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## **Standing Committee on Public Accounts**

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**EVIDENCE**

**Tuesday, November 28, 2006**

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**Chair**

**The Honourable Shawn Murphy**

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## Standing Committee on Public Accounts

Tuesday, November 28, 2006

• (1525)

[English]

**The Chair (Hon. Shawn Murphy (Charlottetown, Lib.)):** Colleagues, at this time I would like to call the meeting to order. I want to welcome everyone here. We have two items on the agenda and I wouldn't expect them to take the two hours.

The first hour we have with us Mr. Arthur Kroeger in connection with our study on the roles and responsibilities of the Treasury Board Secretariat. I want to point out that the first two chapters of the annual report of the Auditor General, which was tabled in Parliament earlier today, are very relevant and pertinent to this issue that we're studying.

Mr. Kroeger's curriculum vitae is in the briefing notes. He's had a long and, I would suggest, very distinguished career here in Ottawa. He's been a deputy minister for approximately twenty years with about six or seven different departments. This was followed by an academic career at the University of Toronto and Queen's University, and he was also for a nine-year period the Chancellor of Carleton University here in Ottawa. Of course, as we all know, Carleton named the Arthur Kroeger College of Public Affairs in his honour.

I'm going to turn the meeting over to Mr. Kroeger for any opening remarks that he has.

At the end of the hour, colleagues, we'll then go in camera to finalize draft reports 11 and 12. I propose to table those next week.

Before we invite Mr. Kroeger to speak, Mr. Fitzpatrick, do you have your dissenting opinion to provide to us today?

**Mr. Brian Fitzpatrick (Prince Albert, CPC):** Yes, I think the clerk has it already.

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

Mr. Kroeger, welcome to the committee, and on behalf of the committee, I want to thank you very much for your interest and for appearing here today.

Mr. Kroeger.

**Mr. Arthur Kroeger (As an Individual):** Thank you, Mr. Chairman.

The Treasury Board has a lot of responsibilities, and there are many different things one could say in talking about them. I thought perhaps I would spend a little time talking to the committee about an aspect that you may not have focused on. Obviously, I'll answer questions on anything that comes to mind. My opening, off-the-cuff remarks are not going to be very long.

I hope that in looking at the functions of the Treasury Board, the committee does not end up suggesting that the Treasury Board should get further into the micromanagement of departments. And I use the expression "further" because there's been a trend, really since about the year 2000 or so, in which after many years of loosening up controls, letting the managers manage, as the Glassco report said, you've had a reversal, in response to the human resources controversy and about some other things, that really has amounted to a re-bureaucratization of government. A lot of this is hard to see from outside. I thought I'd spend a little time talking to the committee about it because what you got in response to the human resources development controversy was a stream of directives, rules, and so forth from the Treasury Board. These really amounted to a strong reassertion of central control and a limitation of departmental discretion. Then the previous President of the Treasury Board announced that he was putting in place another 153 management improvement measures, as he called them, and then on top of that he announced he was going to put in place another 80, just as Justice Gomery came in with his report.

The cumulative effect of this—and perhaps members of Parliament have heard some adverse comment—has made the federal government increasingly cumbersome, awkward, sclerotic, and difficult to deal with. It's certainly affected the public service. I can tell you about studies that have found that senior officials spend less than 50% of their time now doing what their departments were set up to do. The business community has complained about the cumbersomeness, and so have the non-governmental organizations.

I'd like to give you a few examples. There was a group of 16 organizations that filed a brief with Justice Gomery that said, "Please don't load any more rules on us; we have too many already." Incidentally, the good judge took them to heart and he did not. They pointed out in their brief that the amount of time they had to spend filling out forms, detailing minor expenditures, right down to the number of pencils and photocopies they use, was very cumbersome.

I have, for seven years, been chairman of the board of Canadian Policy Research Networks. In the past few years we had to double our staff dealing with government paperwork because of all the extra requirements that were put upon us. I asked the clerk to circulate a brief that we put in on a study that's being done about lightening this load. It's called "Please reconcile the 64¢ difference". This actually happened. We were asked by a department, in writing, to explain the 64¢ difference between what we said we were going to spend and what we reported we had spent.

There's any amount of minutiae that we could get into, which I don't propose to. I chair a committee that's dealing with a fairly complicated subject. We met in Toronto. At the meeting, the official from the sponsoring department explained, I think with some embarrassment, that there couldn't be any coffee provided when we arrived for the meeting because his department had a rule that coffee could not be served at meetings before 10 o'clock in the morning. Now these are people who had travelled from every corner of the country. They were experts in their field. And they found this sort of minutiae imposed on them. It's pervasive. You don't see it. You don't read about it. But anybody who works in a department or deals with it will see it.

I know of a case of someone who probably donated, in private sector terms, \$15,000 or \$20,000 worth of personal time to participate in a study of biotechnology. When he submitted an expense account to the department in question for a trip to Toronto, his expenses were cut by \$6.81 because he had exceeded a Treasury Board limit for what he could charge for dinner.

• (1530)

Now, why does this happen? Officials aren't stupid. They don't enjoy doing this sort of thing. They are responding to the climate in which government has to operate at present.

There is another study that I've just had some exposure to that found that risk averseness is now pervasive in the federal government. Nobody dares depart from what's in the book. They're afraid that if they break any rule, bend any regulation, it's going to turn up in an audit report, and the next thing they know, their deputy will be hauled in front of the public accounts committee to explain what happened.

