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Chair

Ms. Yasmin Ratansi

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• (1530)

[English]

The Chair (Ms. Yasmin Ratansi (Don Valley East, Lib.)): Order, please. We're continuing with our study on the freeze on departmental budgets, the budget envelope, and government operations. Our focus has been the public service, the service that's going to be affected, and the demographic change.

Today we have with us Madam d'Auray and Mr. Smith from the Treasury Board.

Welcome again, Madam d'Auray. You are going to be a permanent fixture here. I understand that you have some opening remarks.

Ms. Michelle d'Auray (Secretary of the Treasury Board of Canada, Treasury Board Secretariat): Yes, Madam Chair.

The Chair: If you would like to begin, please do. Thank you.

Ms. Michelle d'Auray: Thank you.

[Translation]

Madam Chair, it is my pleasure to be here today to give you some of the details concerning the freeze on departments' operating budgets announced in the March 4 budget, which the committee is studying. As you mentioned, Mr. Smith, who is the assistant secretary of the Expenditure Management Division at the Treasury Board Secretariat, is with me today. I will make a brief statement, and then I would be happy to answer any questions you may have.

During his appearance on March 22, the President of the Treasury Board talked about the government's three-point plan to return to balanced budgets by 2014-2015. I would like to briefly remind you about these three points.

The first point concerns targeted measures to slow the pace of growth of federal program expenditures. The two examples featured in the budget are the reduction in the growth of the budget of the Department of National Defence and the international aid envelope. The second point concerns a decrease in the government's operating costs. The freeze on departmental operating budgets is included here. The third point concerns a series of reviews of the government's operating expenditures. This includes strategic reviews and a review of government's operating expenditures, that is administrative expenses.

Let's now turn to the freeze on departmental operating budgets, which will be frozen at 2010-2011 levels until 2012-2013. This measure is expected to achieve savings of about \$1.8 billion by 2012-2013.

[English]

This freeze applies to all federal organizations appropriated by Parliament, including departments, agencies, and crown corporations; that is, all departments and agencies in the core public administration; all separate agencies, including the Auditor General, the Information Commissioner, and the Privacy Commissioner; crown corporations that are funded through appropriations voted by Parliament, such as CBC/Radio-Canada, the Canadian Tourism Commission, and museums and galleries; the Canadian Forces; the RCMP; and other agents of Parliament.

For 2010-11, departmental operating budgets total about \$54 billion. These are at the highest levels they have been in over a decade. This amount is roughly comprised of \$28 billion in personnel costs, which are wages and salaries, and \$26 billion in other operating costs, such as professional services contracts, telecommunications, leases, utilities such as heat and hydro, materials, and supplies.

The freeze does not apply to: economic action plan spending, which ends in March 2011; any Budget 2010 measures not included in the main estimates, which have just been tabled; new policy initiatives that could be approved by cabinet; and non-discretionary labour costs, such as parental benefits or severance pay. The Treasury Board will provide a challenge function on any proposals that may involve increased operating expenditures.

As I believe I have said in the previous presentation here, and as the President of the Treasury Board did as well, there is no freeze on wages. Members of the federal public service will receive the planned increase in wages for 2010-11, which is set at 1.5% by the Expenditure Restraint Act and in collective agreements.

Departments will be expected to cover these salary increases, as well as any other increases to their operating costs, by finding efficiencies within their own operations. In the past, departments and agencies were reimbursed for these costs centrally, but they will not be in this instance.

•(1535)

[Translation]

As we indicated earlier, there is no freeze on hiring. Organizations, departments and agencies can fill vacancies or expand staff so long as they respect the overall limits on operating spending. In other words, departments and agencies will continue to manage their workforce using all of the strategies they already use. We are confident that over the next few years, retirements and normal attrition will likely provide departments with the necessary flexibilities to manage the size of their workforce.

[English]

In fact, other than continuing the freeze on spending on travel, conferences, and hospitality at 2008-09 levels for an additional year that was included in the 2009 budget, no single line item in operating budgets is targeted by this freeze. The government has chosen this approach, rather than across-the-board or additional targeted cuts, based on lessons learned from the past.

Deputy heads are best placed to make the decisions they need make to deliver the services within their mandates and their main estimates. This is what they do; this is what we do, day in and day out. We adjust our operations upwards, we adjust our operations downwards, depending on the priorities and the mandates we are given.

In fact, we believe the freeze may provide additional incentives to innovate and find efficiencies, because with the freeze on operating budgets and the administrative review, which was also announced in the budget, these will provide opportunities for internal efficiencies and improved services. In fact, if you look at the timelines, the review of administrative services is planned for this fiscal year to be reported in the 2011 budget, and these are looking at efficiencies across the government, as opposed to department by department. So that will enable us, as a result of the recommendations coming out of that review, to consider what changes need to be made to administrative operations across the government, rather than just by looking at them department by department.

[Translation]

In conclusion, Madam Chair, I gave you a brief overview of the elements and components of the freeze on departments' operating budgets. This is a key component in the government's overall strategy to keep growth and spending down.

We would be pleased to answer your questions.

[English]

The Chair: Thank you very much.

We will go to the first round of questions. For eight minutes, we'll start off with Mr. Kennedy.

Mr. Gerard Kennedy (Parkdale—High Park, Lib.): Thanks very much, Madam Chair.

Thank you for your presentation.

I'd really like to get at this quite quickly. Given that you've got contractual obligations for a good part of your outlays each year—you already have your salary adjustment as an obligation, and you

must have a certain percentage of the other \$26 billion that you mentioned in non-salary costs—can you tell us how much of that is being reduced to make up for the freeze? In other words, there are your salary costs, and you're going to have pressures over two years, and that's 3% by itself. Have you estimated what other points of pressure there are going to be, and whether or not you have flexibility? Is there any of that kind of guideline coming from Treasury Board?

Ms. Michelle d'Auray: In terms of the flexibilities, there are some fixed costs. For example, there are some fixed costs with regard to either rentals or utilities, depending on the size of the occupation. There is, however, quite a bit of flexibility when you look at professional services, when we look at transportation and communication costs. There is also some flexibility in how we manage information services. So there are some opportunities that are not what we would consider to be fixed costs, and these can be looked at by an organization, by a department.

We've also been—

•(1540)

Mr. Gerard Kennedy: Thank you.

Madam d'Auray, if it's possible, can you give us some indicators? It's clear you have that information. You've been helpful enough to tell us in broad strokes the divisions between labour and other. Out of the non-labour component, assuming that it's all subject to the 1.5%, on the other part, how much of it do you see as flexible and how much of it is not flexible? Can you give us an amount, roughly, that you're dealing with in terms of the expectations you're putting on departments?

Ms. Michelle d'Auray: I'm sorry, what do you mean by the 1.5%? Do you mean the wage bill that is not—

Mr. Gerard Kennedy: The wage bill is on the one side—

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

Mr. Gerard Kennedy: It's known.

Ms. Michelle d'Auray: Yes, that's correct.

Mr. Gerard Kennedy: On the other part, helpfully, you're telling us that there are some parts, as you'll always see, rental and so on, which are obligations that continue into the future. Can you tell us what part is fixed and what part is flexible, roughly, from the \$26 billion that is the non-labour component you've identified in your remarks?

Ms. Michelle d'Auray: I will perhaps turn to my colleague to expand on that.

I think if we look at the main estimates and the standard objects, the areas that will likely provide flexibility, as I indicated, are on professional services, areas of transportation and communications. Those are where there is some flexibility, and that is by each department. You will see that in the main estimates in terms of those particular expenditure objects.

Mr. Gerard Kennedy: Okay, but can you give us today your estimate of what that constitutes? Is there a list available, either by department or as a way of guiding individual members? That would be much more efficient than us checking the standard estimates for each department. Is that possible?

Ms. Michelle d'Auray: I will ask my colleague to give you a partial response to that, but in effect we would also have to go through each one of the elements per department to see what are in fact the areas that are not fixed.

If I may, I will ask Mr. Smith to add to that.

Mr. Gerard Kennedy: Just yes or no whether the information is available, Mr. Smith.

Mr. Alister Smith (Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat): There's a breakdown by department and by category of spending in the budgetary main estimates, by standard object. It starts on page 1-26.

If you want even further detail, it is available online in the public accounts. You can go straight into—

Mr. Gerard Kennedy: The specific question, Mr. Smith, and Madame d'Auray, was this. Do you have identified those obligations that are flexible enough to represent choices for the minister? Otherwise, we're talking about cuts that will be done in the face of fixed arrangements. There's a smaller basket that is not fixed. We'd just like to know what that is.

Has Treasury Board identified that, yes or no? And if you have, could you provide it to us today or do we have to get it ourselves?

Ms. Michelle d'Auray: They have not been identified because it is left with each organization. The votes in the parliamentary appropriations are done with each organization. Again, this was part of the approach, and it remains part of the approach. Really, it is up to each organization to make those determinations, because the votes and the amounts that are voted by Parliament are actually voted by minister and by department.

Mr. Gerard Kennedy: Thank you.

