marie Day: Could you please describe the features of the new building and provide us with a breakdown of costs?

[English]

Mr. Bill Matthews: One of the advantages is that it's self-contained. In terms of the facility itself, it's very modern. It's about 72,000 square metres. It does contain, if you look to modern buildings, lots of common space for meetings, facilitation, and things like that, so it's built to the new standard. From an environmental perspective, it is built to the LEED gold standard and that involves things like using recycled materials and things like that.

There are facilities in this, so it is self-contained. I know there is a fitness facility. Absolutely, the employees can stay put on campus, if I can use those words. I would assume the largest advantage is security. This building, obviously, because of the nature of the work, has to be highly secure, so it's a different standard you're building to than the normal government building.

[Translation]

Mrs. Anne-Marie Day: Do you have the breakdown of the costs?

[English]

Mr. Bill Matthews: Not of the total cost, no. I have what the current year will cost, and I think we've already covered off those figures. As for the total cost itself, I can't answer that question, but maybe my colleagues have something to offer. No?

[Translation]

Mrs. Anne-Marie Day: I would like—

The Chair: Thank you, Mrs. Day. Your time is up.

Mr. Aspin has the floor for five minutes.

[English]

Mr. Jay Aspin (Nipissing—Timiskaming, CPC): My first question is for the minister, but in his absence maybe you can answer this question, Mr. Matthews.

On February 26 of this year in a speech to the Economic Club of Canada, the minister stated that beyond changes to the federal employees' contributions to their pension and disability plans, the federal government should be, "putting in place new measures to improve government spending decisions and strengthen the government's ability to contain costs."

Can you tell me what are these new cost containment measures to which the minister was referring?

Mr. Bill Matthews: Sure, and thank you for the question.

What was being referred to there is, if you think about the expenditure management system in government, that involves everything from the budgets, cabinet decision-making, right through to Treasury Board's approval of spending, and then actual spending. The expenditure management system does go through a review from time to time. The last one was about six years ago, and if I can give you a bit of history, out of that came the idea of strategic reviews.

Some of the longer serving members here would remember strategic reviews where each government department had to look at its programs every four years to look at effectiveness, so that was

done. It talked about strengthening the evaluation function of the government, which has been done. There are evaluation functions in all departments. Those were kind of the major outcomes of the last time.

This time around our focus is going to be on improved costing. We effectively have two levels of costing. There's costing that goes into the memoranda to cabinet and then costing again on a more detailed level when it comes to Treasury Board submissions. These are improvements in the costing through greater guidance and material to CFOs who actually have to attest to their costs. That's one kind of improvement I would speak to.

The other is the notion of ongoing spending reviews of one sort or another, and that will vary by year. We'll look at a particular initiative or a particular area of spending to see if there are ways they can be improved and spending reduced. Those are the two highlights off the top of my head. I hope that answers the question.

• (1000)

Mr. Jay Aspin: Thank you.

The Treasury Board 2014-15 report on plans and priorities cites five priorities. One of them is to strengthen government financial and expenditure management to support value-for-money ongoing cost containment and increased operational efficiency. One of the stated plans for meeting this priority is to establish a new costing centre of expertise within the secretariat to strengthen its capacity to challenge costs.

When this centre is established, what will be its budget and how many employees will be there? Is this centre something new? Were the costs of the Treasury Board submissions not analyzed before?

Mr. Bill Matthews: Thanks for that question. That links to the previous question as well quite nicely.

When I spoke about improved costing in departments, that requires two things. One is that it requires more guidance, benchmarks, things like that, from the centre to go to departments. That costing centre will handle that. The other thing is that Treasury Board Secretariat has always been responsible for challenging the costs that come in from departments on Treasury Board submissions. The recognition there is, to link it to a question from the first part of the meeting, if you're dealing with costing around AECL, that's pretty complicated stuff so there's a notion that depending on the nature of the project we may need some additional expertise at the centre to allow us to challenge costs. It's not just accountants. It could be engineers, depending on the nature of the work. That's the second part of that. Increased guidance to departments is number one. Number two is building up an expertise centre at Treasury Board Secretariat to deal with the really complex proposals to build on our existing challenge function.