This is really not in anyone's interest, and it's certainly not in the interests of people who deal with the federal government. The same study I just referred to found that the federal government is now far more cumbersome to deal with than the provinces or the municipalities.

I hope that in studying the Treasury Board, the committee will not lose sight of the importance of allowing experienced officials to exercise their common sense as compared with just doing it by the book, which is much too prevalent, according to almost every observer I've talked to.

I think I would conclude by simply affirming what the previous Auditor General said to you a couple of weeks ago. He said, "treat departments and agencies like big boys and girls". Have an oversight of them, be well informed of what they're doing, but let them use their common sense in what they do. I hope that more micromanagement will not end up as an outcome of the study you're doing, which in other respects is very important, but it's an avenue that I would encourage you to think about carefully before you go down it.

Thank you, Mr. Chairman.

**The Chair:** Thank you very much, Mr. Kroeger.

We're going to start the first round. I don't see too many of my Liberal colleagues here today. They must be preoccupied with the leadership convention.

We're going to move—

• (1535)

**Mr. John Williams (Edmonton—St. Albert, CPC):** I'm sure, Mr. Chairman, this being the... [*Technical difficulty—Editor*]... sidetracked into other issues that could be dealt with on the weekend.

**The Chair:** I think you're right, Mr. Williams. They're all back at their offices reading the estimates, as we speak.

**Mr. John Williams:** And the Auditor General's report.

**The Chair:** And the Auditor General's report.

[*Translation*]

You have eight minutes, Mr. Nadeau.

**Mr. Richard Nadeau (Gatineau, BQ):** Thank you, Mr. Chairman.

Mr. Kroeger, if I understand correctly, the federal government operates on an annual budget of approximately \$224 billion. That's the latest figure I heard. When the last government was in power, the sponsorship scandal erupted, which led to an election call exactly one year ago today. The amount of money involved in the sponsorship scandal was a mere drop in the bucket compared to the government's overall operating budget. However, the scandal caused some damage, from an ethical standpoint, and gave rise to subsequent political tricks of various kinds.

I'm relying on your experience and wisdom in such matters, since you have analysed the situation extensively. As elected officials accountable to the voters and in light of the sound work we must do here, how should we be looking at a document? Should we be looking at how the money is spent? Obviously, the Auditor General sounds the alarm and raises some red flags. That's clear to us. Should we be examining a document with an eye to cost and performance, or simply with an eye to political fallout and how the public will react? There is no question that public opinion matters. To the public, one million dollars is a lot of money. However, in this case, it's actually a small amount. We stand up and take notice when figures hit the one billion mark. Therefore, to be effective, what approach should we be taking to ensure that we do our work in the best possible way? I realize that this is a broad question, but I'm putting it to you anyway.

**Mr. Arthur Kroeger:** In my opinion, the most important thing that MPs and Parliament can do is to focus on results. The government spends a vast amount of money, over \$200 billion in fact. What does all of this spending mean for Canadians? As I see it, this should be the fundamental concern of MPs.

Experts can do studies to see if the money is spent effectively, if a particular department is overstaffed or if too much money was spent to purchase a vehicle. All of these are areas that can be examined, but MPs do not have an unlimited amount of time. They must make choices. For example, how do you want to spend your time as members of this committee? The most important thing is to examine results and to be prepared to identify expenditures that have failed to produce significant results. Money can then be put to better use elsewhere.

•(1540)

**Mr. Richard Nadeau:** I see. The Auditor General, the committee, Treasury Board and the Treasury Board Secretariat, all of whom are major players in the audit and accountability field, suggest that we make all kinds of decisions. What can we do to ensure that we are not overstepping one another's authority and doing a proper job in terms of ensuring accountability?

I emphasize that the process is political. Even though we want to set aside any partisanship, it comes back with a vengeance. On the other hand, the Auditor General is appointed to a multi-year term of office. Her job is to scrutinize spending. Treasury Board is part of the machinery of government, regardless of whom is in power, while the TBS helps to do analyses and provides the necessary grids to ensure that the money available is well spent. How do we avoid stepping on each other's toes, so that we can do our job as effectively as possible?

**Mr. Arthur Kroeger:** That could be one of the most important findings to come out of your study of the Treasury Board. The best approach that your committee could take would be to initiate a dialogue with the Auditor General's Office and with Treasury Board to find out what role they play and what they can do for you, the members of Parliament, who ultimately are held accountable. I think your committee has communicated extensively with the Auditor General, but perhaps less so with Treasury Board. I suggest that you look at the work that you are doing and take care not to waste time doing studies that others are doing.

**Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ):** Earlier, you concluded your remarks by asking that we not focus on micromanagement. How do you define "micromanagement", since you want us to avoid that approach?

**Mr. Arthur Kroeger:** Focusing on 64¢ would be one example of micromanagement. It's not merely the fact of having too many regulations. The Auditor General said there was too much, as did Justice Gomery. The problem is not only the large number of regulations, but the climate in which all public servants work. If they are afraid of doing something, even something small, that is not authorized in a document of some sort, this can be very bad for relations between the government, members of Parliament, regardless of political affiliation, and Canadians.

As I said, micromanagement may not be the direct result, but rather the indirect result, of your studies. If you find that there are not enough regulations, that more laws, more audits and so forth are needed, then this will impact the way in which public servants perform their duties.

