



House of Commons
CANADA

Standing Committee on Government Operations and Estimates

OGGO • NUMBER 028 • 2nd SESSION • 39th PARLIAMENT

EVIDENCE

Tuesday, May 13, 2008

Chair

The Honourable Diane Marleau

Also available on the Parliament of Canada Web Site at the following address:

<http://www.parl.gc.ca>

Standing Committee on Government Operations and Estimates

Tuesday, May 13, 2008

• (0905)

[English]

The Chair (Hon. Diane Marleau (Sudbury, Lib.)): We have a quorum, so we will call the meeting to order.

We have before us Mr. Jacques Sabourin, who is replacing Mr. Young from the Library of Parliament. Mr. Young, for health reasons, hasn't been able to attend.

With Mr. Sabourin is Mr. Kevin Page, the new parliamentary budget officer. This is a new position that's been created to help the members of Parliament, committees—maybe this committee more than many, I would like to think—to understand and to have some continuity, because it can be difficult, especially when the committees change quite often.

We're very pleased that you're here, and welcome.

I'm going to start with Monsieur Sabourin for a few minutes and then Mr. Page.

You've been before a few other committees before—you're almost a veteran, although you've only been in your job for about a month—so we're not too worried about your knowing what to do.

Monsieur Sabourin.

[Translation]

Mr. Jacques Sabourin (Acting Director General, Parliamentary Information and Research Service, Library of Parliament): Madam chair, members of the committee, thank you very much. Ms. Marleau has informed you that Mr. Young is unable to be here, as he is ill. He sends his regrets.

[English]

However, given your interest and because of the specific reason for this meeting, Mr. Young thought we should proceed as planned so that you can initiate a dialogue with the new parliamentary budget officer.

[Translation]

Mr. Young has asked me to make a few very brief opening remarks. I will then hand the floor over to my colleague, Mr. Kevin Page.

I welcome the opportunity to appear before the Standing Committee on Government Operations and Estimates. As you mentioned, I am here today with Kevin Page, Canada's first Parliamentary Budget Officer.

As you are aware, Parliament legislated these new functions, creating an officer of the Library of Parliament—a position that would operate within the Library's established mandate of providing authoritative, reliable, non-partisan and independent knowledge and information to parliamentarians.

[English]

For the Library of Parliament, and we think for you as parliamentarians, the creation of a parliamentary budget officer constitutes a significant initiative to strengthen Parliament's ability to hold the government to account. As the oversight committee for government operations and supply, we believe you can play an important role in making the parliamentary budget officer an effective instrument for Parliament, one that complements, not competes with, the work and resources currently available to improve parliamentarians' understanding of the fiscal position of the government.

What is fundamentally important is that the parliamentary budget officer add value to your work. As such, we know we would benefit greatly from your insights as we begin implementing new services through the PBO.

[Translation]

In fact, I might suggest exploring a consultative approach as a vital part of the Library's efforts to shape these new functions to serve parliamentarians effectively.

An ongoing, informal dialogue with members will help us deal with the questions that will certainly arise as statutory provisions are interpreted and given life through the delivery of this new service. What are the specific needs and requirements of parliamentarians? How should priorities be set in the face of competing demands? Who better to answer these questions than the clients of these services? I hope you agree.

[English]

Kevin Page, the man who took on the formidable challenge of being Canada's first parliamentary budget officer, started work with the Library of Parliament just after Easter. For those of you who may not have seen his curriculum vitae, I believe copies are available.

Kevin is one of a very few individuals with experience working on relevant fiscal forecasting and policy and expenditure portfolios within all three central economic agencies. His broad perspective will be of tremendous value to parliamentarians, and certainly, if required, to the Standing Committee on Government Operations and Estimates.

● (0910)

[Translation]

As you will see, Kevin is a “people person” with a good sense of humour and a great reputation.

[English]

I am told that his phone is already ringing off the hook with calls from skilled professionals who want to work with him. This is great news for Parliament.

[Translation]

It is also a huge opportunity for us to build the Library's research capacity and add value to the services that we already provide to parliamentarians.

[English]

Thank you for the invitation to appear before you this morning.

[Translation]

I will now hand the floor over to my colleague, Kevin Page.

[English]

The Chair: Before you start, Mr. Page, I want to say, as a long-time parliamentarian, that I know the very valuable services the Library of Parliament offers parliamentarians. I want to thank you for that. I'm sure that the other parliamentarians here will join me in this thanks. We know you're independent, and as much as possible... as fair, and the information we get from you is quite valuable. Thank you.

Go ahead, Mr. Page.

Mr. Kevin Page (Parliamentary Budget Officer, Library of Parliament): Madam Chair and members of the committee, thank you for giving me the opportunity to speak to you today.

I would also like to thank the parliamentary librarian, who is ill today, Mr. William Young, for all his efforts in implementing this position to increase the Library of Parliament's capacity to serve Parliament, and also Mr. Allan Darling, a retired senior public servant who worked diligently with the parliamentary librarian to make this position a reality.

[Translation]

In my opening remarks, I would like to take the opportunity to tell you how I will approach the work of the Parliamentary Budget Officer. I have four messages. They are the same basic messages I delivered in recent weeks to the Joint Committee of the Library of Parliament, the National Finance Committee in the Senate, and the House of Commons Public Accounts Committee.

[English]

I have four messages for you today. First, it is an honour and a privilege to serve Parliament. Second, we have an important and timely opportunity to move forward on the role of the parliamentary budget officer. Third, the building process will take time. And fourth, today marks an important but early step in the consultation process.

I am honoured to be Canada's first parliamentary budget officer and to be an independent officer within the Library of Parliament, an

institution, as Madam Chair has noted, with a long and prestigious history in Canada and a tradition of providing objective, non-partisan analysis and advice to Parliament.

[Translation]

It is important that the parliamentarians be comfortable with me as their Parliamentary Budget Officer. Trust must be supported by unbiased and professional advice for me to be an effective servant of Parliament.

[English]

As Mr. Sabourin has noted, I've spent more than 25 years in the federal public service. Many of these years were spent in central agencies where I had the opportunity to work with others in the provision of advice related to economic, fiscal, and expenditure management issues.

This is my first opportunity to work as an independent officer of the Library of Parliament. I have lots to learn about how Parliament works, and I am looking forward to serving and working with you in this new capacity.

[Translation]

I believe we have an important and timely opportunity with the creation of the role of Parliamentary Budget Officer. The importance stems from Parliament's “power of the purse” which is a fundamental feature of democracy.