It's a new centre. The idea of Treasury Board Secretariat challenging costs is not new. That's always been its job, but some of these things are quite complex. It's too early for me to say how many people will be resourced in that centre. Work has started there, but I don't think it's quite up to full speed yet.

[Translation]

The Chair: Thank you, Mr. Aspin.

[English]

Now we'll move to Mr. Byrne for five minutes.

Hon. Gerry Byrne: I want to follow up on some of the things we were talking about earlier about the EI account. How big a position do you expect the EI surplus to participate in in the overall surplus position of the Government of Canada by 2015?

Mr. Bill Matthews: On an ongoing basis—and that's probably a better question for the Department of Finance or ESDC—I would expect it to be cost neutral. That's the intent of this. From year to year, yes, there will be the odd fluctuation, but on an ongoing, longer term nature, I would expect it to be cost neutral.

Since EI is getting a lot of attention this morning, if it's of interest to members, the Department of Finance produces the “Fiscal Monitor” on a monthly basis. That discloses, on a monthly basis, EI revenues and EI expenses so you can track it quite closely from month to month. If it is of interest, there are all sorts of reporting there. I would highlight that for members, but longer term, the objective is that it would be cost neutral, to answer your question.

Hon. Gerry Byrne: If you were to include the \$57 billion, would that still be cost neutral or does that play a role or have an impact?

Mr. Bill Matthews: That surplus was built up under the previous regime, so it's difficult for me to factor that into the new regime. If there had been no change, you'd have to ask if the premiums had been adjusted to reflect that surplus. It's difficult for me to say what that would be. I'm going back many years here. I think Sheila Fraser first raised issues around the size of the EI surplus in one of her auditor general's reports many years ago. That was a long-standing issue of the past. As I said, they've hit the reset button with new legislation to zero out and start afresh, and it is a new regime.

Hon. Gerry Byrne: The reset button started in 2008 or 2009, I think, wasn't it?

Mr. Bill Matthews: I think that's a pretty good guess. I would take Marcia's word over mine.

• (1005)

Hon. Gerry Byrne: Not to contradict what she said, but it's not totally part of the old regime. I think it's a blend or hybrid.

Mr. Bill Matthews: Absolutely, so I understand.

Hon. Gerry Byrne: In terms of forecasting, what I think we're all very interested in and paying close attention to are payments that are booked that are not expended. If we book certain payments, certain expenditures, anticipated expenditures and they're not spent in the particular fiscal year, then they go back to the consolidated revenue fund. I think one of the criticisms of the past regime was the \$3 billion contingency fund, which of course if it didn't get spent went to surplus. I think the argument was that it created a false surplus.

There seems to be a fair bit of contingency built into these main estimates, into this budget cycle. There's a reasonable contingency. Have we questioned that or is it...?

Mr. Bill Matthews: There are two things. One, the contingency you're speaking of that was part of the budget is still there. There's still a \$3 billion contingency fund built into the budget and that's just good financial planning. If you think about incidents like the Alberta floods or Lac-Mégantic, you're going to have things, and you don't know what they are, but they're going to drive expenses. That's the

\$3 billion and that is still there in the budget that was tabled for budget 2014.

From an estimates perspective, you don't actually build in contingency funds. You build in your best case scenario in terms of how much money you think you'll be able to spend. It's illegal to overspend, so it's important to plan for the best case or worst case scenario, depending on your perspective.

We've talked already this morning about infrastructure. The infrastructure agreements are complex and year after year they're never able to realize the extent of the agreements they forecast. You're seeing a more realistic look at what the infrastructure spending will look like.

You could make the same comment about National Defence spending. It's complex, capital in nature, and frequently, despite best intentions, spending doesn't come in as high as planned on those projects. There are delays.

We're trying to do a better job of forecasting actual spending, but it is a bit of a catch-22 because it is illegal to overspend. So if you're going to bump up against your limit—it is an up to amount—you do have to come back in and get parliamentary authority.

So we do have to find the right level.

Hon. Gerry Byrne: I thought that was the function of supplementary estimates, to provide a cushion.

Mr. Bill Matthews: That is absolutely the function of supplementary estimates, but again to get into supplementary estimates through Treasury Board it's not a three-day process. It's a long process, so you do have to get your ducks lined up, but you're quite right.