**Mr. Jean-Yves Laforest:** That's very interesting. Thank you.

**The Chair:** Thank you very much, Mr. Laforest, Mr. Kroeger.

You have eight minutes, Mr. Williams.

[English]

**Mr. John Williams:** Thank you very much, Mr. Chairman.

Welcome, Mr. Kroeger. It's nice to see you back here.

Of course the big question is, did you find the 64¢?

•(1545)

**Mr. Arthur Kroeger:** I don't think we did.

**Mr. John Williams:** You didn't? We'll have to write a report on that.

**Some hon. members:** Oh, oh!

**Mr. John Williams:** I appreciate your comments, and I very much agree with you that the Treasury Board's job is not to micromanage government departments. My goodness, there should be enough professionalism in the departments so that they can manage themselves, subject to supervision and accountability by Treasury Board.

This is where things have gone right off the rails. If we govern by principles only, it's hard sometimes when things go off the rails to realize that they are going off the rails and to get them back. This is where it's a bit of a conundrum.

There are a couple of points I wanted to discuss with you. First, a year or so ago, the government decided that chief financial officers should be professional accountants. What a surprise. These people are handling billions of dollars—\$200 billion in total—and there are about 20 or 25 CFOs. Now we say that perhaps they should be professional accountants. Wow! Why haven't they been professional accountants for 40 or 50 years? I don't know.

On the same line, we just dealt with an issue regarding the estimates and the gun registry, where there was a big debate here at the public accounts committee—I think there was about \$21 million or \$23 million—about whether it had to be reported in the supplementary estimates or whether it could be allowed to slide to another time. It just happened to be a politically hot and difficult time for the government of the day. They had a simple little legal opinion that said, you can't avoid it; you have to seek permission, seek authorization, and seek the estimates. They didn't like that, so they got a long, convoluted, contorted, difficult, impossible to read, and impossible to agree with legal opinion that finally said, oh yes, you can do this.

The Comptroller General of Canada was trumped. Now this is a senior accountant for the Government of Canada, a professional accountant, who was trumped by a legal opinion by a contract lawyer, as to what the accounting procedure should be.

Here we have this conundrum. We're trying to say we're governed by rules, but when the rules don't apply, people.... We found out it was Ms. Bloodworth, I believe, who took the responsibility for that decision, and she is a deputy minister. She said, hey, I decided we needed a different legal opinion.

So principles are fine, but you shouldn't use micromanagement by the Treasury Board. When deputies comes up against something they don't like, they find a way around it. Let's square the circle, or whatever the phrase actually is.

**Mr. Arthur Kroeger:** There's no simple answer to the question. The government is very complicated, and one of the jobs of officials is to help ministers find ways of getting the business of government done.

That said, you obviously should be doing it within what is permitted by law, what is good governance, and so forth. I would not fault officials for casting about to see whether there's some way of getting around a roadblock. Then it's a matter of judgment whether the way this is used is proper or not.

I'm afraid I'm not familiar with the case Mr. Williams refers to.

**Mr. John Williams:** Another question, and this is something I've had in my mind for quite some time, Mr. Chairman, is that when the CFOs are not professional accountants and they rise up through the bureaucracy, starting way down at wherever, and become senior people, we need to have what I call cross-fertilization between the public sector and the private sector, so that we can understand each other better.

There's nothing absolutely magical about the management of the public sector that a private sector CFO from a bank couldn't handle. This could be a CFO of Human Resources and Social Development, for example. We need to have what I call cross-fertilization.

I know there are some restrictions. I'll put it on the record, Mr. Chairman, because it might find its way into the report. I think we need to take a look at pension plans and other things that are inhibitors preventing cross-fertilization. We could get that into the report.

What's your comment on this concept of cross-fertilization?

**Mr. Arthur Kroeger:** It's good idea; it's important. It can be hard to do, which is why, although people have been trying for many years, there isn't as much of it as there ought to be.

It's hard to do in several different ways. First of all, there's the money problem. If you get somebody who's the chief financial officer of the Bank of Nova Scotia and invite them to come to work in Ottawa for \$170,000 a year, you probably won't get many takers. On the other hand, are you going to bring someone in for \$700,000, when the chief financial officer in the department next door is making \$170,000?

Those are the kinds of problems. But it's too bad those exist, because I think the public service benefits all the time, if you can compare notes with somebody from another big organization and ask, how did you do it, how did you cope with a situation like this? You should be able to learn from them, and they might learn some things that they can take back to the private sector as well.

There is another feature. I was once asked to do a study about the problems of bringing people into the public service from outside, because the people involved were concerned that the failure rate was so high. And it is very high, particularly at the most senior levels, not with lawyers and not with financial officers. If you bring someone in as a deputy minister who's been the executive vice-president of a private sector corporation, to some extent it's like landing on the moon. Those of us who live in this city don't realize how complicated government is in many ways. Members of Parliament certainly know.

• (1550)

**Mr. John Williams:** Is it complex because we made it that way, with Treasury Board's myriad of rules? Or can it be unbound to get

down to something...? It can't be that much more difficult than a corporation.

**Mr. Arthur Kroeger:** It is, at least by all the testimony I've had. I've talked to people who left the public service as deputy ministers and became heads of corporations. The private sector is much more two-dimensional. In government, you're always dealing with ambiguity, contradictions, and cross-currents.