You have pressures arising from wages alone. What are the pressures coming from the other part, the fixed increases that are going to be there? We know about 1.5% on labour costs. Have you estimated government-wide the inevitable other cost increases? Those will be translated into choices for the departments. Have you looked at energy? Have you looked at other costs, within any realm of reasonableness, that are going to be going up no matter what the freeze says? Do you know what the pressures will be on departments coming from those other kinds of costs they have to reckon with? Has that been estimated by Treasury Board?

Ms. Michelle d'Auray: These costs are not estimated by Treasury Board because we do not estimate them on a normal basis.

Mr. Gerard Kennedy: Madame d'Auray, I understand, but we're looking at a freeze, which has been advertised as flexible. But essentially the degree to which this doesn't just turn into service cuts is not in any way reckoned with by Treasury Board in advance. You're hopeful about it, you hope your deputies will do the best job they can, but there is no central understanding of how much flexibility there really is out there. That's what I'm given to understand from the two questions I've asked.

Ms. Michelle d'Auray: We have a general understanding of what are the fixed operating costs of government because we look at each organization, as you will do, in the main estimates and the public accounts. We also have a fair assessment, like everybody, of what the cost of increases is likely to be, but we also—

•(1545)

Mr. Gerard Kennedy: Can you provide that to the committee?

Ms. Michelle d'Auray: Well, they are reflected in the main estimates, Madam Chair, and they are reflected in the public accounts, so it is—

Mr. Gerard Kennedy: I'm sorry to interrupt you, but are they specifically identified under those two headings?

Ms. Michelle d'Auray: Which headings?

Mr. Gerard Kennedy: The idea of fixed costs, in other words future costs and—

Ms. Michelle d'Auray: The costs are identified in the standard objects because those are pretty well fixed by...for example, rental is one. In terms of the cost of living, those are in fact calculated by Statistics Canada and those are provided to us.

When we look at the budget impacts for operating expenditures on departments on a normal basis, we do not factor those in. So departments have to manage already within their operating budgets. Whether or not there is a freeze, those elements are not factored into when the main estimates are pulled together on a normal basis.

Mr. Gerard Kennedy: Okay, but again, the idea is to understand how well you're prepared for what is not business as normal, which is a freeze, which is effectively that choices—cuts—will have to be made. We're trying to find out the degree to which there's preparation on the part of the government and the degree to which we can anticipate at this committee what this means for the various services the different ministries are going to provide. If there's no differentiated information, if that's just left to deputies, then basically that's all we have to go on.

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

The Chair: Thank you.

We now go on to Madame Bourgeois for *huit minutes*.

[*Translation*]

Ms. Diane Bourgeois (Terrebonne—Blainville, BQ): Thank you, Madam Chair.

Ms. d'Auray, Mr. Smith, good afternoon. It is nice to see you again.

Since I became a member of this committee, which was about three years ago, people have been talking about streamlining expenses. There has been a lot of talk. Unless I am mistaken, the department has been asked several times to not only streamline its operations, but to also trim some fat. The department was told to find superfluous programs that could be eliminated or replaced by new programs in the interest of containing costs.

Ms. d'Auray, in your brief, you said that there will be no salary or hiring freeze, and I would like to focus on the significance of the spending freeze. I would like to begin by talking about the reduced level of service to Canadians, and then move on to how this will affect the working conditions of employees.

When the type of radical streamlining that has been announced is implemented, deputy ministers will need to be able to meet the objectives you have set. First, have you made sure that all deputy ministers, who will have to go through this exercise, will have the same means at their disposal, and that they are all on the same wavelength? Do you have a say in how deputy ministers will scale back their operations?

Ms. Michelle d'Auray: Madam Chair, your colleague asked several questions.

Indeed, deputy ministers all have the same means at their disposal. Standards, policies and degree of flexibility are the same for everyone. Deputy ministers are used to managing increases and decreases, to maintaining critical services and key services and to increasing efficiency. They do so on a regular basis, for instance, by investing in the electronic delivery of services to speed up the processing of applications. If we had not made those investments, which allowed us to reorganize the way Service Canada delivers services, I am sure that the Department of Human Resources and Skills Development, for example, would not have been able to hire as many people to deal with the increase in employment insurance applications. Indeed, we had already developed and implemented the necessary measures to meet the increased demand. Similarly, when the volume of applications goes down, we will have to manage this decrease and go back to normal levels. This will have a domino effect with regard to the processing of applications elsewhere.

We also have made many improvements and have reorganized our operations. This is part and parcel of a deputy minister's job. These are the tools we use to deal with a budget freeze.

As I said in my opening statement—I repeat—we have \$54 billion in operating expenses, which is probably the highest it has been in the past 10 years. It is a good thing that we are rethinking the way we operate. This often happens when more and more programs, and more and more operational activities, are brought in. So you have to take a step back and see how you can do things more efficiently.

We are discussing this matter with our OECD colleagues, and some governments engage in this type of exercise on a regular basis. Some governments reorganize 10% of their programs each year to ensure that measures, funding and human resources are used efficiently.

• (1550)

Ms. Diane Bourgeois: Take Correctional Services Canada. In the last few years, there has been something called “redeployment”. This involves redeployment measures that affect staff and the organization. This is a sector that is overcrowded, and where legislation and philosophies come and go. Staff cannot cope anymore. Staff has been pushed to the limit. In short, the way the department is run, including all of its internal resources, has to change.

I have with me petitions signed by Correctional Services of Canada staff, and which were sent to the Treasury Board Secretariat and to the Treasury Board. These petitions call for a complete reorganization of Correctional Services Canada. In fact, the staff does not feel safe anymore, nor do the inmates. You might say that Correctional Services Canada has just received a budget increase, but the fact remains that the damage has been done. The extra money will only temporarily fix the problems experienced by employees.

What will the Treasury Board Secretariat do to hold the deputy minister, or former deputy ministers, to account, since this mess happened under their watch in the past few years? There is a safety issue at some CSC facilities today, and which must be internally addressed.

I see that Alister Smith is nodding his head. How can we fix the problems with this department?

Ms. Michelle d'Auray: Madam Chair, I would say that issues related to petitions and labour relations are handled by the deputy minister and by the staff of Correctional Services. The rules governing their labour relations are sufficient to address these matters. They are doing so in accordance with the standards and mechanisms set out in collective agreements and with established procedures.

That being said, you pointed out that there was an increase in the department's operating appropriations. This will help deal with the issue of growth and cover the costs of hiring new staff.

I would like to point out that issues relating to labour relations fall directly under the authority of the responsible deputy minister. Such matters must be settled in accordance with the negotiated collective agreements.

The Chair: Thank you.

[English]

We now go to Mr. Warkentin for eight minutes.

• (1555)

Mr. Chris Warkentin (Peace River, CPC): Thank you, Madam Chair.

Thank you, Ms. d'Auray and Mr. Smith, for coming in this afternoon. We appreciate your testimony and your willingness to visit us again.

In terms of the overall freeze on spending, of course there are a number of things that come up. Could you speak about some of the opportunities and some of the things Treasury Board is involved in and maybe other departments are involved in that you're aware of in terms of the savings that government may be able to find during this time?

I've heard some of the provincial governments describing this time as an opportunity for government to change the way it does certain things. I know there's been some effort to overhaul some of the antiquated systems that are in place, specifically the payroll system, to try to reduce the cost the government incurs in that and reduce some of the stresses that are on the employees that administer that service. But there are also other places where governments are saving right now. I know that, anecdotally, construction costs and some services are actually cheaper today than they were two years ago or even a year ago. Specifically, construction cost is one that's easy to identify. We're hearing of construction projects coming in 40% less than what they were estimated to cost even two and three years ago.

Are there other services where we're seeing a reduction in the cost, or is that being identified as something that Treasury Board follows?

Ms. Michelle d'Auray: Thank you for the question. I think what I referred to briefly in my opening remarks is that there is a review of administrative services and operating costs of the Government of Canada, which was also announced in the budget, and to which my colleague Daniel Jean has just recently been appointed. He is going to be looking at where efficiencies and effectiveness can be found across the government.

For example, we are currently, with Public Works and Government Services, looking at the number of data centres and data warehouses we have. We have quite a few across the Government of Canada—over 120, I think. They're spread out across the country. They could be consolidated. We also need to consider, in light of business continuity requirements, that we could do maintenance a lot more effectively that way as opposed to looking at these services department by department.

For example, we have found that when departments co-locate services, when they're in the same building, we could probably drive more efficiencies by integrating services across organizations, so that we don't duplicate and have each one with a set of mailroom services or with the costs of administering some of the operating systems, such as financial systems. We can consolidate the application services for information technology. There is a range of opportunities that this will enable us to look at and to consider where the services are that I would consider to be perhaps not quite core to the government or where each department doesn't necessarily need to have its own.

We have seen in other jurisdictions—for example, in a lot of the provinces that have looked at this—that there are more effective and efficient ways of looking at what we would consider to be the costs of operating government. That doesn't affect the service delivery to Canadians; it's more about how we operate on an organizational basis across the board.

Mr. Chris Warkentin: I guess that's of some interest to committee members. It certainly is for me, and I've heard it expressed by other members at this committee that this issue really is of interest to us.