[English]

The genesis of and momentum for the creation of the parliamentary budget officer role reflect a number of important concerns expressed by parliamentarians over the past decade. First were concerns that the size of fiscal forecasting errors were hindering public and parliamentary debate on budgetary choices. Second were concerns that more was required to strengthen accountability and effective scrutiny by Parliament of government spending and future spending plans. Third were concerns that private members' bills needed to be costed earlier in the legislative process and better integrated into the budget-making process.

[Translation]

The mandate of the Parliamentary Budget Officer is outlined in the Accountability Act and is now part of the Parliament of Canada Act. It has three components.

● (0915)

[English]

One is objective analysis for the Senate and the House of Commons of trends in the economy, the state of the nation's finances, and the estimates of the government. Second is related research, when requested by a committee of the Senate or the House of Commons. And third is estimating the financial costs of proposals introduced by members of either House or by a committee.

The mandate includes one important provision that gives power to the parliamentary budget officer for “access at convenient times to any financial or economic data in the possession of the department that are required for the performance of his or her mandate”. This will help stretch the budget of the officer and the analytical capacity of the supporting team.

[Translation]

I believe the launch of the Parliamentary Budget Officer position comes at an opportune time.

The economic and fiscal situation of Canada remains relatively strong as measured against many macroeconomic indicators. It can be argued that it is better to launch this role in a period of relative economic strength rather than weakness.

We are in a Parliament with a minority government. Political scientists, like Professor Peter Russell, have noted that this situation encourages debate about budgetary choices and negotiation and compromise on legislation.

[English]

As we look ahead, we can envision many important and interesting debates. These include the current debates about the impact of the weaker U.S. economy on Canada's economy and fiscal situation and the adjustment pressures in manufacturing related to a higher dollar and higher input prices. They also include long-term debates about raising the standard of living in Canada, ensuring balanced income growth, addressing issues related to aging demographics, ensuring environmentally sustainable economic growth, and realigning fiscal resources to new priorities in a balanced budget framework.

[Translation]

As well, as we have seen in recent years, there are always challenging initiatives that are launched by government departments and agencies with good intentions that benefit from additional scrutiny by Parliament. In these types of cases, the Parliamentary Budget Officer should play a positive role in supporting Parliament through the provision of financial analysis based on best practices.

[English]

With respect to the government's estimates process, in 2003 this committee recommended a number of improvements to address both the quality of information and its assessment by parliamentarians. The committee's report also urged the government to move forward to a results-based approach to management. In spite of the advice, much work remains to be done to realize the full potential of the estimates process to help this committee and Parliament in general exercise their important role in the oversight of departmental expenditures.

I believe the parliamentary budget officer can strengthen Parliament's ability to hold the government to account by improving parliamentarians' understanding of the financial and operating performance of the government through targeted research, analysis, and advice. This enhanced due diligence capacity will enable a comparison of the government's plans with external best practices, the government's stated objectives, Treasury Board's policies, and the standards expected by taxpayers.

Building the capacity to support the mandate of the parliamentary budget officer will take time. A number of months are required to build and integrate new analytical capacity within the Library of Parliament. With the 2008 budget tabled and the 2008-09 estimates now before standing committees, the next key milestone for the parliamentary budget officer, in a normal budgetary cycle, will be the 2008 economic and fiscal update in the autumn and the 2009 pre-budget consultations.

[Translation]

One can envisage a number of overlapping phases of development in the building process. Firstly, a consultation phase with parliamentarians on priorities (needs), and potential products, as well as consultations with departments and agencies on the way we will exchange information.

[English]

Secondly, there will be a team-building phase, in which the office will be staffed within the Library of Parliament to serve parliamentarians. Thirdly, there will be an implementation phase, in which products and services are provided to parliamentarians.

With respect to the team-building phase, I am pleased to confirm that we have recently hired two new assistant parliamentary budget officers: Sahir Khan, who will help us with the expenditure and revenue analysis and who started on April 28; and Mostafa Askari, assistant parliamentary budget officer for economics and fiscal analysis, who started on May 5—big increases in the size of my office.

● (0920)

[Translation]

In the context of establishing the role of the Parliamentary Budget Officer, a number of concerns have been raised publicly including concerns about independence of the advice; about the size of the budget for the position; and about whether or not the officer will provide independent forecasts.

[English]

In this regard, I wish to note that the parliamentary budget officer will, one, maintain the tradition of the Library of Parliament in the provision of independent non-partisan advice; two, utilize all the resources provided in the most effective manner possible, and that includes leveraging current resources in the library, from federal departments and agencies for the provision of information, and through external stakeholders interested in serving Canadians; and three, work with private sector forecasters to ensure that there is satisfactory comprehension and oversight by parliamentarians of the economic and fiscal outlook, the related risks, and the choices for fiscal planning and budgetary choices.

[Translation]

As I close, I want to thank you for giving me this important opportunity to open the dialogue on the implementation of the role of the Parliamentary Budget Officer.

[English]

It will be an honour and a privilege to support your efforts to ensure that the revenue and spending measures that are authorized by Parliament are fiscally sound, that they meet the needs of Canadians with available resources, and that they are implemented effectively and efficiently.

I am looking forward to hearing the views of parliamentarians on their expectations for this office and how it can best support their activities.

Thank you very much.

The Chair: Thank you, Mr. Page.

We will go now to Mr. Mark Holland, for seven minutes.

Mr. Mark Holland (Ajax—Pickering, Lib.): Thank you, Madam Chair.

Thank you to the witnesses for appearing today. Congratulations, Mr. Page, on your new position.

I am concerned about a couple of things. The first is that we've seen a real disconnect between the reality of what's come forward and the rhetoric of what's offered. I have some concern in this regard with some of the constraints that are being placed on your office, when we see a government that campaigned on transparency and we have all kinds of things that we still just simply haven't seen, whether it's the appointment of a public appointments commissioner, new rules for lobbyists, or whether it's the fact that access to information times have dramatically increased by a factor of about five times, the killing of the CAIRS database, and the list goes on and on.

In this specific example, the Conservative Party election platform said governments cannot be held to account if Parliament does not know the accurate state of its public finances. The problem I have with that is that your office is not going to be up and running until the fiscal update in the fall of 2009. It's going to be nearly three years after the government took power before it comes into place. That's three federal budgets. That's two fiscal updates.

Not only is there an enormous amount of time that has transpired, but my real concern is that you're going to be operating out of the

Library of Parliament. The Library of Parliament performs an extremely important function on providing non-partisan advice to Parliament, but in this instance, instead of being like an auditor with the ability to challenge and really take on the government when it disagrees, you're going to be relying upon the finance department for your analytics and are going to be within the Library of Parliament.