[Translation]

The Chair: Thank you, Mr. Byrne.

Mr. Hillyer now has the floor for five minutes.

[English]

Mr. Jim Hillyer (Lethbridge, CPC): I'm from southern Alberta and I meet with a lot of constituents before the budget. Every year I consult with constituents. After I meet with the constituents, I meet with the finance department to share my constituents' questions and concerns.

One of the questions I often get is a general one about transfer payments. While most southern Albertans I think are okay with the idea of living in a country where some provinces prosper at some times and others need a little bit of help, one of the questions that comes up is how come provinces that have very generous social programs and can't afford to cover the costs of those social programs, cover the costs of those programs with transfer payments.

One of the examples I get a lot is someone like Céline Dion who, if she was living in Quebec, could get her child care for \$400. The people in Alberta don't get that benefit but they have a feeling that they're subsidizing that cost which they don't get a benefit from.

Can you comment on that? Is that just a misconception of how transfer payments are used, or is that actually the case?

Mr. Bill Matthews: It is a bit of a misconception. When you think of the transfer payments, and equalization is the best example, they're based on revenues. It's about keeping departments whole from a revenue perspective.

How they decide to spend that revenue is up to the province. Whether it's subsidized child care or something else, that's their jurisdiction. The amount of transfer payments is not based on what they want to spend. It's based on the actual income at their disposal. It isn't based on a certain province having more generous spending programs than another so they get more money. It is based on the revenues available to the province, which are a function of the economy. As you have highlighted, some provinces are better off than others due to the various economic resources they have.

All I would say is that it is revenue based and not expenditure based, and how a province decides to spend that money, whether it's by giving tax breaks or subsidizing child care, it's up to the province.

• (1010)

Mr. Jim Hillyer: Okay.

On that same question, another concern that comes up, and not just on transfer payments, is sometimes cities will get the federal funding, spend it on sexy projects like new arenas or public art, and then when they run out of the money, they complain that they're not getting federal funding for roads and infrastructure. Is that a misconception as well, or do we need to be able to hold cities and provinces more accountable? Some of the money is earmarked and it's not just up to you how you spend it. Some of it is earmarked.

Mr. Bill Matthews: When you're into infrastructure programs, there are basically funding agreements in place that, depending on the complexity of the agreement, will require the province as well as the city to put in money. It is cost-shared. The federal contribution to a particular project is nailed down up front.

It's other levels of government that are doing the planning, but the federal contribution is capped on a percentage. Then there is an agreement that actually lays down what that will cost the federal government.

Depending on the nature of the infrastructure program, some are targeted to things like rinks and things like that. Others are targeted at roads. If you were to consult Infrastructure Canada's report on plans and priorities, you would see a delineation of basically the various programs and what they're targeted for.

The federal government is protected from a percentage perspective, but also the agreement caps the federal government's involvement, so cost control really then transfers to the other governments. Can you control any complaining about running out of money? I can't speak to that.

Mr. Jim Hillyer: I know we can't control the complaining.

Another example is the training program that we wanted, of the last budget, for provinces to use this funding for jobs skills training. There has been a lot of talk about how provinces didn't want to use the money for that. Isn't there some way we can just put some teeth in it and say that if they want this money, then it's going to be used for the program for which it was earmarked?

Mr. Bill Matthews: That's the basis for the federal-provincial negotiations that will precede any sort of agreement, labour market development, or whatever its replacement is. There does have to be joint agreement. It's not just a case of saying, "Here's the money. do what you want." There is an agreement nailed down up front. Sometimes those negotiations are complex and take a lot of time.

[Translation]

The Chair: Thank you, Mr. Hillyer.

We will now go to Mr. Ravnat for five minutes.

Mr. Mathieu Ravnat: Thank you, Mr. Chair.

In 2014, a press release was issued about Lac-Mégantic. Could you tell me whether the Lac-Mégantic situation requires funding for 2014-15? If so, how much?

Mr. Bill Matthews: In response to the question about the fiscal year 2014-15,

[English]

we're dealing with the ongoing investigation, Transportation Safety Board. They have indicated at this stage that they do not require additional money for that investigation. There is nothing in the 2014-15 estimates for additional funding for that organization. That being said, the investigation is ongoing. I can't guarantee that something won't come up in the future, but at current states we're not expecting anything.