We understand that even as it relates to the payroll for personnel within departments there is a possibility that we may see more efficient and effective service to Canadians with, possibly, even fewer people. So while we understand the necessity to care for the civil service and appreciate the work they do, because of the systems, in fact, it's requiring at this time more people than would be necessary if there were a more efficient or effective management structure in place.

I'm wondering if you could reference where we are in terms of the payroll system, because I think this is one of the systems that we have consistently seen break down and where we've had additional manpower dedicated to trying to manage something that effectively is an outdated system. When might we be able to see some significant streamlining on that front?

• (1600)

Ms. Michelle d'Auray: The pay system, as you mentioned, is over 40 years old. In fact, it is being looked at in regard to tendering of a new system and service.

Right now, a lot of data entry has to be done manually because, in its configuration, the current system cannot capture the data electronically. There is a lot of data entry that we are hoping to eliminate as a result. It also generates a fair number of errors. Getting errors on people's pay is not a good thing to do, and this is one of the reasons that going to a new system is pretty critical for us.

Yes, it will reduce significantly the amount of the people management of data that is currently required. We believe we can make that change using attrition, as opposed to making any other adjustments necessary. We are also having a hard time recruiting people to do essentially what is data entry, and to deal with all of the challenges around compensation, given the number of collective agreements we have and the various configurations we have to address. So we're dealing with both: a very old system that cannot adapt very quickly and a difficulty in recruiting the people we need in order to be able to do all of the manual data entry and manual consolidation of information.

Mr. Chris Warkentin: I really appreciate that. That's very helpful.

Our committee has actually undertaken a study on the networking that many of our departments use, and the consolidation, or the possible consolidation, of some of that. I know there were certain departments that were looking toward that, specifically Service Canada and different partnering departments.

Is there a status update that you're aware of on that front? Or should we perhaps direct that toward one of the departments specifically?

Ms. Michelle d'Auray: If I may, I can briefly tell you that the work on that is progressing as quickly as our procurement process allows us to progress, if I can put it that way.

There is in fact an increased interest in migrating to a consolidated network, essentially because of security purposes at this point. A growing number of departments will be connecting to the secure network for that purpose.

Mr. Chris Warkentin: Thank you.

The Chair: We now go to the second....

Oh, sorry, it's Mr. Martin for eight minutes.

Mr. Pat Martin (Winnipeg Centre, NDP): Don't forget the NDP.

The Chair: Of course I won't forget you.

Mr. Pat Martin: No. Thank you, Madam Chair.

Thank you, Madam d'Auray and Mr. Smith. Welcome. It's nice to see you again.

We had the President of the Treasury Board here when he first launched his cost-saving measures. One of the things that struck me, especially as a former union representative, is that the minister, the President of the Treasury Board, tried to pass it on as some sort of example of egalitarian workplace democracy that he would allow public servants to be the ones to find the cost-saving measures, the efficiencies. Essentially, passing the buck on to public servants themselves was something to be lauded.

Now, I'm a veteran of some of the old scientific management gimmicks during the eighties and nineties—PS 2000, total quality management, quality work circles, *kaizen*, and all of those goofy so-called paradigm-shifting exercises we were supposed to go through. That's exactly the language we found there. We would find one task that six people would do and give them the job of finding a way to do it better. Usually what they'd do is vote to eliminate one of the six people and do the same job with five.

Don't you think—I don't even know if I have to ask you this—that one of the predictable consequences of this passing of the buck will be cuts? You can't shrink the budget without shrinking the public service. And there's no fat to be trimmed. After the Liberals got through with the public service, with the cutting and the hacking and the slashing that went on there, you're not going to balance the budget by trimming the fat in the public service. Those cuts haven't even healed yet, never mind cutting deeper. You cut right through the fat into the flesh and bones, into the very structure of the public service.

I really suspect that, first of all, this delegation of authority, this delegation of management duties, actually, to the workers to find the efficiencies is like putting a suggestion box on death row: how do you want to execute yourself, or who of your co-workers do you want to execute, just to save this money? I'm actually very concerned by what you have presented to us today.

I do have some specific questions. One of the new positions you will be creating is the deputy minister of administrative services review. Now, this is an ongoing thing anyway. Every government every year tries to find efficiencies in the administration, and cost-cutting measures. Is this a fixed-term mandate? What is the mandate of this new deputy minister of administrative services review? Is it a permanent thing you have set up, that one deputy minister will be now looking at all administrative services?

• (1605)

Ms. Michelle d'Auray: Madam Chair, with regard to the earlier part of the member's presentation, I think there is a responsibility on the part of all public servants to be effective stewards of the resources we have. The responsibility to be as effective and efficient as possible is in fact an ongoing duty and responsibility, as it is for the deputy ministers to manage effectively and efficiently within the resources they are provided.

Mr. Pat Martin: That isn't new, Madam d'Auray; that's a given.

Ms. Michelle d'Auray: But that is part of the responsibility that is ongoing. So it isn't new. It is what we are mandated to do and what we are responsible for.

With regard to the deputy minister responsible for the administrative review, that is a position that has been established within the office of the Privy Council. The appointment was made by the Prime Minister. It is for a fixed-term period so that the results of that administrative review can be reported in time for the 2011 budget.

The purpose of the review is to examine the way in which, across government, we can be as effective as possible in the administration and operation of, if I can put it this way, our internal services and activities.

Mr. Pat Martin: Fair enough. Thank you.

I should note that the PCO is not on the list of agencies and institutions that have had their budget frozen. In fact its budget is increasing dramatically, from what I understand. That is perhaps a subject for another line of questioning.

Ms. Michelle d'Auray: Perhaps just on that, Madam Chair, I did say explicitly in my remarks that any measures that have been approved in the budget or that were covered in the main estimates were also included, so if they had been approved by cabinet and had found their way in...just as some measures in Budget 2010 will find their way in, for example, through supplementary estimates, which will go towards increasing the operating budgets of a number of departments. So in this regard, you will see the increases not just in the main estimates but also in the operating budgets of a number of organizations as the supplementary estimates are likely to be tabled, because they will be reflecting the decisions and the proposals that are in the budget.

Mr. Pat Martin: Okay. I don't pretend to understand that, but I'll ask a different question.

Deputy ministers will now.... If you're offloading this obligation to the public service to find its own efficiencies, again I am suspect and worried about that. It does smack of the old scientific management gimmicks that were tossed out by human resources programs decades ago. Has the Treasury Board Secretariat given any directives to deputy ministers as they go about that work of finding these efficiencies—guidelines such as who is ultimately responsible for maintaining certain levels of service to the public? If the deputy minister has to find these efficiencies and be the one cutting and hacking and slashing and recommending these cuts, who is ultimately going to be the watchdog to make sure we're not dramatically losing the quality of public services? Who gets to review or even have the veto over the deputy ministers' new authorities?

• (1610)

Ms. Michelle d'Auray: Madam Chair, I do not consider this to be offloading onto deputy ministers. This is what deputy ministers do on a regular basis. This is part of what we are mandated to do. This is part of our responsibilities. It's part of our responsibilities under the Financial Administration Act to manage our resources effectively. This is not offloading on us. This is part of our job.

Mr. Pat Martin: So deputy ministers are involved in budget making, and really what we see now is that deputy ministers will be solely responsible for making these budget adjustments.

The Chair: Your time is up.

Ms. Michelle d'Auray: If I may say so, Madam Chair, deputy ministers are responsible for managing the budgets, and the budgets are recorded to them through their ministers by Parliament as voted by Parliament. This is something we do on a regular basis. We manage those elements. I do not consider a freeze on operating budgets to be cutting and slashing. It is in fact an opportunity for us to look at whether we are managing effectively and efficiently within what I also mentioned are some of the highest operating budgets we have seen in almost a decade. So this is not a cutting and slashing exercise; it is a good management exercise.

The Chair: Thank you.

With that, I would like to take it to the second round of questioning for five minutes.

Mr. Rota.

Mr. Anthony Rota (Nipissing—Timiskaming, Lib.): Thank you, Madam Chair, and thank you, witnesses, for being here today.

In your presentation you stated that \$28 billion went to personnel and \$26 billion in consulting professional services and other. How much flexibility does this government see in that \$28 billion? Where exactly do you see it coming from? How much of it will be coming from attrition, through non-renewal of temporary workers? My concern is that we see this coming down. As Mr. Martin said, how is this going to affect the services we get, and what can the average Canadian expect from these cuts?

As far as services go, I do not necessarily mean the dollar amount, but the real services. An example is a passport. That's something we do through our office quite often. We don't have any passport offices in northeastern Ontario. Someone comes in. They know they have a certain cost for a passport. They know it's going to take five to six weeks. How is that going to affect them?

Ms. Michelle d'Auray: Each organization will have to examine the decisions and how they will make those determinations. What we have given you are the global numbers. In each instance, each organization and department has its own operating budget. It can move money from operating administration to salaries and from salaries to operations. There is a huge amount of flexibility in each of the vote 1 operating budgets for each organization.