One of the things I found when I did that study... I talked to three or four serving federal deputy ministers who had been provincial deputies. They all remarked on how much more complicated Ottawa was, and most particularly, they said, the role of the central agencies. In a province, the central agencies are small. They don't have anything like the power the Treasury Board and the Department of Finance and most particularly the Privy Council have in Ottawa. That's just the way successive governments and successive prime ministers have chosen to function in government.

**Mr. John Williams:** Can these ever be unbound?

**Mr. Arthur Kroeger:** I don't know. Up to a point, perhaps, but the demands from the public on government have increased. The public wants government to be more accountable than it used to be, and accountable in more ways than it used to be. That tends to multiply the complexities rather than simplify them. You might be able to simplify some aspects of government.

Something I did not mention in my opening remarks, but which I think is a quite important undertaking, is that the President of the Treasury Board and the Prime Minister really agreed with the observations the Auditor General and Judge Gomery made: you have too many regulations; you have too much red tape.

Mr. Baird announced last April that he wanted to reduce that by 50%. There's a question of how you qualify it, but the point is that there is an attempt being made to simplify that aspect of government, and three very expert people have been working on it. They'll be giving their report to the government in about three weeks. I attended a meeting with them in Toronto last week.

I would think that might be an interesting subject for this committee to take a look at, at some point, because it's going to be an example of an attempt to simplify government, and see what you make of it.

**Mr. John Williams:** Is that the blue ribbon panel on grants and contributions?

**Mr. Arthur Kroeger:** Yes, sir.

**The Chair:** We actually met with them, too, Mr. Kroeger.

Thank you very much, Mr. Williams. Thank you, Mr. Kroeger.

Mr. Christopherson for eight minutes, please.

**Mr. David Christopherson (Hamilton Centre, NDP):** Thank you, Chair.

Thank you very much for your presentation. It was fascinating. There are so many different directions in which to go.

Let me just pick up on the \$6.81. I appreciated where you were coming from and I could understand the impracticality of it, almost the national embarrassment. It just makes us look small time, petty, and for the most part we don't expect to be, and we aren't, treated that way when we travel anywhere. So I understand that part of it.

But the flip side of this issue is this. If the Auditor General chose to go in and do a review and one of the strongest criticisms was that over and over and over again the responsible person, up to and including the deputy minister, allowed clear guidelines to just be ignored, we'd be up in arms. What is it about a clearly defined allowance, spelled out in black and white, that a deputy minister doesn't seem to understand or can't impose on the people he or she supervises?

Where do we get that balance? Do you build it in by providing the deputy with the flexibility? Is it just the lack of a mandate to say, within \$20 to \$50, in certain cases, the deputy can waive it so that we don't have what appears to be petty? How do we deal with that?

• (1555)

**Mr. Arthur Kroeger:** That last formula is the way I would suggest we try to deal with it.

On the one hand, it makes no sense to say this figure is set in cement and you can never depart from it under any circumstances. On the other hand, you obviously don't want a system in which it's, "Oh well, that's just a rule." What you want is reasonable latitude for people to take account of circumstances, to exercise judgment, and if they break a rule, ask them why. If they have a fairly good reason, I'll go along with that. Accept that a lot of different circumstances can arise in a government where deputies and assistant deputies, or whomever, need to make judgment calls. In terms of how government looks to the public, instead of being rigidly bureaucratic, the ability to do sensible things in situations is really quite important for the reputation not of a particular government but of government as an institution.

**Mr. David Christopherson:** Your point is well taken. It's just that we are left with that other side.

Again, when you mentioned the dilemma that hypothetically could happen within a ministry, where somebody is saying, "Wait a minute, we don't want to get hauled in front of the public accounts committee with the deputy and all the mess that entails", that's music to our ears.

In the example given, I understand that you wouldn't be totally up to speed on the details. That's totally understandable. But in that scenario, we would love that somebody in that process said, "Wait a minute, what if we get hauled in front of the public accounts committee and have to account for our decisions here?" That's actually music to our ears.

**Mr. Arthur Kroeger:** People say that all the time.

**Mr. David Christopherson:** Well, that's good, because this is the one non-partisan—as much as we can—non-political arena where there's accountability with people who have the authority to demand it.

Do you have a jurisdiction in mind that you think has struck a good balance between holding to the point on things and making sure that things are clear, that deputies know what their mandate is

and where the lines are, versus that discretion that you were looking for in the overall system? Do you know of an entity, either provincial or international, that gets close to striking that balance and that stands out in your mind?

**Mr. Arthur Kroeger:** No, I'm afraid I've been out of government too long to have that kind of specific knowledge. I'm sure there are some places, although there can't be all that many, because everybody is risk averse. Everybody now thinks they have to do it by the book. That's an overreaction to what is basically a healthy phenomenon.

In other words, the existence of the Auditor General is absolutely fundamental to the good functioning of government. The existence of this committee is fundamental to the good functioning of government. The only trick is to somehow not overdo it, where everybody is so gun-shy that unless the book absolutely says I could say yes, I'm going to say no, which is the kind of thing that happens.

**Mr. David Christopherson:** Part of your message today, then, is that you think in some areas the pendulum has swung too far.

**Mr. Arthur Kroeger:** Yes, and incidentally, that's what Mr. Baird and the Prime Minister concluded when they put the blue ribbon panel into being and said they wanted to cut all this stuff by 50%. They accepted that it's gone too far.

It's very complicated to find a way of scaling this stuff back.