[Translation]

Mr. Mathieu Ravnat: If something happened, how would we be able to handle it?

[English]

Mr. Bill Matthews: You could see it in a couple of ways. If they get enough lead time, you could see it through a supplementary estimates item. It's possible you would see it there.

We covered this earlier in the presentation. If we were in between supplementary estimates, and a department is caught off guard by something, there is a government-wide vote.

I am just going to take you back to slide eight of my presentation earlier. We had the list of government-wide votes, Treasury Board central votes. The first one listed under Treasury Board central votes, vote 5, "Government Contingencies", that's a vote that Treasury Board can utilize if there is effectively not enough time to wait for the next supplementary estimates. We can allocate funding out of that vote and then it gets reported back to Parliament through the next cycle. That's another option if they can't wait for supplementary estimates.

• (1015)

[Translation]

Mr. Mathieu Ravnat: Thank you, that's very reassuring.

In terms of the public sector integrity commissioner, it seems that the number of cases has not necessarily gone up, but the commissioner estimates that his office might not have sufficient resources.

Could you tell me why there has been a decrease of \$230,000 this year?

[English]

Mr. Bill Matthews: Well, there are a couple of reasons.

Is this the Public Service Commission we're speaking about?

[Translation]

Mr. Mathieu Ravignat: Yes.

Mr. Bill Matthews: In the English version,

[English]

it's page 270 of the main estimates.

[Translation]

One moment, please.

Mr. Mathieu Ravignat: According to the numbers I have, there is \$230,406 less this year.

Mr. Bill Matthews: What page is that on?

Ms. Marcia Santiago: In the French version, it is on page 141.

[English]

Mr. Bill Matthews: If you're looking at program expenses, I'm curious as to where you're finding that figure.

Basically, main estimates 2014-15 are down from main estimates 2013-14. The reason described here is a decrease of \$4.5 million from the last round of spending reviews, and then another decrease related to a reprofile around a relocation of headquarters.

If you wish an explanation of how those work, basically, if a department is going to incur a one-time cost, such as a moving of offices, which you have from time to time, we allow small organizations that can absorb it basically to move money from one year to the next to fund that sort of activity. That's what you're seeing here.

Mr. Mathieu Ravignat: I'd like to talk to you about the Public Service Commission of Canada.

According to its 2012-13 departmental performance report, the commission employed 881 people. In 2012-13 it anticipated the number of full-time equivalents would be 846.

Has the time necessary to fill a public service position that falls vacant increased with the decrease in the number of employees of the Public Service Commission of Canada?

Mr. Bill Matthews: The only way I could respond is anecdotally. From my perspective, no, it has not. Unfortunately, Mr. Watson is no longer with us. He might have some statistics on that front, but anecdotally I can tell you it has not. That's really all I can offer on that front.

Mr. Mathieu Ravignat: Does the reprofile mean that the relocation was less expensive than expected, perhaps?

Mr. Bill Matthews: No. It basically means that it's a one-time cost, and if a department can absorb that one-time cost, for building fit-up or something like that, we basically let them borrow money from a previous fiscal year or a future fiscal year to fund the one-time cost, and it's then basically on track.

[Translation]

The Chair: Thank you, Mr. Ravignat.

Mr. Trottier, you have the floor for five minutes.

[English]

Mr. Bernard Trottier: Thank you, Mr. Chair, and thank you to the witness for remaining with us for some further questions.

I had a question about vote 30, the pay list requirements. I just want some clarification. Maybe you stated it in your presentation and I missed it, but there is an increase of \$850 million from the 2013-14 main estimates. You say that it's in order to fund government-wide pay lists for eligible budget carry forward requests.

It's more than twice the amount that was requested last year. Could you explain what these pay list requirements are? What is their nature?

Mr. Bill Matthews: This one is a bit odd, so thank you for the question, and please bear with me.

Remember that I have told this committee in the past that the budget is on a full accrual basis and estimates are on a modified cash basis. That is an important point when we think about this.