Within that, it is not significant for at least the first couple of years' reduction. We know what we have to absorb, as you will have seen in the budget documents for 2010-11. We have to absorb \$300 million within an overall budget of \$54 billion. That is something we can easily do within our existing operations by looking at whether or not we can manage through attrition, whether there are more effective and efficient ways we can deliver services internal to the government.

I think we have an interest in looking at whether we are as effective as possible in our internal operations and activities. That is an area where we know we have grown significantly and where we can make some significant changes to the way in which we operate, without affecting services to Canadians.

Mr. Anthony Rota: It's interesting you mention that we've grown considerably. From what I understand, in the last four years the total growth has been 6.1% of total per year.

Ms. Michelle d'Auray: The growth in employment from 2005 to 2009 has been about 12.4%.

Mr. Anthony Rota: The total I've heard is that number. We won't argue that, but you mentioned something about effective stewards of the resource we have—in this case government. One of the things you mentioned was wanting to cut duplication. I would imagine that duplication is across departments and not just in one area. So you would have to encourage different departments or ministries to work together to achieve those savings.

I don't see any guidelines. You're leaving it open to them. You're asking them to cut back, yet you're saying we're good stewards. What are the guidelines, or what are you doing to help these ministries to consolidate these services so they can be effective?

● (1615)

Ms. Michelle d'Auray: In response to an earlier question, I mentioned the review of administrative services and operation costs of the government being led by my colleague Daniel Jean. The purpose behind that is to do exactly what the comment raised: look at this across the government, as opposed to just looking at it on a department-by-department basis.

The purpose of doing it during this fiscal year to report in Budget 2011 is to be able to provide guidance to departments on the efficiencies and effectiveness measures that can be taken across the government, as opposed to only on a department-by-department basis. That is the purpose of our review. In the meantime, for 2010-11, departments will be applying the freeze to their operating budgets and will be able to do so within the existing frameworks.

Mr. Anthony Rota: So in the first year you're saying, "Okay, guys, see if you can cut whatever you can and do whatever you can, and we'll come back a year from now and tell you how you can undo everything you've done the first year without really having much direction. In the first year, do what you can and go in any direction you want, because we just want you to cut. Next year we'll give you the rules and tell you how you can really cut and work together."

Am I correct in thinking that?

Ms. Michelle d'Auray: I think a better way of explaining it is that departments, deputy ministers, and ministers will be managing within their envelopes. They will be making some decisions on internal efficiencies. They will be doing so primarily to absorb the increase in salaries that has already been negotiated at 1.5%. The total amount to be absorbed is \$300 million. That does not necessarily reflect all the increases in the operating budgets that will also be attributed to organizations as a result of decisions that are made in the budget.

On the ability of deputy ministers to share information and be able to make decisions in full knowledge of what they are doing in other organizations, we do that effectively on a regular basis, without having to impose guidelines and strict rules.

Again, the whole trend we have been undertaking for at least a few years now is to be clear about the responsibilities the deputy ministers have in managing their organizations. It is well within their areas of responsibility to do so, and they do not need rules and specific guidelines from us to tell them how to do it. They're quite capable and competent individuals; otherwise they wouldn't be deputy ministers.

The Chair: I think where everybody is coming from is that there's an umbrella and they want to know where you're situated in terms of their ability.... I think the question being asked is, what is your situation? You are the chief and you're giving guidance to the deputy ministers. That's why there's confusion. What is the guidance you're giving them to make it more effective?

With that, I'll go to Monsieur Nadeau to see if the same line of questioning is coming.

[Translation]

Mr. Richard Nadeau (Gatineau, BQ): Good afternoon, Ms. d'Auray. How many departments are there in total?

Ms. Michelle d'Auray: There are about 60 departments, but several organizations are affected by...

Mr. Richard Nadeau: You say there are 60 departments in Canada.

Ms. Michelle d'Auray: I am talking about departments.

Mr. Richard Nadeau: There are not 60 departments, there are not 60 ministers in the House of Commons!

Ms. Michelle d'Auray: No.

Mr. Richard Nadeau: How many Crown corporations are there in total?

Ms. Michelle d'Auray: I don't want to guess, since I don't have that number handy.

Mr. Richard Nadeau: Give me a ballpark figure. You represent the Treasury Board, so you have to have an idea. Canada Post, for example, is one.

Ms. Michelle d'Auray: Yes, Canada Post is a Crown corporation.

Mr. Richard Nadeau: You don't know how many Crown corporations we have. How many government agencies are there? I am thinking of CIDA or the Canada Revenue Agency. How many agencies are there?

Ms. Michelle d'Auray: They are included in the list of departments.

• (1620)

Mr. Richard Nadeau: They are included. Are some departments affected more than others? For example, we will be pulling out of Afghanistan. As a result, is the budget of the Department of National Defence going to shrink compared to what it was in the last four years?

Ms. Michelle d'Auray: Madam Chair, as was indicated in the budget, there were targeted measures. For instance, one measure will

limit or reduce the growth of the Department of National Defence's budget. The reduction included in the budget is of \$1 billion. The same principle applies to restricting the growth of...

Mr. Richard Nadeau: I understand. The budget of the Department of National Defence is an easy target for political reasons, which are known to everyone.

Let's talk about international aid. Is this another sector which is being targeted? I am referring to a reduction in the budget of this department or of departments which are also involved with international aid.

Ms. Michelle d'Auray: Madam Chair, that was the second thing I wanted to point out. As far as the targeted measures contained in the budget are concerned, the envelope for international aid...

Mr. Richard Nadeau: Thank you. Have other departments also been targeted? All I have been hearing so far are general principles. Each department is responsible for its own envelope. But what I am not hearing, and what I would like to hear, is whether some departments will be more affected by others if we are to have a balanced budget in 2014-2015.

Ms. Michelle d'Auray: As I indicated in my opening statement, there are three parts to the various measures announced in the budget. The first part contains targeted measures, which aim to limit the growth of the Department of National Defence's budget. I think that you will also see in the document...

Mr. Richard Nadeau: I am sorry, Ms. d'Auray, but I only have five minutes.

Ms. Michelle d'Auray: I am trying to answer your question.

Mr. Richard Nadeau: Just give me the names of the departments. You mentioned National Defence and international aid. Are there any others?

Ms. Michelle d'Auray: Those are the only two which were targeted in the budget.

Mr. Richard Nadeau: So there are no others.

When we talk about limiting expenses as much as possible, at what price is that done, and based on which standards? For example, will rationalizations be made within our correctional facilities? Will the safety of employees and inmates be put at risk to ensure that no further investments are made in this sector, for instance?

Ms. Michelle d'Auray: Madam Chair, we are subject to very strict laws and regulations. We cannot and must not put at risk in any way our employees. We are subject to the Canada Labour Code. We are also governed by regulations and policies that have not been eliminated and that deputy ministers must follow.

Mr. Richard Nadeau: Fine, that answers my question.

I have another one. At the time the Liberals were in power, Marcel Massé was the President of the Treasury Board. Approximately 15,000 jobs were affected. They were eliminated, and some positions were not filled. History is repeating itself, because the Conservatives have done the same thing in certain areas, with regard to certain boards of directors, where positions were eliminated when they ceased to exist or when they were not filled. Ten years later on, we have an additional 38,000 public servants.

What guarantee is there that the measures which have been taken, for instance, are not just window dressing and a convenient way to present the government's finances, but rather measures which will result in a real reduction in expenditures without affecting salaries or employees?

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

Ms. Michelle d'Auray: I think that all of those questions come down to this one, if I can put it that way, Madam Chair, namely whether we are issuing extremely specific and clear guidelines to ensure that the freeze on operating budgets is managed the same way everywhere.

Indeed, departments and deputy ministers manage their operation budgets based on a series of rules and guidelines which are issued by the Treasury Board and the Treasury Board Secretariat. These guidelines and approaches continue to apply at this time, but each department and each deputy minister must manage their resources based on priorities, programs and their mandate. Therefore, some departments choose to provide more services one way, whereas other departments provide them in other ways.

We are already operating within the system which allows different organizations to function in different ways, within a general framework, and based on their mandate and their programs. That has not changed, and it will not change even with the freeze on operating budgets. This is the way we currently operate, and this is the way we will continue to operate.

• (1625)

[English]

The Chair: Thank you.

We'll go to the last round of questions.

Monsieur Gourde, pour cinq minutes, s'il vous plaît.

[Translation]

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

Welcome, Mrs. d'Auray and Mr. Smith. I will ask you a couple of questions, but do not be afraid, I will not cut you off.

Regarding the important measures contained in the 2010-2011 Budget, including the freeze until 2012-2013, that will generate savings of \$1.8 billion, I understand that the regular increases will be frozen. Will this move in fact help generate savings of \$1.8 billion?

Ms. Michelle d'Auray: Exactly, Madam Chair.

Budgets are not being reduced. Rather, the amounts provided for in the fiscal framework, which could have been used to increase departmental operating budgets, will simply not be allocated. Therefore, there will be no growth. No additional expenses will be incurred. It's not a matter of making cutbacks, but rather of imposing a freeze on increases in operating budgets.