**Mr. David Christopherson:** That was going to be my next question. What process do you adopt to begin that?

**Mr. Arthur Kroeger:** I hope, again, that the committee will actually call the blue ribbon panel, when you find an opportunity to do so. There are a couple of ways you can do it. First of all, who do you put on the panel? Well, people on the panel are the former secretary of the federal Treasury Board, a former NDP cabinet minister in Ontario, who's now running the United Way of Greater Toronto—

**Mr. David Christopherson:** Oh, Frances Lankin.

**Mr. Arthur Kroeger:** —yes, Frances—who has functioned as a big non-governmental organization trying to deal with the government, and thirdly, somebody from the private sector, coming back to Mr. Williams' question, Marc Tellier, who's running the Yellow Pages corporation, so he looks at it from the private sector perspective. Then what you do is you provide Treasury Board officials, which has been done, to work with them to give them the really detailed support on why these things are there, and, finally, they can invite people to come in.

Last Thursday, there were 30 of us who went to Toronto and spent six or seven hours in dialogue with them on how they were getting along and where they were pointed. Those are all things that you can do, but it is complicated and intricate, and it is impossible to expect a minister to know about this. This is about the wiring diagrams of government. You can't expect ministers or members of Parliament to do it, but it's a good thing to find out a way of having it done.

• (1600)

**Mr. David Christopherson:** Interesting.

Apparently with Gomery you had some very serious concerns about going the accounting officer route, and then when it appeared in Bill C-2, something gave you a higher comfort level. Can you express what that was, what led you to go from no to yes?

**Mr. Arthur Kroeger:** If I may, Mr. Chairman, I'd actually like to deal with a little bit more than just the accounting officer.

**The Chair:** Sure.

**Mr. Arthur Kroeger:** The problem that I and many people, many former officials, had with Justice Gomery's second report was that it said that public servants should have, and have, a separate constitutional personality from the government the voters send them. Now, the basic principle in government, as it functions, is elected people are boss. At the end of the day, what elected people want to do and be accountable for, they have a right to do, as long as it's not illegal. That's really quite basic.

Justice Gomery had a different take on it. He particularly said, and this is the British accounting officer theory, any time your minister wants to do something that you don't think is a good idea, you get a written instruction to demonstrate that you didn't go along with that.

Ministers are people whom you deal with every day, every week. You can't go around asking for written instruction every time there's a disagreement between the two of you. You have to have a working partnership.

The other thing is that from the point of view of most officials and most former officials, the principle that the minister is in charge and that ministerial responsibility applies is very important. What was ingenious about the Federal Accountability Act, which, when I looked at it, solved all of the problems I had had with the British system, was that it said, first of all, officials function within a system of ministerial responsibility—elected people are in charge, you don't have government by the unelected—and number two, if you have a disagreement, there's a particular way of dealing with it.

You see, there were two conflicting pieces of legislation. All the departmental acts read that the minister has the management and direction of the department, but the Financial Administration Act says the deputy minister has certain responsibilities vis-à-vis the Treasury Board. How do you square that? Well, this squares it. It says that you function within a system of ministerial responsibility, but if the minister wants to do something that you think is improper, you, as the deputy, take it to the Secretary of the Treasury Board, you talk about it, and you say, "What do you think?" If the Secretary of the Treasury Board shares your view that this shouldn't happen, you report that back to the minister. If the minister says, "I want to do it anyway"—it's the minister's right—the next step is for the minister to deal with the ministers of the Treasury Board.

Now, the attractive feature of that is, instead of having officials vetoing what ministers do, it gets settled between elected people, the ministers of the Treasury Board and the minister of the department. Of course, ultimately, a matter could be referred to the Prime Minister, but it preserves that principle that I've always thought, and that most officials and former officials think, is really important: elected people are in charge.

**Mr. David Christopherson:** Thank you very much.

**The Chair:** Thank you, Mr. Christopherson, and thank you, Mr. Kroeger.

Mr. Wrzesnewskyj, you have eight minutes.

**Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.):** Why is there such a high rotation rate for deputy ministers? You experienced it in your own career. Why were people switching you from departments every two years? At a maximum, I think you were in a department for four years. What precipitates this high rotation rate?

**Mr. Arthur Kroeger:** There's a two-part answer to the question. There was a time in Ottawa, when Mr. Trudeau was Prime Minister and Michael Pitfield was the clerk, that it was actually thought to be a rather good idea to have regular turnover of ministers and deputies, that it was kind of stimulating to have a new person to deal with and new ideas brought to bear, etc. That's long gone, and the general view is that you do want continuity, that you do want stability. I think a fair amount of headway has been made in that direction.

In my own case, I was a deputy for 17 years. Of those 17 years, I spent five years in the Department of Indian and Northern Affairs, which is a pretty long time; I spent four years in Transport—I'm rounding it a little bit, but that's close—and I spent four years in Employment and Immigration. Those were three departments where I served for quite a long time.

As a general rule in government, three years is a good period; four years is probably better. It isn't the case that seven years would be better yet. I mean, at a certain point you meet yourself coming around the other way, and it's time for somebody with fresh ideas to come into the department. But I think three or four years is a good rule.

Now, why can't you do that? It's because things happen. A deputy minister gets an offer from the Bank of Nova Scotia, sends in a resignation, and you have to replace him.