I'm wondering how you're going to be able to challenge the government or how you're going to be able to take a look at this information and be able to provide Parliament with an alternative viewpoint when you're relying upon the finance department for your analytics and when you're in the Library of Parliament, whose traditional role has been more to supply non-partisan information and not necessarily take a position or advocate for a particular viewpoint as, say, an Auditor General would.

Mr. Kevin Page: Thank you very much, Mr. Holland, for that question.

There are a couple of parts to that. One is just really the timing issue in terms of my arrival to this job and the time it will take to build the office. I don't think I'm really in a position to provide an effective response to that question.

Mr. Mark Holland: I understand that it would be difficult for you to answer that. It was just an observation.

Mr. Kevin Page: Having said that, I am glad that this capacity is in place now, and there are lots of budgets and estimates processes to look forward to, in which we could, hopefully, support your efforts.

As to the second part of your question, to what extent will we be relying on Finance Canada's analytics, and are we adequately resourced and well positioned within the Library of Parliament to provide this advice, it's obviously early going, sir, but I am comfortable that we will be in a position to provide the challenge function that you'll want us to provide.

While we'll certainly be reviewing Finance's analytics very carefully, we won't actually be relying on them to provide that challenge function. As you know, depending on the nature of the economic and fiscal analysis forecasting issues, there are a lot of private sector companies we can work with to look at the range of forecasts that are out there—low and high—and that also provide a lot of analysis of the measures Finance puts forward in the budget.

So we could leverage a lot of resources from just the community out there right now in order to provide this advice. Some of those leveraged resources are in the Library of Parliament as well, which, as Madam Chair has pointed out, has actually served committees well.

We also plan on staffing. We have a fairly substantial budget; it's not necessarily substantial in comparison with the Congressional Budget Office, which is a very different system, but it's certainly substantial for a Westminster system. Within that ongoing budget of roughly \$2.7 million a year, if we hire very strong analysts, we think we could go a long way in supporting a good challenge function.

We've already made two very careful hires, sir, in terms of the director positions, one on the economic and fiscal analysis side, Mr. Mostafa Askari. Mostafa has a PhD from Queen's University. He's taught at Queen's and Trent universities. He's worked at the Conference Board, a private sector institution, looking at private sector forecasts. He helped build Finance Canada's models in the 1980s. He's worked at the International Monetary Fund. Recently he was a research director at Health Canada, dealing with a wide range of issues. So he has a broad knowledge.

We have also hired Sahir Khan to help us on revenue and expenditure analysis issues. Mr. Khan has an accounting and economics background from Queen's and Columbia universities. He spent almost 10 years working in New York City in the turnaround environment there, so he's quite familiar with dealing with challenging issues. These are issues that this committee has looked at, issues of procurement and real property, etc. He's quite capable on the financial analysis side.

So if we staff underneath these people with some other capable people, we could provide a lot of horsepower. I think it would be helpful. That is our objective, sir.

• (0925)

Mr. Mark Holland: Maybe I'll articulate the concern in a slightly different way, because I understand that you're going to have other fiscal forecasts from third-party agencies, and you're going to be able to contrast them against what the government provides. To some degree, that's something that we do now as parliamentarians.

Let's take a scenario—unfortunately, it's not as hard to imagine as one would think, as it's happened in many instances—where you have a government that has misrepresented the fiscal position, either of a province, or the nation in this case. You can take the example of Ontario, where the government said they had a surplus when they were in fact running a deficit. So you have instances where governments are not providing accurate information; it's information that is tainted by a partisan agenda. And I think the intent of establishing your office was to be able to expose that and also to be able to provide independent analysis. How would you get at that?

If you're getting your analytics from the finance department, how are you going to be able to challenge what they're putting forward and be able to see behind the curtain, if you will—not so much in terms of collecting the other information that's out there, but really to see behind that curtain to see whether or not we're getting the straight goods as to the status of the nation's finances and what our fiscal position is? How do you see that working under the umbrella of the Library of Parliament, which traditionally hasn't taken on that challenge role?

Mr. Kevin Page: That's a very good question, sir. How can we see behind the curtain? I and certainly the two directors I've hired have had experience in sort of being behind the curtain, so we have some experience with how some of these numbers add up.

In terms of your reference to the Ontario situation, and just basically the public accounts themselves, we'll work with the Auditor General, just as we've worked in the past with the Auditor General and the Comptroller General's offices, to make sure that the public accounts of Canada are well represented. I think, for the most part, even in recent years with respect to our own public accounts, they've had a fairly clean audit. So we will work with the Auditor General in that kind of capacity.

In terms of the work that we will provide as a parliamentary budget office, which is more of a forward-looking capacity, when we look at the fiscal books, we will ask if the projections of budget balances are adequate. We will have expertise on our staff to look at how the economy will influence those fiscal projections. We'll have analysts in our shop who will understand the relationship between income and tax collections to see whether or not the elasticities make sense. And we will also have analysts in our shop, sir, who will be able to help provide you information on whether or not the fiscal plan that has been set out and the fiscal targets make sense, so that we have a good fiscal plan for the Government of Canada based on aging demographics and other factors.

• (0930)

The Chair: Thank you very much, Mr. Holland.

Madame Bourgeois.

[*Translation*]

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

Good morning, Mr. Sabourin.

Mr. Page, congratulations on your appointment to this position. I read your résumé. Your experience is quite impressive. I see that you have substantial experience in the area of planning, something of great interest to me.

I will repeat my colleague's question. On page 3 of your statement, you say « Building the capacity to support the mandate of the Parliamentary Budget Officer will take time. »

I would like to know why this will take time. In fact, as Mr. Jacques Sabourin stated, there are many people willing to give you a helping hand.

Mr. Jacques Sabourin: When it comes to staffing, things are always a bit complicated. We know that within the public service, and within our sector, which is part of the public service, things happen slowly. Mr. Page has a clean slate, and I believe that he wants to build the right team in a deliberate manner. We say this will take time, but that does not necessarily mean a year. I think that by the end of the fall, the majority of the team will have been constituted.

I will ask him to make a few additional comments, if he wishes.

Ms. Diane Bourgeois: It is just that we have many questions to ask.

Mr. Kevin Page: As I said to Mr. Holland, I am not really in a position to talk about the reasons why the process is long. Nonetheless, I do believe that a period of three to six months is necessary and appropriate to form a team, find good candidates, and organize external competitions. We need this time to do our planning.

Ms. Diane Bourgeois: You also state an intention to consult parliamentarians in an effort to determine their needs. Could this process not unfold at the same time? Each year, the federal government records surpluses in the millions, if not billions of dollars; a source of great irritation for provinces and parliamentarians alike. I feel the situation is urgent. Parliamentarians must be in a position to analyze this budget and decide whether or not the funds invested in programs are yielding the appropriate return.