Mr. Jacques Gourde: I understand that it is a freeze on budget increases. All departments will see their budgets frozen for the next three years.

I also understand that departments will be given more leeway so that their deputy ministers, assistants and actuaries can find

innovative solutions and have the flexibility to provide Canadians with the services they need. They will be able to change the way they operate.

We know that many public servants will be retiring. But they can also be rehired. I do not believe that there is a hiring freeze, but you might want to clarify that for me. Will we be looking at what is done in other countries, or for another Canadian approach, in order to meet these major challenges?

Ms. Michelle d'Auray: You have asked a number of questions. Madam Chair, I would like to address each one separately.

As for whether we will be able to cope with the relatively high retirement or departure rate within the public service, I would like to point out that the number of persons who left the public service in 2009-2010 topped 13,000. We expect that the departure rate will increase slightly over the next three or four years. The number of retirements is nearing a peak, if you will, given the average age of public servants. This gives us an opportunity to rethink our approaches and operations.

As you have indicated, there is no hiring freeze. The public service would like to engage in and offer value added work. Taking in to account our own ways of doing business, we would like to become a little more innovative and reduce the amount of repetitive work over the next few years. Data entry, for example, is not a particularly value added activity. That is a task that is being transformed. When you look at the kind of work that public servants are doing today, you realize that there has been an increase in particular in value added work. Electronic data processing, services to the public and policy development are some of the areas where we have seen the greatest increase in value added work.

With the regard to the changes that we could make by reviewing our internal operations, obviously, we will look at what is done in other jurisdictions. We have begun to consider some of the approaches taken by British Columbia and Ontario. Our goal is to maintain and, in some cases, increase the level of services by doing things differently.

[English]

Mr. Jacques Gourde: *Merci.*

• (1630)

The Chair: *Merci beaucoup.*

Thank you, Madame d'Auray and Mr. Smith, for being here. We thank you for the dialogue we're going to have. Collectively we hope to figure out what your department does and what other departments are supposed to follow through on.

I'm going to suspend for a few minutes. We have the next round of witnesses coming in.

• _____ (Pause) _____

• **The Chair:** I need to have the precision of the military here. We have until 5:15, so I'd like to welcome the Parliamentary Budget Officer, Mr. Page, along with Mr. Askari, Mr. Khan, Mr. Weltman, and Mr. Mathilakath.

I understand you have some opening remarks, Mr. Page.

Mr. Kevin Page (Parliamentary Budget Officer, Library of Parliament): Yes.

The Chair: You may begin.

Mr. Kevin Page (Parliamentary Budget Officer, Library of Parliament): Thank you.

Good afternoon, Madam Chair, vice-chairs, and members of the committee.

[Translation]

I would like to thank you for having invited me and my colleagues to speak to you about the freeze on operating budgets imposed by our government as part of Budget 2010.

[English]

I would like to make a few opening remarks on the fiscal context for restraint and on a proposed framework for analysis that could help serve this committee.

I wish to note that I am making available two documents: a document that describes the proposed risk and impact assessment for spending restraint, and a document for your information that provides an update of the Parliamentary Budget Office's assessment of the government's infrastructure stimulus fund, based on data from applications received on the January 29, 2010, closing date for the program.

I also wish to note that later this week my office will be releasing an analysis of the projected employment insurance premium revenues and expenses.

[Translation]

I have three key messages for you today.

One, the fiscal context is challenging. Notwithstanding Canada's relatively strong fiscal performance when compared to some other countries, parliamentarians are facing two large fiscal waves. First comes large federal budgetary deficits caused by the economic downturn and the implementation of a deficit finance stimulus package. This short term wave will be followed soon after by growing costs for baby boom retirees drawing elderly benefits and health care services as well as weaker budgetary revenues due to declining growth in labour supply.

Two, there is no fiscal consolidation without pain. To avoid large unsustainable budget deficits over the long term, parliamentarians may need to choose between higher taxes, changes to statutory transfer programs and less spending on direct program expenditures. According to PBO analysis and fiscal projections, the restraint measures introduced in Budget 2010 are not sufficient to return the federal budget deficit back to balance over the next five years based on average private sector forecasts, or to address the fiscal pressures related to aging demographics.

Three, there is both a strategic opportunity and a need to strengthen the estimates review process. Recent improvements in expenditure management information and the implementation of strategic reviews helped set the stage for new levels of fiscal transparency and involvement in a decision-support capacity of the

government operations and estimates committee and indeed all standing committees that support the review of departmental activities.

• (1635)

[English]

Budget 2010 proposes expenditure restraint on operational spending. For 2010-11, departmental budgets will not be increased to fund the 1.5% increase in annual wages, which will require reallocation from operating budgets. For 2011-12 and 2012-13, operating budgets of departments will be frozen at 2010-11 levels.

The key question for today is, do parliamentarians have the decision support information they need to exercise parliamentary oversight on the proposed operational budget freeze? I think the answer is no. In the view of PBO, my office, the Budget 2010 operation restraint measures are ill-defined. There is insufficient information available on the planned spending baseline the government has chosen. We do not know from a fiscal planning basis what it includes or excludes, relative to operational spending, nor do we have a departmental breakdown on the spending baseline.

We do not know the strategy the government will employ to implement the savings measures. Will it be broad-based or targeted? Will central agencies responsible for the provision of policy advice be restrained in the same way as departments and agencies like the Canadian Food Inspection Agency, the coast guard, or border services, which are responsible for the provision of health and safety services?

In our view, Parliament needs information and analysis in a structured and timely fashion in order to examine the risks and impacts of restraint measures. The PBO proposes the need for an analytical framework to support the work of this committee that provides a risk and impact assessment from both a fiscal and a service delivery vantage point.

From a fiscal vantage point, committee members need to know what the risks are in achieving the proposed fiscal targets. Are the savings realizable? Are they cashable? Are they dependent on reasonable levels of demand for programs or services? Are there potential downstream fiscal pressures resulting from cost deferrals related to an operational freeze?

From a service delivery vantage point, committee members need to know the risks and impacts to service levels for Canadians, from speed of service, quality, or cost perspectives. Are there risks and impacts to the longer-term service capacity of government related to changes in employment, processes, or capital levels?

To prepare this type of analysis, the PBO, working on behalf of this committee, needs access to information. From a fiscal perspective, PBO needs access to planned and approved fiscal framework and departmental annual spending reference levels—historical and projected—as well as lapsed voted authorities.

From a service delivery perspective, we need departmental strategies for savings, service level standards, and fully loaded costs for program activities for affected departments. PBO requires committee support to obtain the required information for decision support to members. A previous request for similar information made by the PBO to the Treasury Board Secretariat has been turned down. Planned approved reference levels were deemed a cabinet confidence.

In the report PBO is releasing today on infrastructure, PBO benefited significantly from the support of this committee in receiving information. We've had good collaboration with officials from the department of transportation and infrastructure. As a result, members have timely access to information and analysis on the size, type, and nature of projects in the spending profile of the infrastructure stimulus fund.

PBO is undertaking a survey this summer to examine the impact of the infrastructure program. With timely and adequate access to information required to assist the operational freeze, PBO could prepare for this committee an assessment of risk and impact of 2010-11 savings in the fall of 2010 and a similar assessment of future savings prior to Budget 2011.

• (1640)

[*Translation*]

Thank you very much. We look forward to your questions.

[*English*]

Thank you very much. We look forward to your questions.

The Chair: Thank you very much.

We'll start the first round of questions with Mr. Kennedy for eight minutes.

Mr. Gerard Kennedy: Thanks very much.

In a way, we wish we'd had you here before some of the department officials, because we have learned there is no baseline being done about the actual cost implications—in other words, not collecting even government-wide data about what a fixed cost that can't be changed over the next few years is or isn't, nor is there any anticipation of service level impacts, which you have identified in your remarks. That surely has to be the bottom line.

We've had governments in the past—I was in the opposition of one in Ontario—that said you can get more for less, and we got Walkerton. One of the implications is caution and knowledge ahead of time of where cuts are taking place.

This is what I am looking for here. On the money that is being cut, the Treasury Board Secretariat talked about \$300 million, and within the deputies...but that was just on the salary side. It didn't have a quantification of what would have to be cut on the other side or where we would get it from.

Are you able to give us any outlook about what those choices might look like, what kinds of pots departments will be able to get to, or do you need our help, from this committee broadly, to be able to get some of that information?

My concern is that we really need to know about this as we step into it, not after the fact. I mean, that's what the Auditor General can help us with.

I also wonder if you have any comment on the fact that operational spending was going at a fairly good clip—I understand the Conference Board number was around 6.1% per year—and the implications of putting the brakes on in such a sudden way. Again, what protections could there be to make sure the public isn't hurt, that important public services don't become part of some very diffuse thing?

The impression I got from the last hour is that this is being handed off to deputies. No one is checking. There are no benchmarks. Whatever is going to happen is going to happen. All we know is that they are not going to get any more money and they'll have to manage within that. We know something about the compounded effect of that, of course, but we don't know entirely because we don't know the cost pressures of previous contractual arrangements and anticipation of other costs.