Then you get other things that will happen. The Prime Minister runs a cabinet shuffle and for one reason or another will appoint Minister X to a department where maybe the minister doesn't have any knowledge or isn't all that comfortable. You then find an experienced, very knowledgeable deputy and say, "I know it's a good idea to leave you in your job, but it's even more important for you to go in to support this new minister I've just appointed, so will you please go?" There are cases like that. There are unexpected things that happen.

I don't think anybody today says what Mr. Pitfield and Mr. Trudeau believed, that turnover is a good thing. What they cope with is a number of practical problems of limiting turnover to what you'd really like it to be, and what you'd like it to be is three or four years, in my book. But sometimes stuff happens and people get moved more frequently. It's not a good thing.

● (1605)

**Mr. Borys Wrzesnewskyj:** We seem to have found that in departments that are problematic—Indian and Northern Affairs in the past while has been problematic—the turnover rate is much higher. In fact, I can't remember exactly what the average is for deputy ministers, but it was quite low, and it was skewed because at Census Canada you had someone there for 20 years, so the actual numbers are below these numbers.

I find three or four years to be not a very long time, especially when I take into context Mr. Wouters' testimony before us. He said that when he was first made deputy minister, it took him really about two years just to figure out the department.

Prior to Prime Minister Trudeau's time in office, what was the timeframe? Was it three or four years, five years, seven years?

**Mr. Arthur Kroeger:** It was probably somewhat longer. If you want to go back a long way.... Every time I have occasion to drop in on the Deputy Minister of Finance, which I don't do very often any more, I marvel at the row of pictures on the wall of people who served as Deputy Minister of Finance between, if I recall, 1870 and 1891—you know, 20 or 25 years in a job. Nobody does that anymore.

I think the tenure probably was longer in the fifties and sixties, although my recollection of that is somewhat limited.

Opinions will differ. Wayne Wouters is quite right that you really hit your stride after the second year. It doesn't mean that you're useless in the first two. If you're an experienced official and you've been a deputy elsewhere, there are a lot of things you can handle, because they require a general knowledge of how government works rather than the detailed knowledge of that particular portfolio. Nevertheless, you're better in your second year than you were in your first, and you're probably better in the third than you were in your second.

So I'm with you entirely on the desirability, but you have to recognize that a prime minister—and these are prime ministerial appointments—can face all sorts of situations that make it necessary to move people, even while recognizing that it's not a good idea.

**Mr. Borys Wrzesnewskyj:** So back to my original question. We find problematic departments with turnover every six months, and you were saying things happen. What we find is that when things are happening in departments that should not be happening, or are not happening but should be happening, we end up with deputy ministers in front of us who shrug and say they've only been there six months. Then six months later, once again we're facing someone who's saying that he or she has only been there six months.

So fundamentally you're saying that the Prime Minister is the one we should be calling in front of us, since there doesn't seem to be any accountability from the deputy minister, because the turnover is so rapid.

When you were a deputy minister, how often did you disagree with your ministers? What were the different ways your political masters had of dealing with that?

• (1610)

**Mr. Arthur Kroeger:** I'd have to think for a bit.

In any working relationship, between a director general and an ADM, between a regional director and a director of operations, or between a deputy and a minister, day in and day out you don't see things identically. You argue it out.

You're in the Department of Transport and you've got a problem with grain transportation. "Well, I think we better go talk to the wheat pools." "No, Minister, you don't want to do that. The first

thing you want to do is talk to the Wheat Board." That's the bread and butter of being in government.

Regarding bad disagreements, I don't remember ever having any big fights or terrible knock-down, drag-out arguments with ministers. You could have disagreements about the right way of dealing with a problem. This does come up in the field of aboriginal affairs, because that's such an emotional subject for everybody. Collectively, Canadians are not comfortable with much of what they see in the aboriginal world.

A newly appointed minister could come in and feel very strongly that we should do this. Sometimes you have to say, look, we tried that three years ago and here are the results, so think about this a bit before you push us down that road.

Those kinds of things can happen. Even after you've argued things out, and even when you have experienced people on both sides—the minister and the deputy—you can still get quite different views about what ought to happen. That's good; that's part of government. You shouldn't always be agreeing with your minister, nor should your minister always be agreeing with you. Usually you get a better result if you argue these things out.

I'm sure there are various past colleagues of mine who had terrible disagreements at one time or another, because sometimes personalities clash. I must have been lucky. I don't think that ever really happened to me on any significant number of occasions.

**The Chair:** Thank you very much, Mr. Wrzesnewskyj. Thank you, Mr. Kroeger.

Mr. Fitzpatrick for eight minutes.

**Mr. Brian Fitzpatrick:** Thank you very much.

I find your testimony quite positive, Mr. Kroeger. I share many of your sentiments. I think every organization or system is focused on providing a service or a product to ultimately a client or a customer, and government is no different. If we took some of the systems we've created in Ottawa and imposed them, let's say, on Toyota, I think it would take maybe a year before General Motors had completely surpassed them, and they'd be the ones in the financial pages with problems.

Generally speaking, in the private sector I think there are lots of case studies to show that companies that got to be dominated by number crunchers and accountants and audits are the ones that are going to hit the skids and fall behind the competition.

Another thing I recall from reading is that some of the really strong management people, such as Deming, said one of the keys in any organization is rooting out fear in the organization so that people can get on to do their jobs. In government I share your concern about risk-adverse things. There are so many rules and so many complications and cross-currents that it's darn hard for a lot of people to do their job, so that "when in doubt, mumble" might be the best strategy.