The government is moving to a new payroll system. Effectively, if you were to look in the private sector or at other governments, your basically common systems run with payment in arrears; you usually get paid after the fact. Under our current pay system in government, we effectively get paid up to the day. We're transitioning to an off-the-shelf system, which means pay in arrears. If we were just to implement that without doing anything, we would be asking employees to skip a paycheque, which doesn't make a lot of sense.

Effectively, from an accrual perspective, from a budget perspective, there is no impact whatsoever. There are savings because this will be a more efficient system, but there is no impact in terms of payroll expense.

From an appropriations perspective, there's an additional charge against departments' appropriations because of this change. Given that departments have been coming out of a strategic and operating review and that we have an operating budget freeze, we wanted to make sure that departments had enough money to fund that extra charge. That's what this is there for.

This is the reason for the increase. It is a one-time, bizarre requirement, but....

• (1020)

Mr. Bernard Trottier: I guess that from the point of view of cash leaving the treasury, there is actually no change; it's just the way it's accounted that is different.

Mr. Bill Matthews: The timing is changed, yes, exactly.

Mr. Bernard Trottier: I want to follow up on a theme that was discussed by my colleague about the division of responsibilities between different levels of government.

You mentioned in your presentation some new initiatives for affordable housing that were being proposed in this year's estimates, based on budget 2013.

In the city of Toronto, where I'm from, you have the federal government doing certain things with affordable housing, the provincial government doing things, and the city running affordable housing, and so in some ways we're tripping over each other. I want to get a sense of the specific things the federal government is doing with respect to affordable housing. Is it not interfering with things the provincial and municipal governments are already doing?

Mr. Bill Matthews: Regarding social housing or affordable housing run by CMHC and the federal government, slide thirteen of the presentation mentioned two amounts for investments in affordable housing. Obviously, to spend that money efficiently, you have to work with other partners.

I will highlight for you that the second piece of this is \$70 million for housing in Nunavut. The role in territories is a bit different. Just to speak to Nunavut specifically, housing costs in Nunavut are through the roof; it's quite expensive to live up there. So there is a specific amount listed there.

As for the \$253.1 million in affordable housing, I'm not sure whether Marcia can offer to explain how it works with provinces.

No? We will have to—

Mr. Bernard Trottier: In fairness, that is more of a question for the Minister of Employment and Social Development.

Mr. Bill Matthews: It's a good question.

Mr. Bernard Trottier: It's always a concern of mine, when we have different levels of government trying to do the same thing, that we create redundant bureaucracy. I suppose there are other programs out there, too, that are like that.

You talked about the consolidation of CIDA under the Department of Foreign Affairs, Trade and Development. There's an increase in Foreign Affairs, Trade and Development of \$3,037.9 million and then a decrease in CIDA of \$3,159.3 million.

There seem to be some savings as a result of this merger. Can you describe what is going on? Were there some senior management savings from having CIDA become part of DFATD?

Mr. Bill Matthews: Actually, what you're seeing is there were already planned savings in both of those organizations because we were heading into the third year of reductions due to the deficit reduction action plan. The merger itself was not done to generate savings; it was done more to align policies. There's no number I can pull saying that these are the savings from that merger. It was very much done from a policy alignment perspective.

The reason for the reduction you're seeing here is that there were already some planned reductions in those organizations because of the tail end of the deficit reduction action plan.

[Translation]

The Chair: Mr. Trottier, you have a few seconds left.

[English]

Mr. Bernard Trottier: You mentioned that the Canada Revenue Agency appropriation is decreasing by \$400 million or so and that half of that is due to e-filing. This trend around people interacting with the government electronically must be driving savings throughout government.

Mr. Bill Matthews: It is driving savings throughout, and CRA is the best example.

As mentioned, half of that saving relates to softwood lumber, and the other half is administrative savings. I highlighted e-filing as an example, but to talk further about this, they have changed rules so that major tax preparers who file more than 10 returns must do e-filing. For you and me, it's voluntary; if you're in the tax preparation business, you now must do e-filing. There are savings there.

They did one other thing on the paper-based side. They used to send tax return information out by registered mail. Now they use regular mail. That's a savings as well, even though it's still paper-based. This is not the only thing they've done from an administrative perspective, but the "e" part of this is certainly a big component.