What can you tell us about the scope of the challenge that this policy represents even at this point? What do you need to be able to take us further in the anticipation of some of the choices that deputy ministers are going to be forced to make? And part of that is how we have protections for very important public services from a very broad directive like this.

Mr. Kevin Page: Thank you very much.

First off, we do need help from this committee to do a proper analysis. That is probably the most important point I could make today. To get the committee's support to do this analysis going forward would be fundamental for us to do our job so we can come forward in the fall to provide a kind of risk and impact assessment on the spending freeze, both for 2010 and in future years. In addition to the operational freeze of this year, we have freezes in the following two years, plus we have the government looking for administrative savings.

As I said, I don't think there is fiscal consolidation without some pain. That is true not only in Canada but in other countries. In our own case, it is probably true that we have seen a lot of spending. We've seen direct program spending growth over the past 10 years—well over 6%. With the big stimulus package we have in place for 2009-10 and 2010-11, we know there is a lot of money in the system, and it wouldn't be surprising if some of that money does lapse. We probably will see a lapse in 2009-10. We'll probably also see not an insignificant lapse in 2010-11. That's why we've chosen to look at the infrastructure program in more detail, where we think there is a higher risk of a lapse of moneys.

More focused on the operational side, given that there is a lot of money in the system for 2010-11, it might be possible that there will not be significant pain in 2011 in terms of employment or other operational impacts.

Still, we cannot do a proper assessment unless we get access to information. We've outlined in the PowerPoint presentation the types of information we could look at. We need reference levels that are planned, not only for this year but for the next five years, including all the policy approvals that were in Budget 2010. We need that broken down by operating and non-operating on a departmental basis as well.

With that information we could start, at a high level, to look at what the impact of an operational freeze would be. Also, we need the FTEs, the full-time equivalents, for those departments so we can do that assessment.

Again, we need help from this committee to do the work.

• (1645)

Mr. Gerard Kennedy: I appreciate that.

There are two other questions I want to ask you. I think it's really important that the committee hear clearly that you don't have the information, because in the last hour we heard it was all there somewhere in the estimates, that we just had to look harder for it. It turned out to be “no” to two of the questions I asked, and it sounds like it's “no” to quite a few things.

The two questions I have are very particular. One is on the infrastructure. You've provided an information update showing that only a certain percentage of projects got completed last year—about 17%—by December 31. In terms of the possibility of lapsing, there are some qualifications to what you've been able to do with the data. I guess there's a general question I'd like to ask. I'm going to give you both of my questions so that you can allocate the couple of minutes we have.

Are we able, as a committee, as a Parliament, to really know the value of our infrastructure spending based on the information you have? We're now halfway through. You gave us some cautions last spring and you asked for certain things, so I'm asking for an opinion, whether you can render it today or it would be qualified by what you would need.

How well has the government done? How well have we done as a Parliament in being able to make sure that we're delivering value for Canadians and against the objectives the government has set for itself with this business of being timely, targeted to need, and

temporary? I think we're in jeopardy of losing any sense of control over this when I see that the only information you can give us is partial and fragmented.

Second, I'm interested in the functioning of your office: whether you have the budget now that you need, whether you have access to it in the right fashion, and whether there's anything else we need to know about your ability to operate in these times. We have extra expenditures in the government's requisition, and we're trying to understand how that is going to work in the public interest, and now we have freezes that could be harmful. Can you and are you able to use the dollars in a way that will give us part of what we need as parliamentarians to oversee this?

Mr. Kevin Page: Thank you very much. Actually, I think there are almost three questions there.

If I could just go back to the information baseline, when we go to page 180 in the budget and we see the way operational spending has been broken out between the amount that's going to be frozen plus other operational spending, we're not familiar with that baseline. In my office, we do not know what's included or what's excluded in terms of the freeze operational amount, and we certainly do not have access to information on how that baseline is broken out by department. If you take the fundamental component that's been set aside in the planning framework on page 180 in the budget, operational freezing, how is it broken out in the estimates by major department? We need that information so we can do our assessment.

Again, I'll go back: we think the measure, the baseline, is ill-defined. Again, it goes back to the strategy. We don't know if it's broadly based or if it's going to be targeted.

Your second point was on the numbers. Yes, based on the data that we do have, the December 31 progress database, the value of work completed was \$674 million. That represents about 6.8% of the total program value, which we think could be upwards of \$9.8 billion right now, and roughly 33% of the program timeframe has elapsed as of December 31.

Again, we've provided tables for you that show what the planned spending looks like through the course of the year. Certainly for this summer, the summer of 2010, you're looking at outputs of moneys of more than \$700 million per month over the summer. That's a lot of spending and that's a lot of infrastructure in this program that needs to go. We will get back to you, sir, in the summertime, with an assessment.

We've already started working on a survey so that we can look at the impact. We think we missed an opportunity to look at the employment and output impact of this program, so we're going to survey municipalities to see what their sense is of the employment and output impact. We'll get back to you in the fall to give you a sense before this program is terminated.

On the last thing, just a point on the office, yes, thanks to this committee and other committees and your support, our budget has been returned, but we're still dealing with some significant HR issues, including people on this panel who have not been put on a permanent basis. For some of these projects we get asked to do, like big policy costing projects, if we can't secure this talent, we won't be able to do these projects.

• (1650)

The Chair: Thank you.

We'll go to Madam Bourgeois.

[Translation]

You have eight minutes.

Ms. Diane Bourgeois: Thank you, Madam Chair.

First of, I would like to thank Mr. Page and his assistants for appearing here today.

I would like to say that I am quite pleased with the document that you provided us, and I am referring to your opening remarks. Everything is so decentralized. Before your appearance, we heard from officials with the Treasury Board Secretariat. We asked them questions. But each time we tried to question people who watch over all departments, we can never get any answers. We could not find out any more about the specific goals and approaches with respect to the stimulus plan. Answers were hard to come by.

That is also true in this case: we are always told that the answers lie with the deputy ministers. Basically, our committee would have to meet with the deputy ministers from all departments in order to get the answers we are looking for. In particular, how will the freeze on expenditures be implemented, and what will be the impact of that freeze on departments' internal services and staff as well as services to the public?

You have made a very specific request this afternoon—I was not quite able to write it down because things have gone so quickly in the past 10 or 15 minutes. If I am not mistaken, on page 3 of your remarks, you ask for “access to planned (and approved) fiscal framework and departmental annual spending reference levels.” You also say that “we need departmental strategies for savings,” and so on. That is in these two paragraphs.

Madam Chair, I would immediately like to propose that our committee...—I hope that is sufficiently clear.

Since you cannot have that information, perhaps our committee could come through for you.

Could we forward that information to the Parliamentary Budget Officer so that he has the tools to do his work?

[English]

The Chair: The last time we did it through a motion, and we will see what the process is.

You can continue with your question.

[Translation]

Are you asking a question?

[English]

I answered you.

[Translation]

Ms. Diane Bourgeois: I would like to move the motion today so that he can have the tools to do his work.

[English]

The Chair: It will be done afterwards.

[Translation]

Ms. Diane Bourgeois: It will be done afterwards. Very well.

Mr. Page, when we consider the system as it now stands, every time we are about to address a work plan or planning process, whether at Treasury Board Secretariat or Treasury Board, we find out that there is not any.

Today, out of the blue, we hear about a freeze on expenditures, but without any framework, as was the case with the stimulus package. Am I correct in saying that?

Mr. Kevin Page: I would agree with you.

Ms. Diane Bourgeois: Aside from the tools we should be providing you with, is there an approach committee members should take to ask the pointed questions in order to get to the bottom of all this and avoid having Treasury Board Secretariat officials pull the wool over our eyes?

What are we to do? Are there questions we should be asking or a strategy we should be implementing?

Mr. Kevin Page: Thank you, Madam, for the question.

The PowerPoint presentation that we gave the committee today contains an overview of the situation, which we can explain in greater detail. However, it is important to examine the risks to the government finances and service delivery.

Furthermore, you have to set out the major issues for each type of risk, for example, the issues related to the government's finances. What are the risks to achieving the financial objectives? Are there ways to produce savings? Are there financial pressures going forward, such as cost ratios? The same can be said of service delivery: are there risks and consequences in terms of service levels such as speed, quality and costs? Finally, are there risks and consequences in terms of service capability, including employees, work methods and real property?

I believe it is possible to use such an analysis framework and examine the effects on such departments as Treasury Board or the coast guard. As well, with such a framework, you need to have key information in order to do proper analyses. In my presentation, I also mentioned the kind of information that my office requires.

That was only a PowerPoint presentation. My office and I can provide much more detailed information and draft information requests for Treasury Board deputy secretaries.

● (1655)

Ms. Diane Bourgeois: That to me means two things. Earlier, Ms. d'Auray, from Treasury Board Secretariat, told us that all the deputy ministers have the same guidelines, the same approaches, but of which we have no knowledge.

Furthermore, how can we be sure that the employees of a department or, for example, of a Correctional Service Canada institution and the public living in its vicinity can be made to feel truly safe, and that cuts will not be made to the security, food and services that must be provided to inmates?