It leads me to one conclusion: what government should be doing is simplifying this excessive internal regulation, having fewer but more effective rules.

I'm pleased to see that you've come on board with our recommendation, which came out of our public accounts, to move toward the accounting officer concept, because a lot of the shenanigans we've seen in this committee over the years, it seems to me, we would have nipped in the bud right at the onset. So I appreciate your conversion to that; I see it as being one of the simplifying processes, so that we wouldn't need as many rules.

Another one that came up that intrigues me, because we saw it with the gun registry, is.... I think most of us suspect there were political overtones to the whole deal—that's another issue—but the Comptroller General and the rules made it quite clear, and the Auditor General made it quite clear, that you have to go to Parliament to get these expenditures approved. A deputy minister and her cohorts decided to find a creative way of getting around that.

We made a recommendation in this committee that if there were a disagreement between a deputy minister and the Comptroller General on a matter of accounting, basically the opinion of the Comptroller General should be final and conclusive and bring this thing to an end. I think that would have resolved the problem here, and the political masters would have had to face the music with Parliament on something that was really untoward in terms of Parliament and everything else.

What would be your reaction to our trying to simplify things and bringing in a rule like this, that if there's a fundamental difference over accounting between a deputy minister and the Comptroller General, the Comptroller General's opinion should be final on this matter?

• (1615)

**Mr. Arthur Kroeger:** I can see the point of that, but it gets a little more complicated when there's a disagreement between a minister and the Comptroller General, who is an official. Then the minister is ultimately accountable for what happens, including things having to do with rolling money into another fiscal year. But if a minister directs, it may be that it has to happen.

The formula in the Accountability Act is another way of dealing with it, wherein if there were a disagreement between the minister and the Comptroller General, the ministers of the Treasury Board would have to decide it.

**Mr. Brian Fitzpatrick:** People would probably brush this off, but my thought on the Comptroller General's office is that it should be almost like the Auditor General's in terms of independence from the political operations. Maybe it isn't right now, but maybe it should be.

**Mr. Arthur Kroeger:** I think as a general rule that's a good principle. It would be a foolhardy deputy minister who got an opinion from his or her chief financial officer that said, "You can't do that" and said, "I'm going to do it anyway." That's a recipe for real trouble. You don't ordinarily do that; in fact, you shouldn't do it at all.

And in the same way, with the Comptroller General, it's pretty courageous for somebody—

**Mr. Brian Fitzpatrick:** We must have a lot of foolhardy people here, because I have gun registry, sponsorship, and the Royal LePage thing probably cropping up. We have lease properties and a fairly long list of things where I would say people have decided to do

something that I find not exactly correct, and that's why it comes up before this committee. And boy, we've had lots of problems, sir, with Indian Affairs issues. It's a head-scratcher for me. It's a system that, to me, is totally out of control, it almost seems, in some cases, and we're all frustrated with it. The temptation is to order more rules and inflict more pain, but I don't know if we're getting anywhere by doing that. That's my little spiel for the day anyway.

**Mr. Arthur Kroeger:** All I'll say is I spent nearly five years dealing with the complexities of Indian Affairs, and it looks a lot easier from the outside than it does from the inside.

**Mr. Brian Fitzpatrick:** I have just one other comment. Another point Deming said is that consistency of purpose was very important too, and that lends itself to the importance of having some tenure with the deputy ministers. The Trudeau notion I think has to be total absolute nonsense. I can't see running something with that mentality. It would be chaos in the public service. Maybe we have to root that out and get back to some stability in how we run things here.

**Mr. Arthur Kroeger:** I think you're now down to an average of three years, which means that some people spend a lot more than three, even if there are less, so three years as an average is a lot better than it used to be. Whether you can make it even better...you might be able to.

Just before we conclude this exchange, I want to say that I wrote down that phrase, "root out fear", because you've said in three words what I tried to say in my opening statement.

• (1620)

**The Chair:** There are just a couple of issues I want to pursue myself, Mr. Kroeger.

First of all, when I look at what goes on in the committee and the problems we've had, one of the issues I see is with a culture of proper administration in some of the departments, and you're quite right, the deputy ministers have a very difficult job. There's a lot of direction from the centre. They're dealing with a lot of horizontal issues, policy issues, and they have the press, the opposition, the NGOs, the courts, access to information requests, endless consultations with stakeholders, etc. It just seems to me that over the last perhaps generation there has been a drifting away from what I call probity and prudence and good administration in their mindset. As Mr. Williams pointed out, we have situations in which even the chief financial officer didn't have financial training. That, to me, would send out all kinds of red flags as to the administration of this department.

Do you have any recommendations on how we can take the pendulum and swing it back? Realizing the difficulties these people are under, the stresses and the challenges, we have to somehow implement a system from the top. It's a cultural thing. I agree with you 100% that we cannot implement 233 additional rules—that's not the way to go—but we have to have a culture of what I call proper administration, and it has to be open and transparent, so that the taxpayers of Canada, when they go to bed at night, are sure that their tax money is spent wisely.

**Mr. Arthur Kroeger:** I'll confess to being wary about nostalgia. I can remember people who said things really worked well on the Treasury Board 35 years ago; that was a golden age. I was in the Treasury Board 35 years ago and I can tell you it wasn't a golden age. Whenever something gets far enough in the past, one can lend it greater quality than it may deserve.

**The Chair:** The good old days.

**Mr. Arthur Kroeger:** Yes, the good old days, actually, weren't all that great. At least some of them that I lived through weren't all that great.