• (1025)

[Translation]

The Chair: Thank you.

Before the meeting ends, I will give the floor to Mrs. Day.

Mrs. Anne-Marie Day: Thank you.

Mr. Matthews, I am going to ask you a few questions about the Old Port of Montreal Corporation.

The latest budget has a decrease of \$24.5 million compared to main estimates 2013-14. As we know, the Canada Lands Company has merged, but can you tell us where the money has gone?

[English]

Mr. Bill Matthews: The money itself, as far as I recollect, and I may ask my colleagues to help me out... They've moved the organization. I'm not aware of an actual reduction in funding for Old Port of Montreal; I think it was effectively just a transfer of responsibility into the Canada Lands Company. You're likely not seeing it presented in the way you used to, but my understanding is that it's just a movement of organizations from a responsibility perspective.

[Translation]

Mrs. Anne-Marie Day: Have the lands been sold?

[English]

Mr. Bill Matthews: They have not been recently, to my recollection, no. But I'm wondering whether... I haven't looked at the Canada Lands Company corporate plan documents to see whether there's any news there, but to the best of my recollection, no.

[Translation]

Mrs. Anne-Marie Day: I would like to ask you a question about the estimates, which, from now on, exclude any funding deemed to have been assigned to a department following a transfer of a portion from the federal public administration. When there is a transfer from the federal administration, if we don't see it, how can we keep track of it?

Mr. Bill Matthews: Thank you for your question.

[English]

This does not relate to transfers between votes. As always, if a government department wants to use another department to help deliver its services, that's a vote transfer and it will run through supplementary estimates. You will continue to see that.

We've made a change in presentation in cases when we have an example, such as CIDA, when an organization is being moved into another department.

If you look at part II, it's on page 143 in the English version.

[Translation]

It is on page 5 of the French version.

[English]

Marcia, please feel free to correct me, but what we're dealing with is that when you look at the "Estimates to Date" column of 2013-14 for Foreign Affairs, you will not actually see the money from CIDA. Do I have that correct?

A voice: Yes.

Mr. Bill Matthews: I do. Okay. You won't see the money from CIDA because CIDA is actually still presented separately. That's the change we're talking about, just that "Estimates to Date" where the transfer happens in-year. We already had published CIDA's main estimates and we've kind of kept them there. The transfer of CIDA is not affecting the Foreign Affairs estimates to date. The main estimates for 2014-15 for Foreign Affairs absolutely do include that.

Correct?

A voice: Yes.

Mr. Bill Matthews: Yes.

[Translation]

Mrs. Anne-Marie Day: Yesterday, in the House, we heard a speech on homelessness by the Conservative members.

As we know, the funding for the homelessness partnering strategy (HPS) will be cut. The government talks about studies to determine the exact numbers and the state of homelessness in Canada, studies that cost several million dollars. At the same time, the government is

cutting several millions from the HPS funding for homelessness groups.

Can you tell us how that will be handled internally?

[English]

Mr. Bill Matthews: I'm not sure that I can offer you any information on that front. Those might be very good questions for, I'm assuming, ESDC—what I will forever call HRSDC—to actually discuss, and for you to pose questions about homelessness and their programs. You may find some information in their report on plans and priorities in terms of programs, but I'm afraid that I can't speak to that particular question.

[Translation]

Mrs. Anne-Marie Day: The fact remains that there are cuts in the budget for 2014-15.

[English]

Mr. Bill Matthews: I'm not saying you're wrong. I just don't recall any reductions on that front. I can look into the budget, but in terms of how the programs will be managed, it's better to ask the department that question.

[Translation]

The Chair: Mrs. Day, it might be useful to give these folks specific details from the main estimates on the issue.

Mrs. Anne-Marie Day: I would have to do a bit of research, but I can easily find the information.

The Chair: Having said that, this brings us to the end of our meeting.

I thank the three witnesses—particularly Mr. Matthews, who stayed with us for a good hour and a half—for participating in the second part of our meeting.

I thank the members of the committee for their patience and the time they have devoted to this meeting.

On that note, I will suspend the meeting for a few minutes while we go in camera. We have some business items we need to discuss. Thank you once again.

(Proceedings continue in camera)

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