Mr. Kevin Page: As I said, today is an important opportunity. The goal is to determine what the priorities are for various committees. You now have the opportunity of telling me what your committee's most important priorities are.

[English]

I know that the time is short, particularly with this session; we're probably looking at another month and a half in terms of working with parliamentarians on the establishment of those priorities, and at the same time doing some hiring. Over that period of time, I'm hoping to follow up on the work we're doing with committees, to work individually with a number of senators and members of the House to talk about priorities, but also to bring forward in front of them what we think the business model for the parliamentary budget officer should be, explain how we will work with the Library of Parliament, because I think our role is a bit different, and explain some of the products and services we hope to bring forward as early as the fall. Some of these products and services will be periodic reports on the economy and the fiscal situation, and some will be a research agenda.

We know the time is short. We're not planning to take long holidays in the summer. We hope to use our time efficiently.

• (0935)

[Translation]

Ms. Diane Bourgeois: On page 3 of your statement, you mentioned important longer-term debates about raising the standard of living in Canada.

As a planning expert, do you not believe that it would be important for Canada to adopt policies in areas such as foreign affairs and defence, so that parliamentarians understand why

expenditures are being made? Is that a type of recommendation you could make to the government?

[English]

Mr. Kevin Page: We will not be experts on the full range of priorities and policies that would be brought forward, including defence policy, foreign policy. What we will make sure we are experts in is the area of fiscal planning and financial analysis. So if there are questions around financial analysis or questions around the national defence budget, the relationship between operational expenditures and capital expenditures, some of the issues this committee has looked at around accrual-related issues, the capital planning, we would make sure we have appropriate capacity to respond in that domain.

For the most part, in terms of the broad policy questions on national defence policy, I think we will leave it to others to determine the appropriate policies.

[Translation]

Ms. Diane Bourgeois: I am having some trouble understanding this. To my mind, when funds are spent, it is because the expenditure was planned in advance. One has an idea of the direction one wants a department to go in. An expenditure results from planning.

As a planning expert, don't you feel that you cannot avoid making a plan, and that it will be impossible to specify or analyze an expenditure if it has not been planned beforehand? Planning is usually based on policy.

Mr. Kevin Page: Thank you. I believe that I understood your question.

[English]

We certainly will have capacity within the parliamentary budget office to look at the reports on plans and priorities, which are those longer-term plans for various departments. We will have the capacity with people who have experience in also preparing and analyzing and challenging departmental performance reports in that capacity.

As we look to support the work of the review of the estimates, we will be looking hard at those reports on plans and priorities and departmental performance reports. We may have questions to offer where there are weaknesses with respect to the planning, but I think our focus will primarily be on fiscal and financial analysis issues with respect to their capacity, those departments that deliver on those longer-term plans.

[Translation]

Does that answer your question?

Ms. Diane Bourgeois: I do not think so, Mr. Page. We will not agree.

The Chair: Thank you, Mr. Page and Ms. Bourgeois.

The floor now belongs to Mr. Del Mastro.

[English]

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Madam Chair.

Thank you, gentlemen, for your presentation here today.

There are a couple of things I wanted to pick up on where Mr. Holland left off. He asked you a couple of questions pertaining to how you will challenge the government, how you will see behind the curtain. It sounds as if we're looking for a forensic investigation of the finances. Do you see that as your role?

I serve on the Standing Committee on Finance. One of the things we really struggle with sometimes is we have a lot of presentations in pre-budget. Most of them are un-costed, or the costs have been determined by means...we're not how they've arrived at the costs. The Department of Finance is obviously going through a very busy time because they're working on their own issues of costing the budget, putting the budget together, and the fall fiscal update.

One of the things I envision as your role is supporting some of the applications we see coming forward and providing independent cost analysis on some of the proposals we're seeing before finance. Is that how you see your role, or do you see it as being in opposition to the government of the day, whatever stripe that may be?

Mr. Kevin Page: I see my role as providing independent, non-partisan advice, and in the context of providing independent advice, at times this may mean there will be a strong challenge function on certain issues. At times, as well, it could be quite complementary with respect to what the government is putting forward.

In the context of the latter, when one looks at Canada's fiscal situation and compares it with what's going on south of the border or in European countries that are generating large deficits as a percentage of the size of their economies, one could argue that Canada has done some extraordinary things over the past ten years or so with respect to its fiscal situation. I hope the parliamentary budget officer can contribute to that sound fiscal record over the next number of years. So I think independence means to be able to look at the situation in a truly independent way and to highlight both the good and sometimes areas that need to be strengthened.

In terms of costing, I know the costing of private members' bills is a big issue, a big concern for the Department of Finance. I think just working in a minority government is new for this country to some degree and these private members' bills have taken on new significance in the context of fiscal planning at the Department of Finance. I think costing earlier in the process and costing that not necessarily looks at the point of estimates, but explains some of the range that some of these bills might produce, depending on if there's different take-up or not, will also help increase an understanding around some of these issues and help improve the whole parliamentary private members' bills process.

So I'm hoping we can play that kind of role as well.

• (0940)

Mr. Dean Del Mastro: I couldn't agree more. I see your role as one of building confidence for Canadians that what they're being told is accurate. I know that was the government's intention when we brought that forward, certainly not as one that would kind of see behind the curtains and go on goose chases on behalf of the opposition.

Largely the federal budget is a document that has a lot of commitments that have already been made. A fair portion of the federal budget is spent annually for commitments that have been

made. In that, we talk about provincial transfers, social transfers, equalization, and so forth. I know my colleague from Ajax—Pickering is pleased that we now have per capita transfers in the province of Ontario brought forward by this government.

But last year we had three independent fiscal forecasts, and we also had the forecast from the federal government. I think what we've done is try to really open things up, make it very open so that Canadians have an understanding how these forecasts are made so we don't have these large surprise forecasts at the end of the year, being forecasted to be one number and then suddenly being another much more significant number. We've worked to make that much more open.

Unfortunately, all of them were wrong last year. They were all lower. Maybe you can give your opinion on that. Does that speak to the caution that goes into planning these numbers, that they're putting a lot of prudence into these numbers to make sure that they're right? If anything, they're under on the surplus, but they're not going to go the other way and be wrong to the point where you'd risk a potential deficit.

Is that why you see that all three private forecasters and the government forecast were under with the surplus that actually came in?

Mr. Kevin Page: Thank you very much for that question. Just to step back, if I could, on forecasting, as you noted, sir, a lot of changes have been made, and the process is much more open now. I think this is a result of actually, in some cases, some pressure by parliamentarians as well and work by different finance ministers to open up the process.

Now the Department of Finance is taking an average of a number of private sector forecasts on the economy and they're working with, as you say, sir, three other fiscal forecasters to look at and prepare their fiscal projections. So the process is quite a bit different.