Having said that, I would go on more substantively to say that it's important to focus on the kinds of problems that you see in the system today, and above all, what you as a committee can do that would be most conducive to creating a culture of responsible conduct, a culture of concern for the public. You can make a case that people had greater concern for the public then or that they have greater concern for the public now. The important thing is, what can you as a committee do to increase sensitivity to public needs and to improve the functioning of government? If you can focus on what it is that's possible to do, I mean really in the realm of the possible, that's the place to go.

The thing to avoid is this. When Mr. Mulroney was Prime Minister, at one time, he started using the phrase "error-free government". He was still new. When he'd been around a little longer, I think he understood there is no such thing. Attempts to achieve error-free government merely get you bureaucratic government without necessarily making government any less prone to errors at all.

Look, we've had five or six years of re-bureaucratization, and this morning the Auditor General brings in a report that does not have less content in it than it would have six years ago. So there are certain things that are done that don't get you results and there are certain things that you as a committee do that probably could get results. That is the toughest job you have before you, I think, to identify what the things are that you as a committee do that would not proliferate rules but would be conducive to the emergence of a culture.

**The Chair:** Thank you.

I have one other question, Mr. Kroeger. In the Federal Accountability Act there are a number of additional oversight bodies, the permanent director of advertising, the director of this.... Do you think, from your 50-year experience, they are going to be helpful to the situation?

• (1625)

**Mr. Arthur Kroeger:** Well, when I first saw the Federal Accountability Act I ventured an opinion—it may have been to this committee or to another—that probably a more experienced government wouldn't have put all those things in it, because some of them are more useful than others. It's a judgment call.

There's a proposal to create a director of public prosecutions. Well, practically, all prosecutions are handled by the provinces, so there's a question mark of how busy that official is going to be.

The Auditor General said Public Works actually has a quite sophisticated system of procurement. Do you want a procurement

auditor? It's a call. An elected government has a perfect right to say, "Yes, we want a procurement auditor." My own opinion, and it's only an opinion, is there are probably more oversight measures, more controls in the Federal Accountability Act than are strictly necessary, but the parliamentary process is to work those out. I believe the House and Senate are still in dialogue, so we'll see what the final version of the bill is.

**The Chair:** Okay.

You had a quick question, Mr. Poilievre.

**Mr. Pierre Poilievre (Nepean—Carleton, CPC):** The director of public prosecutions doesn't deal with provincial prosecutions; it deals with prosecutions under federal law and with prosecutions that would otherwise have been done by the Attorney General. It just makes the DPP more independent from the cabinet of the day and more transparent.

The communications between the justice minister and the DPP have to be done in writing. In addition to that, I think members on the Liberal side moved that this individual be approved by the House of Commons before being appointed, which is a very interesting development.

I don't think the Accountability Act is about more rules. In fact, it isn't about more rules. There are not a whole lot of new rules in the Accountability Act. The new rules were already created by the previous Treasury Board president, as you pointed out. We call them Reg's rules, and there is a book.

I remember that when we first got there for our briefings, they said, this is the book, this is what we deal with, these are the 200 new hoops we jump through every morning on our way from our coffee to our desk.

I guess I'll pointedly ask the question. We get a lot of generalizations in this committee. People come before us and say we need more effort put on this, or more effort put on that; we need fewer rules, more rules, more oversight, less oversight. What I'd like from you is a to-do list, and I mean a very practical to-do list. What rules do you want chopped? What steps do we need to take? If you could ask the President of the Treasury Board to do three very tangible, clear, practical things, what would they be?

**Mr. Arthur Kroeger:** I think the way to get the answer to that question is to ask the blue ribbon panel. This is a very complicated area. I can't give you an answer saying to wipe out every third regulation that was passed, or take out all the ones that have to do with audit. It's more complicated than that.

It is exactly why Mr. Baird appointed the panel, which has been at work for about six months and has had a lot of expert advice. I saw a list of 27 recommendations. I don't think they're going to try to deal with any committee with 27 recommendations, but that's how detailed their work had to be.

I think that's the right way to come at the kind of question Mr. Poilievre raises; that is, when you're trying to thin out the wiring, get a good electrician to do it for you. I hope you have three good electricians who are at work on that problem. It is an important problem, and I think if it can be done well, it will make government work better.

**The Chair:** Thank you very much, Mr. Poilievre. Thank you, Mr. Kroeger.

That concludes our time, Mr. Kroeger. Do you have any parting comments to leave us with?

**Mr. Arthur Kroeger:** No, Mr. Chairman. I think the committee is best placed to judge its own future. I said earlier that you might find it interesting to talk to the blue ribbon panel when your schedule permits that.

**The Chair:** I should point out, Mr. Kroeger, that we did have a meeting with the blue ribbon panel about a month ago. We had a very good meeting with them and enjoyed the dialogue we had with the three members, who were all there at the time.

•(1630)

**Mr. Arthur Kroeger:** They may have some conclusions they can give you that they weren't too clear about last time around.

Good luck with your work.

**The Chair:** On behalf of the committee, I want to thank you very much for appearing here today. Thank you for your interest. We certainly all benefited from your wisdom and long experience.

**Mr. Arthur Kroeger:** Thank you, Mr. Chairman.

**The Chair:** Colleagues, we're going to suspend for about minute so that we can re-jig the system and go back in camera.

*[Proceedings continue in camera]*

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