You will recall that there was an uprising in Kingston in 1995 because the deputy ministers had decided to cut back on services to the inmates. They were female inmates.

I would like to come back to Correctional Service Canada. I have CSC institutions in my riding. There are people there who are currently on loan to Haiti as part of the Government of Canada's efforts to put that country's correctional system back on track. Those people are not doing anything at the moment, because Haiti is under reconstruction. But there they are, getting a tan on the beach.

What can we do? How can we be sure that all departments will be treated fairly? There you have it!

Mr. Kevin Page: I will be brief. Our office could draw up a risk and impact analysis framework and use it for all departments and agencies, whether to review financial risks, service delivery, strategy, service levels, etc. Your committee should perhaps take that strategy into account.

[English]

The Chair: *Merci.*

We now go to Mr. Warkentin for eight minutes.

Mr. Chris Warkentin: Thank you, Madam Chair.

Thank you, Mr. Page and gentlemen, for coming. We appreciate your testimony and we appreciate the role you undertake in helping to provide clarity for our committee.

In terms of the current conditions we find ourselves in, I don't think this is unique. We've seen it in other times that the Canadian government has had to restrain spending to try to address budgetary concerns. I'm wondering if you've undertaken any analysis, kind of a "lessons learned" approach, of some of the most recent budget cuts or even freezes. If so, would there be any advice to give to us from your analysis of those? I'd include analyses of other jurisdictions as well, possibly other countries and quite possibly provincial governments.

Are there things that you would advise us to be cautious of, or things that you'd encourage us to do as a committee, in terms of recommending to the government places where money could be saved or efficiencies could be found?

Mr. Kevin Page: Yes, actually, we'd be happy to undertake some work that looked at that. There's a fairly rich literature that looks back at particularly our program review lessons learned from the mid

to late 1990s. More recently, it has looked at some of the work of the expenditure review committees of recent times trying to find savings, at whether we were able to attain all those savings, and at the lessons from departmental cuts and from more horizontal exercises.

We could certainly look at other jurisdictions. In fact, a lot of other jurisdictions, I don't mind telling you, actually look to Canada for advice. Some of their fiscal problems, as you noted, are actually even more severe and unsustainable than ours.

I would just make a point about our fiscal situation. When we look at the numbers, we're still seeing deficits in 2009-10 and 2010-11 of roughly \$100 billion for those two years. Of that, 70% is cyclical and roughly 30% is structural. That means it won't go away unless the economy operates well above its potential.

When we look to the long term, we see aging demographic issues. I think it's important that when we look to the finances of Canada, we take a long-term perspective. We've costed that out.

● (1700)

Mr. Chris Warkentin: I appreciate that. That's actually something that I've been working, over the last four years, to address. As a committee, I think the issue of demographics is something that we as parliamentarians have to get our hands around and understand truly what's coming. Of course, there are many things that could be considered in addressing this concern, possible immigration issues and all the rest of that.

On that front, on the demographics, since we've got you here and since you've done some work on this, are there things that you would suggest we as a committee look at specifically as it relates to demographics and the budgetary challenges our demographics are going to present for the country?

Mr. Kevin Page: As you noted, in February we made available to parliamentarians a substantial report on long-term demographics, a sustainability study similar to what's done in other countries. There are a lot of questions there that we can come back to and perhaps explain in more detail. I think first it's probably important for people to understand what's involved and the kinds of calculations we do in that type of exercise. They see that the aging demographic issue is not something that's decades away from us now. In fact that old age dependency ratio is going to rise dramatically in the next ten and twenty years. That's going to put a lot of pressure and reduction on our labour supply, which means the government is going to have less budgetary revenue as you go up to 2020, 2025, and 2030. That means expenditures for benefits for the elderly and the whole issue of our health care transfer system are going to be very important to discuss, and that discussion is coming. We know we are headed to that discussion in 2014, because that is when our big transfer programs are set to renew. We would be happy to come back and, based on our studies and the work we have done already, start to lay it out piece by piece.

Mr. Chris Warkentin: You made the statement that unless the economy works well above its potential, we would have issues related to deficits and the rest of it. I'm wondering what you would define as the economy's current potential and what we might be able to do as government, as parliamentarians, to try to allow that potential to be larger than what it currently is—so essentially support productivity in this country—and what the worst things that we could do as parliamentarians would be. I am just putting this out there. You are an economist, and of course if you get five different economists, you get five different opinions. However, certainly this committee is interested in this stuff, because of course this is all related to future budgets and possible deficits of government, and we want to get our hands on this. I know this is diverse and divergent stuff, but I'm wondering if you could comment on that as well.

Mr. Kevin Page: I would be happy to. In fact, again, I think it will probably require more time to provide you that kind of analysis, but we would be happy to come here and explain how the Parliamentary Budget Office calculates potential output growth, what the key components in labour supply are, and what productivity looks like.

Mr. Chris Warkentin: I'd just like some point forms. You made the statement about what our economy has the potential to produce right now, but I just want to talk about seeing that potential increased or reduced. What are the policy decisions we have to be concerned about?

Mr. Kevin Page: Well, sir, when you're talking about the potential of the economy and its growth rate, you are really talking about either labour supply or productivity. In terms of labour supply growth, because of the aging demographics, you are going to see a reduction in the growth rate in labour supply. In terms of productivity over the past ten years, we have seen very low productivity in Canada, something in the neighbourhood of 0.7% when you look at real output relative to man-hours. We're assuming we can still bump that back up to its long-term trend of 1.2% over the next five years. Actually, we use that assumption going forward. So we would be happy to come back and talk to you about strategies the government can look at to boost productivity, but obviously that is going to be key.

Canada's potential growth rate is falling particularly because we've seen reductions in Canada's productivity rate over the past ten years, and labour supply numbers and growth rates are coming down.

Mr. Chris Warkentin: In terms of the labour supply, many people looked to immigration as the solution to that. Has your office done any work in terms of the potential benefit and some of the difficulties in addressing our labour shortages through immigration?

• (1705)

Mr. Kevin Page: Actually, we build a model around labour supply, so we look at working-age population, we look at employment rates, and we look at hours. And we provide a lot of transparency in those calculations. We do sensitivity analysis around employment rates and around immigration rates in our studies, and you can see if we make fundamental changes to immigration what the impact on our fiscal unsustainability problem is. It has an impact, sir, but it's very difficult to offset through immigration policy any substantial proportion of our decline in labour supply growth.

Mr. Chris Warkentin: Am I out?

The Chair: No, you have 30 seconds. Go for it.

Mr. Chris Warkentin: In terms of the issue of a freeze, there has been some debate around this table even today as to whether deputy ministers are the right people to address the fiscal challenges or the fiscal challenge within their own departments. Do you have any opinion on allowing deputy ministers the full capacity to determine how to distribute and manage their own budgets?

Mr. Kevin Page: I think deputy ministers are accountability officers for their departments. I think there is significant accountability there. I think what's important to support the work of parliamentarians and actually just for Canadians is to make sure we are reporting adequately on how those savings are being secured and what the impacts are, both from a fiscal perspective and from a service delivery perspective.

We have a lot of very strong deputies, a lot of strong departments that can come in and say whether there is or isn't an impact on the ability of the coast guard for example, to deliver services—search and rescue, ice breaking—or of food inspection agencies to deliver the kind of surveillance work that they need to do, or of HRSDC to say what it takes to produce a cheque and get it out the door, and what kinds of impacts that would have. Again, I think we need to have a structured analytical approach to determine the risk and impact from a fiscal or service delivery perspective. We think parliamentarians will be well served.

Mr. Chris Warkentin: Thank you, Mr. Page.

The Chair: Thank you.

We now go to Mr. Martin for eight minutes.

Mr. Pat Martin: Thank you, Chair.

Thank you, Mr. Page. Welcome, to your team.

We very much appreciate the work you do for parliamentarians, the committee, and taxpayers in general. It's very appreciated, and it's important to us.

I'd like to essentially go back to your opening comment on the key question for today: Does this committee or do we, as parliamentarians, have the information we need to exercise oversight on the proposed operational budget freeze? Quite simply, you said the answer is no.

Frankly, I'm happy to have that validated. We find it frustrating. We don't really know whether it's our inability to evaluate the situation or whether we're sometimes not really given the tools needed to do our jobs as lay people and as MPs. I'm concerned that you made the statement, but as I said, I appreciate the validation of the way we feel.

What do we need? What additional information should we demand? As you know, as a committee, we have the power to compel the production of documents. Can you summarize or itemize what we should ask for more specifically? Believe me, we will ask.

Mr. Kevin Page: Yes. Sir, I would again stick to the framework. I apologize. This has been put in front of you very quickly. Again, we would like to make sure this committee has a good framework to look at both fiscal risk and risk on service deliveries.

On the fiscal side, to get at the question of whether or not these savings are achievable and whether or not there are downstream risks, we need planned reference levels and approved reference levels for all departments over the next five years.

We also need to know the history of lapses for voted budgetary authorities. Some of the departments have had lapses and have not spent all the money they've had in recent years. It would give us a sense of the type of cushion they have in those departments.