Even within that process, though, even in the last economic fiscal update in the budget, one would note that there was quite a bit of range between the low side and the projections on the high side. I think we're in a period of quite significant fiscal uncertainty as we look forward.

We think it is true that most of the private sector forecasters got it wrong last year, particularly on the fiscal side. If you look back historically, there are probably different reasons for that. I think last year they probably got it wrong because we were fooled partly by just the strength of the Canadian economy, particularly on the income side, and the relationship between how incomes were growing and the tax collections. Tax collections on the revenue side, both on the personal income tax side and the corporate side, came in much stronger relative to the income growth that we did see in the economy. I think that fooled almost all the forecasters.

These can change pretty rapidly, though—for instance, if the economy were to turn in a significant way, potentially due to, if one looks farther out, U.S. economic weakness. So while we all erred on one side, we could see a different type of erring, or more balanced erring, as we look forward.

In terms of prudence that's built into the forecast, there have been changes. Certainly in the mid-1990s I think the sense was, by the government of the time, that we needed to build in substantial prudence. So we built in contingency reserves of about \$3 billion a year in these forecasts. We built in economic prudence of different varying amounts over time. Government made a conscious choice to make sure that they erred on that side. In terms of fiscal planning, I think that was a very prudent thing to do at the time.

I think, as well, this government has decided that with the progress we've made on lowering the debt—in absolute terms, over \$100 billion over the past 10 years and almost a cutting in half of the debt as a percentage of GDP—federally that's a substantial improvement. We didn't need as much prudence. In a relative sense, I think that probably is true; you could probably get away with less prudence. But now we're seeing a lot of uncertainty in the economy, particularly to the south of us, and we're worried about the impact it may have. But there is less prudence in the forecast now in general.

So the error really was just a surprise around the relationship between income and collections.

● (0945)

The Chair: Thank you.

Mr. Angus.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you very much.

First of all, I'd like to congratulate the work of the Library of Parliament in terms of allowing members of Parliament to have the information necessary to make sure that we can do our job in opposition, which is to hold the government to account.

I'm still trying to get a sense of how the parliamentary budget officer works. You work through the library. Would individual offices come to you with requests? Would you be there in a planning sense overall for committees, or in a role almost like the Auditor General, someone who's making pronouncements periodically? How do we interact with your office?

Mr. Kevin Page: Thank you for your kind words about the Library of Parliament. I know it's always music to the librarian's ears; he is very proud of the reputation that the Library of Parliament has been able to build over time.

In terms of how we will work, partly, as Mr. Sabourin said, we have a bit of a blank sheet. We're working out the business model right now. The business model, in terms of how we interact with committees, how we interact with members, and how we interact with even the Library of Parliament, is something for which we're looking at different options.

One of the easiest options for us to look at, in terms of the relationship with committees, is to work within the current Library of Parliament model, in just the same way. You have requests that come from committees or from individual members on costing bills; there's an established process right now. Work that is of a cost nature or an estimates nature or that deals specifically with economic analysis of fiscal forecasting—very much within the mandate of the parliamentary budget office—will be steered to one single window, towards us. That is definitely one model we're looking at right now.

Mr. Charlie Angus: One of the things we learned out of the sponsorship scandal is that if mis-spending occurs and parliamentarians have no ability to check or challenge, a lot of damage can be done long before anyone is able to actually hold government to account. What ends up happening is often in hindsight: access to information requests, and having to track down how the money was spent.

It's a very frustrating situation for a member of the opposition to be looking at certain line items in the estimates, where there is clearly a substantial amount of discretionary spending power for the government, and to have no accountability from the government on how this is being spent.

For example, in the 2005-06 and 2007-08 budgets under Heritage, the “Celebrate Canada!” fund was bumped up 900%; it was a major anomaly of \$30 million, when over that period other Heritage Canada funding had been dropped by \$31 million, and trying to get an answer as to whether we were buying cake and balloons across the country with \$30 million was like dealing with a labyrinth in Heritage. They were claiming no, this is money that's going for the 400th anniversary of Quebec, even though we already had another line item for the 400th anniversary of Quebec, or it's for this, it's for that, it's for the other. But under the line item it was clearly for “Celebrate Canada!”

You can raise alarm bells, you can deal with the media, and you can try to get access to information—although good luck, these days; all your access to information is being delayed. Do you have a role whereby we could then ask the Library of Parliament how money is normally spent through this, or an independent voice that can actually tell us whether this discretionary line item has substantially changed and whether it's a common practice for certain line items to be boosted like that?

If we don't have the ability to challenge government—we often can't challenge them until after the money is spent, and we have to then go and see where it was spent—major problems can occur. How do we work with your office to be able to verify the claims that are being made when the estimates come out?

● (0950)

Mr. Kevin Page: Sir, that's an excellent question. The Office of the Parliamentary Budget Officer will try to give you the kind of support you need in terms of dealing with some of those questions.

I'd like to make a few points in response to your question. The first is in terms of best practices around estimates in general. And the second point I'd like to come back to is financial management and whether or not we're putting too much emphasis in the government right now on the back end, as you related, as opposed to more on the front end, and how this committee has worked on that. And third, related to the first point, is really just transparency in reporting in general and the work of this committee in the past to improve transparency, and the work it's doing right now on accrual budgeting.

On the first point, in terms of best practices around estimates, I think there are three points. One, the parliamentary budget officer needs to play a role in making sure you understand the information that's there. The information that is there is quite complicated, and it's probably been said many times before this committee that not many people can walk through the federal budget, which is on an accrual budgeting basis, to the estimates, which are on a cash basis, divided into things called program activities and votes that are very horizontal in nature, to the public accounts, which again are also on an accrual basis but look different from the estimate numbers. So we will try to help you go from A to B to C by better packaging information.

Another best practice, which has been established in the OECD, is the capacity for committees like this, which are working with appropriations, to look at big material changes. In some cases those big material changes show up in big numbers like the big transfer numbers. If the government decides to do something significant with respect to a fiscal balance issue in this country, there are big numbers. But also, as you've alluded to, sir, there could be 900% increases on small line items in certain budgets, which could raise certain alarm bells. So providing capacity so that you could see those big material changes in some of those smaller line items is something we would definitely want to look at, which is also a best practice by the OECD.

If I could go to one of the points I made concerning transparency in reporting, the work done by this committee in 2003 really pushed the government to provide more transparent reporting and it changed the whole planning system. Up until that point we had a business approach to the way the estimates were changed, and the

government was under a lot of pressure from this committee in the 2003 important move to more program activity, almost a grocery-list approach to the presentation of activities in the estimates. That gives us a lot more transparency in the current system, so it's a big change.

But I think the work of this committee needs to continue to put pressure on the government to provide more transparency around that, because even though we're moving in the right direction, we need to make more progress. And that will get at some of your points, sir, in terms of looking at some of these smaller items and identifying these particular activities so they show up and you know these things exist and are driving change.

Previous comptrollers general have looked at this issue. We spend a lot of money and attention on the Auditor General's reports, which are very much the back end of the whole financial management process. There is the issue of whether or not we should be spending more time and energy on the front end. This committee has looked at those types of issues. When you look at issues like sale-leaseback, you're looking at those issues in almost real time as a government. Making sure we have best practices early on in those processes helps a lot so we prevent those future failures before the Auditor General has to come in and clean up that stuff. So making sure this committee has information on best practices on these new proposals as they come through and as you challenge them is something we'd be very interested in doing, because we think that's good practice.

Mr. Charlie Angus: To follow that, we often end up picking up the pieces after a debacle. I'm thinking of this subprime mortgage crisis in the U.S. When we start to look through what happened there.... How could this have been allowed to happen? How could such dodgy mortgages have been put on by so many credible institutions and sold to so many investors to the point that it's almost created a global crisis?

Who was to blame there? Where was the federal oversight? How could so many people have turned their eye...? But it happens, whether it's Bre-X in penny mining stocks or the subprime mortgage.

When we are in boom cycle, it's very difficult to make those challenges, to raise those warning flags, because everybody is looking at the good picture and not the potential downturn.

Is your role providing prudent reporting to politicians? How do you see your ability to challenge when red flags are starting to appear? Are you going to be presenting that to individual members of Parliament if they ask, or are you going to be saying, "From what we're looking at, we've got certain problems developing here that could create a major problem down the road", whether it's a situation like the subprime mortgage or whether it's just going into not having enough reserve funding coming into a recession?

● (0955)

Mr. Kevin Page: I don't think I'll provide too many specific comments on the diagnostic around the subprime situation, particularly in the United States, that also has an impact in Canada. I know there's been other testimony from other independent organizations. The Governor of the Bank of Canada, Mr. Carney, in front of the finance committee has talked about that and its relationship with Canada.

I actually think, sir, your diagnostic is right. Particularly in boom times—we've seen this with different bubbles as we look back—we tend to lower our guard with respect to how we look at risk, particularly with issues around transparency. There was an enormous amount of complexity, specifically with those kinds of transactions, and things simply got out of hand.

There is a relationship—I think this is your point—between that and specifically how we look at expenditure management in the government. I read a quote recently by Leonardo da Vinci, I think, that simplicity is basically the best form of sophistication.

We need to worry about whether or not we find the estimates to be overly complicated. If you can't get the kind of answer, sir, that you raised earlier around a 900% increase in a line item in a vote appropriation, that's an issue that's actually not that far different from the issue we're experiencing on the subprime stuff.

How can a parliamentary budget officer help? I think, like the work of this committee in 2003 in terms of pushing transparency and pushing simplicity, it's working with you in terms of best practices around the estimates. It's also by having a careful eye, sir, which you alluded to in your previous question around those big material increases that show up in estimates from time to time, so that we flag this. I think that is a fundamental role of a parliamentary budget officer.

The Chair: Thank you.

Mr. Silva.

Mr. Mario Silva (Davenport, Lib.): Thank you, Madam Chair.

First of all, I want to begin by congratulating Mr. Page on his new position. I also want to thank the Library of Parliament for the wonderful work they do for us as parliamentarians. I think it would be unanimously agreed that we certainly could not carry out our functions as parliamentarians if it weren't for the Library of Parliament, so we thank them for all the work they do on behalf of the Parliament of Canada.

Mr. Page, I've listened to your comments and I think there still needs to be some further clarification that perhaps you can provide. You can help me to understand, first of all, the difference between the function of your office and that of the Congressional Budget

Office, because I think it's modelled a little bit after that. That is very important.

The other thing, too, that you had spoken about at great length is the whole idea of independent opinion. I'm still trying to figure out how you're going to arrive at that. It's very important for this committee. Your position could be extremely valuable to all of us here, because we deal with the estimates on this committee. That independent opinion is extremely important to us—as parliamentarians, of course, but more specifically at this committee.

How do you arrive at that independent opinion in the forecasting if there is concern as to whether your particular office is totally independent when it comes to financial resources? I think resources are extremely important.

Also, we have a concern as to how you're going to arrive at that opinion. If it's simply to be a collection of opinions, then it presents a bit of a problem. I think we would like to have a more frank opinion, an assessment of where things are.

Finally, you talked about the establishment of protocols and service standards. When are you going to have this dialogue with...? First of all, when will we be seeing these protocols and service standards in place? What will be the interaction you'll have with parliamentarians, and when will you begin that interaction?

These are my questions. I throw them all out to you at once, then you can take your time to answer them.

Mr. Kevin Page: Thank you very much, Mr. Silva.

In terms of the relationship between the parliamentary budget officer and the Congressional Budget Office, I think there are things we can learn from the way the Congressional Budget Office operates, but we have to take into account the fact that it operates in a very different system. I also wish to highlight—there was some work done and I don't know if it was made available to you—that before I arrived, the Library of Parliament did a review of budget offices in parliamentary-like settings and congressional settings across the world.

So while the Congressional Budget Office is one of the first offices set up in the mid-1970s, a number of other countries have actually moved forward to create the kind of capacity to support the oversight function. This includes a wide range of countries, such as the United Kingdom, the Netherlands, the Philippines, Korea, and some others. But the Congressional Budget Office was definitely the first one. It has been in operation since the mid-1970s.

One thing that is pretty impressive about that office is the quality of its advice. It has maintained a perception of providing independent high-quality advice pretty much from the beginning, but again it operates in a congressional system that is very different from a Westminster system. In the congressional system, the executive provides a budget, but both chambers of congress can also provide alternative budgets, and there's a negotiation. So in a congressional budget system like that, there's a lot of need to provide alternative budget capacity.

You will not get that capacity from the parliamentary budget officer, not with the resources that have been set aside, but also for the good reason that we operate in a very different system. It's the government, the executive, that brings forward the budget. The parliamentary budget officer, in that capacity, will help provide the appropriate challenge in the appropriate areas in the mandate that has been specified, particularly with respect to those forecasts you've alluded to, but also with the downstream estimates-related issues.

This is a five-year appointment. Five years from now, if the parliamentary budget office is on such solid footing that it continues to thrive over a number of years, I'd be very proud. That would certainly be a great accomplishment.