We would as well need a breakdown of the operational spending for those departments so that we have something consistent with page 180 of the budget on a department-by-department perspective.

Mr. Pat Martin: The information is there. The Treasury Board Secretariat or somebody should be able to provide that information.

Mr. Kevin Page: They have the information, sir, but we have to basically reconcile what's in the budget to what's in the information base of the Treasury Board Secretariat, broken down by department. We need to get at the operational spending component of this.

We then go specifically to the service delivery question, sir. We need to know the strategies to find those savings department by department. The strategies are important to assess the risk.

When I said that I think the measure is ill-defined, it's because we don't know if every department is going to be treated in the same way or if some departments are going to be treated differently. There's a difference between cutting a policy type of department, such as the Treasury Board Secretariat, or cutting a department such as the coast guard, border services, or Correctional Service of Canada, etc.

Sir, we then need to know the service level standards. A lot of departments have good information on service level standards. I've worked at Agriculture Canada. They can tell you, sir, what the processing time is to provide a stabilization cheque to a farmer, a crop insurance cheque, for example. What are those service level standards?

We then need a full breakdown of the costs for the types of programs that are going to be affected. We can then tell you, sir, whether or not there is a downstream type of risk.

We have learned lessons in the past. I think it goes to Mr. Warkentin's question. Back in the 1990s, when we had a significant public debt crisis, we cut very deeply. We significantly cut capital to save operational spending. We need to know the relationship between operations and capital in this plan.

We can put a very well-defined request for information. As I said, we requested planned five-year reference levels for Treasury Board Secretariat in the summer of 2009. We were told it's a cabinet confidence, but we don't think it should be a cabinet confidence. We think you absolutely need the information in order to do assessment work on the impact of this operational freeze.

●(1710)

Mr. Pat Martin: I absolutely agree. Frankly, I believe we're handicapped without that information. We can't do the job we were tasked to do on behalf of the taxpayers. We were sent here with a specific duty. Without being given the tools we need to do our job, we're impotent as a committee.

Having it summarized in that clear language is very useful. Frankly, we need more guys like you on our side to guide us through this morass of public policy and public administration, because we don't actually know those things. Perhaps the single most valuable thing you can do for us is to be a translator.

Mr. Kevin Page: We'd be happy to do that, sir.

Mr. Pat Martin: That's very helpful.

I like the terminology you used. You were talking about a risk-impact analysis more than a cost-benefit analysis. That is the point we were making to the Treasury Board Secretariat officials who were here earlier today. I honestly don't believe they can implement this freeze, which is really a cut, without some impact on the quality of service. Isn't it a kind of chimera to think you can freeze or cut and not have any appreciable impact on the quality of service to the public?

Mr. Kevin Page: To make sure there is honesty in this conversation.... It's hard to believe that with a three-year freeze there wouldn't be an impact on service levels over a period of time without fundamental adjustments to those service processes. We need this sort of basic, tombstone information on spending and on the service levels they have right now so that we can actually do the due diligence at both the front end and the back end of this exercise.

Mr. Pat Martin: It's actually hard to believe that we aren't given that voluntarily. As far as freedom of information and access to information goes, why is that kind of information held from the general public? Why isn't that kind of thing openly circulated to us without our having to beg for it? It really bothers me. I know you're not in a position to answer that, but that is some of the frustration we feel, as committee members. It's like pulling teeth. They ration things out to us in little tidbits and snippets, just barely enough, and only when they absolutely have to. That's one of our greatest irritations.

Mr. Kevin Page: Sir, we would be happy, actually, to put together and draft this analytical framework. We would elaborate, if it requires elaboration, and specify quite clearly what those information demands are so that all departments can be treated equally when we do the risk-impact assessment for the operational phase.

Mr. Pat Martin: Should that come to you by way of a formal request from this committee, or is this something you can volunteer to undertake?

Mr. Kevin Page: I would volunteer to undertake it, sir. It is not only that we would volunteer to do the work; we actually need the information.

Again, if we could come back to you, if necessary, to tell you the exact information we need—we've given you this framework today—we'd be happy to draft it up. Again, we would send this to the Treasury Board Secretariat and say that this is what the committee needs to do its work. We could undertake the analysis based on that information request.

Mr. Pat Martin: I think the whole public discourse would benefit if we all had equal access to that same base level of information so we could have a proper debate about whether this is a good thing to do or if it has merit or if the impact or the benefit outweighs the risk.

I note—it's just an interesting curiosity....

The Chair: Wrap it up.

Mr. Pat Martin: I will wrap it up. It's my final point.

Back in the sixties, ordinary MPs didn't have access to the Library of Parliament. Only cabinet ministers did. It was Pierre Trudeau who said that public discourse would benefit if everybody had access to this information. Why should we hoard information? It doesn't benefit anyone. I think the same applies today. We can elaborate on that same notion that if we're in some kind of economic crisis—

• (1715)

The Chair: I would remind you to finish.

Mr. Pat Martin: —we should all be paddling our canoes together in the same direction with the same base level of information.

My point is made, Madam Chair.

The Chair: Thank you.

Thank you very much for being here. Your presentation and your risk analysis has created a buzz around here.

Madame Bourgeois wanted to make a motion.

We have an understanding that the type of information you are looking for is baseline: what it is; what the fixed costs and operating costs are; what the fairness in the system is; whether the central agency has the same constraints as CIDA, as an example, or CFIA; and what exactly the fiscal targets are. You have to be mindful that the committee receives that information, and the committee will then determine whether they can share that information. It is a protocol we have to go through, because information always comes to the committee.

In that regard, Madame Bourgeois has a motion. I am letting the motion be read here because you're here, and if the information you're looking for is not in the motion, I'd like to know.

Madame Bourgeois, would you like to read the motion?

[*Translation*]

Ms. Diane Bourgeois: Thank you, Madam Chair.

My motion, in fact, is based on two paragraphs from Mr. Page's remarks. It reads as follows:

The committee on government operations calls on Treasury Board to submit the planned and approved fiscal framework, departmental annual spending reference levels, departmental strategies for savings, service level standards as well as fully loaded costs for program activities for affected departments.

Would you agree to that?

We used the English version of the remarks. That will be tabled with the committee. As Madam Chair indicated, we...

Mr. Kevin Page: Generally speaking, we are quite satisfied with the recommendation, with the motion. We believe it is important to make things as specific as possible, in order to obtain a greater level of detail, since this is information concerning projections over the next five years.

Is there anything to add with regard to clarity?

Mr. Sahir Khan (Assistant Parliamentary Budget Officer, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer, Library of Parliament): There are the details concerning program costs and related operating costs. You must refer to program costs. It would also be very useful for us to have the operating costs.

Ms. Diane Bourgeois: So you want the fully loaded costs for program activities. That is what I refer to. Does that cover the issue?

Mr. Sahir Khan: It would help us if you added the word "operations."

Ms. Diane Bourgeois: "The fully loaded costs for program activities and operations for affected departments," would that be appropriated?

Mr. Sahir Khan: Yes.

Ms. Diane Bourgeois: Jumping over the next block because it is irrelevant in English.

[*English*]

The Chair: I think if they took the two paragraphs you had—and I'll read the English version. I think the translators did not have the thing. It reads that the Standing Committee on Government Operations and Estimates demand that the Treasury Board submit a planned and approved fiscal framework, departmental annual spending reference levels and departmental strategies for savings, service level standards, and fully loaded costs for program activities for affected departments.

I think that's what you picked up right from your presentation.

[*Translation*]

Ms. Diane Bourgeois: Madam Chair, the original version is in French, no?

[*English*]

The Chair: That's good.

If you have some discomfort that what we are asking is wrong, then fine, we'll take it as a vote and then we will ensure the motion, because it's the business of the committee. If it passes, then the information we receive is first guarded by the committee and then the committee decides where it goes.

Mr. Gourde first, then Mr. Warkentin

• (1720)

[*Translation*]

Mr. Jacques Gourde: Thank you, Madam Chair. I would like to take the opportunity to ask the witnesses, since we are discussing the motion with them...

Will the office have enough staff to conduct such a study, given that there is already other work underway, and will it require hiring additional resources? I would like to check that with our witnesses, Madam Chair.

[*English*]

The Chair: That's a good question, and when we discuss the motion, perhaps we can do that. We're not discussing the motion; we just wanted their understanding that this is the information we feel they are missing. If that's the case, then we will proceed on a procedural matter. We have to get that motion to the committee.

Yes, Mr. Martin.

Mr. Pat Martin: I don't see where in the report...

I can't find that language in my report. The way it's worded it seems almost incomprehensible.

The Chair: It's page 3.

[*Translation*]

Mr. Richard Nadeau: Are those paragraphs one and two?

Ms. Diane Bourgeois: Yes, that is correct.

[*English*]

Mr. Pat Martin: I see. Maybe the translation is poor, but we can perhaps rework the English version of it.

The Chair: I just wanted to bounce off the intent with the Parliamentary Budget Officer, and if the intent is there, we can tighten it and then we can discuss the motion. Fair enough?

Okay. The meeting is suspended, and we'll go in camera.

[*Proceedings continue in camera*]

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