In terms of independence and what we mean by independence and how it will relate to the way we do economic and fiscal forecasts right now, I think you could probably say—in relation to a question that was put earlier by another member of this committee—that we may actually have the best practice in the OECD right now, with respect to forecasts, just in terms of the transparency around forecasts.

The question then becomes, what is the role of the parliamentary budget officer, and have we not already solved this issue? I think you have to go back to the importance of forecasts. Forecasts are very important public policy tools, very important fiscal planning tools, and notwithstanding the fact that we have a lot of transparency around fiscal forecasting now, we live in a very risky environment and particularly an environment where there's a lot of downside-related risk.

So I think providing independent advice in the context of where we see those risks, in terms of the fiscal forecast now going forward and what its implication could be for budgetary choices and fiscal planning, would be an important provision of advice. In terms of the protocols and when will they be in place, we're looking to have them in place in the fall, and we would like to have them approved by a number of members of both sides in both the House and the Senate.

• (1000)

[Translation]

The Chair: Thank you.

Ms. Faille.

Ms. Meili Faille (Vaudreuil-Soulanges, BQ): Thank you, Madam Chair.

I want to take this opportunity to congratulate you on your appointment to this position. After having heard all the questions that you were asked concerning your role, I am rather confused. While listening to you speak, I got the impression that you are in the midst of turning the Library of Parliament into a huge bureaucracy.

Earlier, you said that the current government had lowered the debt. I have some doubts on the impartiality of such an opinion. Can you tell me who appointed you to this position? How did you get here?

Mr. Kevin Page: I would be much more comfortable if Mr. Sabourin were to talk about the process used to select candidates.

Mr. Jacques Sabourin: The process leading to the creation of the Office of the Parliamentary Budget Officer and appointment to this position is set out in the Federal Accountability Act. Is a very

specific process. The Parliamentary Librarian must launch an open selection process. If necessary, the Parliamentary Librarian can recommend three names to the leader of the government in the House. It is up to the leader of the government in the House to make a recommendation. This is a governor-in-council appointment, as it the case for other high level appointments of the Senate and House, such as the appointment of the Parliamentary Librarian himself.

Ms. Meili Faille: Therefore, you are not an officer. There is a difference between an official and an officer of Parliament, is there not?

• (1005)

Mr. Jacques Sabourin: There is not a very specific statutory distinction. Mr. Page enjoys the same status as other senior officials of the Library.

Ms. Meili Faille: Did other economists working for the Parliament apply for this position?

Mr. Jacques Sabourin: Absolutely. The process was very open and held Canada-wide. We also hired a head-hunter to conduct research within the public, parapublic and private sectors before drawing up a list.

I may forget some names because I was not involved in the process as such. A very high-level selection jury was struck, did a pre-selection, and held interviews before recommending the following people: Mr. Drummond, vice-president of the Financial Group of the Toronto-Dominion Bank, a former parliamentarian who now works as a consultant, the Parliamentary Librarian, and Mr. Allan Darling, who served as senior special advisor to the librarian during this entire process when the act was first adopted.

In that regard, the process was very open. At one point, we had at least 60 candidacies to review. I am not referring to the total number of candidacies received.

Ms. Meili Faille: Of the 60 candidates, were there several economists who currently work for Parliament?

Mr. Jacques Sabourin: I believe that there was only one application submitted by an employee of the Library of Parliament.

Ms. Meili Faille: Very well.

Mr. Jacques Sabourin: The process was very open. Anyone who wished to apply could do so.

Ms. Meili Faille: I see.

I just find it rather curious that somebody from the Privy Council Office was appointed to this position. I suppose it was a matter of taste.

Mr. Jacques Sabourin: It was a matter of openness. The candidate came from—

Ms. Meili Faille: I did not want to be specific, but the appointment was made by the leader of the government. Therefore, it is a political appointment.

Mr. Jacques Sabourin: I will not comment on the word “political”, but it is clear that this is an appointment of the Privy Council Office, similar to the appointment of the Senate Clerk, the House of Commons Clerk, and Law Clerks for both chambers.

Ms. Meili Faille: Mr. Page, do you commit to respect the specificity of Quebec and the 75-25 ratio; and to make sure that part of your team is made up of people from Quebec?

Mr. Khan, and the other gentleman whose name I have forgotten, your directors, are both from Queen's University. You also graduated from that institution. Will you take into consideration analyses that differ from yours?

Mr. Jacques Sabourin: Madam, I do not believe that the public service hiring criteria specify a quota or a percentage. In each case, selection is open and based on merit. Therefore, we cannot guarantee in advance a ratio of 75% to 25%.

Ms. Meili Faille: Mr. Page once worked at the Federal-Provincial Relations Office. He understands that there are issues between the federal government and the provinces. The federal government is interfering in provincial areas of jurisdiction, especially in Quebec.

Will you make the commitment to provide periodic and independent reports condemning federal government's intrusion into Quebec's areas of jurisdiction?

Mr. Kevin Page: That is a good question. I've worked in different sections of the Office of Federal-Provincial Relations. At the time, I really wanted to work in that area, as federalism was a highly significant issue. I also have experience in studying the fiscal and economic situation of provinces. I had the opportunity of being involved in the major discussions in Charlottetown, and I was there before the referendum. I have observed first-hand the importance of provincial areas of jurisdiction and of the political relations between the provinces and the federal government.

• (1010)

[English]

I'm very proud that I had the opportunity to work in the federal-provincial relations office in those areas. I looked forward to the opportunity. I thought it was a very important debate. I learned a lot from my colleagues in the federal-provincial relations office about the roles and responsibilities of different jurisdictions in Canada. We would be happy if it were deemed a priority to publish provincial-regional economic and fiscal reports. I have experience in some of these fiscal balance issues at Finance Canada as well in the federal-provincial relations office. I did work on issues like equalization and federal transfers.

[Translation]

The Chair: You have exceeded your time limit considerably.

Ms. Meili Faille: Could the witness finish his answer? I understand that you worked in the area of federal-provincial relations.

Will you make the commitment to denounce intrusions into provincial areas of jurisdiction?

The Chair: Madam, he works for Parliament in an impartial manner. I am sure he will answer the questions to the best of his ability, but in an impartial way, we are relying on him to do so.

Ms. Meili Faille: Madam Chair, I just want to be really sure. He has significant links to the current government.

The Chair: Madam Faille, he has worked under several governments since the 1980s. He knows his place and his work.

I simply want to point out that the 75-25 ratio applies to hiring in the national capital region. In other words, 25% of employees should come from Gatineau, and 75% from Ottawa. This ratio is not broken down in terms of staffing, but in terms of the two regions and several departments. It is important that people understand what this ratio means.

[English]

Mr. Albrecht.

Mr. Harold Albrecht (Kitchener—Conestoga, CPC): Thank you, Madam Chair, and my thanks to the witnesses for being here today.

As a person who is not a chartered accountant and has no financial training, I think today's testimony has been one of the most encouraging that I've experienced since I've been here. The budgetary process, reviewing the estimates—these things are very complex. It's important to have these concepts put in a way that a person without financial training can understand.

What plans do you have for helping parliamentarians who are not chartered accountants to pull these different concepts together in a more understandable way?

Mr. Kevin Page: Over the next few months, we will be working with our colleagues in the Library of Parliament who support standing committees. Together we will be scrutinizing the estimates to see whether we can simplify some of the information in these documents. We would like to do it in a way that would support what we consider to be best practices with respect to Parliament's role in reviewing appropriations.

We would like to make sure that parliamentarians understand the link between the fiscal projections of the Government of Canada and what's included in the estimates. If it's not included in the estimates, what are the reasons for this? When you move from a fiscal planning framework to an estimates framework, it's important to be clear on the differences between the two.

In looking at the information we provide, we will be highlighting some of the big changes taking place in departments—in absolute dollars as well as in percentage increases. Mr. Angus, I believe, raised this earlier. We also plan to consider reports on plans and priorities together with departmental performance reports, highlighting the big policy changes that departments experience. They've had new infusions of money in recent years, and you need to know how they're managing this new money. There are rough performance indicators that enable us to measure the performance of these new programs. We will also look at the lapse issue, which is historical information. Has the department been consuming all the authorities provided to it? If not, what are some of the reasons for this?

The version of these mechanisms that we have in mind will be simplified yet fairly substantial—something we could reproduce across different departments that will highlight some of these changes.

Mr. Harold Albrecht: Another concern that this committee has been apprised of on numerous occasions over the last number of months is the whole area of competition for specialists in certain fields. I'm pleased to see, in Mr. Sabourin's comments here, that Mr. Page is such a popular person that the phone is ringing off the hook with people who want to work with him. I'm sure they're going to work for no salary....

I'm assuming that the salary and wage situation is of a competitive nature such that we can actually attract to this department the best people to give us the best information possible.

• (1015)

Mr. Kevin Page: It's definitely a priority for me to attract the very best people we can get into the parliamentary budget office. I think we've made a few good starts—in terms of the early hires—and I think these folks will attract other high-quality individuals as well.

In terms of salaries, the salaries will be competitive. I don't think we'll be able to offer salaries that folks make on Bay Street or Wall Street necessarily, but in the case of one of the directors we hired, to him, to be able to work in the public service and to support committees like this was such an opportunity, he was actually willing to take a pay cut to come to work in Ottawa.

Mr. Harold Albrecht: Thank you.

Do I have a bit of time?

Mr. Jacques Sabourin: I was going to add that the quality of the services he'll give will be the same that Mathieu and Philippe are giving you now.

Mr. Harold Albrecht: Excellent.

I have another reference to page 2 in your comments, Mr. Page. At the top of the page, you indicate three concerns that have been articulated over time: the fiscal forecasting errors, the need to strengthen accountability and improve scrutiny, and then your third one talks about private members' bills being costed earlier in the budget process. I wonder if you could just comment on how this impacts the budgetary process.

It's my understanding that a private member's bill that's going to add cost to the budget actually requires a royal recommendation. Could you just help me understand how these—number three in the concerns and in the mandate section—apply to your role?

Mr. Kevin Page: As you noted, there are three pillars, so to speak, with respect to the mandate of the parliamentary budget officer role. One of them is costing of private members' bills and the point that was made was in terms of trying to do that earlier, and trying to do it in a way that will facilitate the budget process.

So what I was getting at, with respect to that point, is that I think underlying a lot of private members' bills are some very good intentions by parliamentarians to try to improve the lives of Canadians. These bills come at it in very different ways—it could be education, it could be environment, it could be food safety—but I think the underlying priorities for these private members' bills often are quite excellent. We try to provide additional support in a way that could actually perhaps improve working with parliamentarians, could actually improve their understanding of the financial dimensions of this, but perhaps could also give them some

background on what other measures are already at play and how we could better implement these types of measures.

I think, if you can create private members' bills that are solid from a policy perspective—that meet the priorities of Canadians—it would be very hard, from the point of view of government, to decide not to look at those very carefully.

Mr. Harold Albrecht: Will this be an automatic feature, that your office would be involved in the drafting and the presentation of the private members' bills, as legal services are now in giving a parliamentary help, or would we have to request that help from your department?

Mr. Kevin Page: Would it be an automatic feature? As you know, sir, the Library of Parliament already works with parliamentarians in terms of looking at private members' bills, on legal advice, on costing advice, and policy-related issues. We will be working with the services that exist now within the Library of Parliament. Given that we will have new capacity with respect to this role, we'll want to add value to that capacity that exists now.

At the same time, we're quite aware that, over a course of a session of Parliament, you get a large number of private members' bills. We'll have to work with parliamentarians as to how we set priorities around those issues. That is going to be one of the very difficult challenges we face over the next number of months.

The Chair: Thank you very much.

Madame Folco.

[Translation]

Ms. Raymonde Folco (Laval—Les Îles, Lib.): Thank you, Madam Chair. I would like to apologize to you two gentlemen for being late, but this was beyond my control.

I have two questions. My first question pertains to accrual budgeting or accrual accounting. Our committee has examined and will continue to examine this issue and the minister's office informed us that it intended to go ahead with some pilot projects in various departments.

Do you know which departments have been selected?

• (1020)

Mr. Kevin Page: I do not know which departments have been selected.

Ms. Raymonde Folco: My second question pertains to your new duties. Given that you have only a limited number of employees working with you, how do you propose to keep information flowing between the members of Parliament and yourself on an ongoing basis?

Mr. Kevin Page: Thank you for your question. Today is an opportunity to begin this dialogue with the various members. As I said in my presentation, we have gone through various stages in developing our office. One stage involves consultations, but this will not be completed today. We need to continue.

[English]

As I said in my presentation, working on the Hill in this capacity is very different; it's a big learning curve for me. Working with members in the House and in the Senate is something I'm really looking forward to doing in this sort of dialogue. And I hope I have the right personality—I certainly have the energy—to maintain a constant dialogue.

Since my arrival—the appointment was on March 25—pretty much on a daily basis I've had a chance to have dialogue with various members of the House and the Senate. I've only recently started dialogue with various deputy ministers in departments with respect to establishing protocols of information. I met with the chief statistician at Statistics Canada, and I met with the Deputy Minister of Finance only yesterday. That process will continue, but I wanted to move to this process of consultations with you folks in committees and members of the House and Senate first.

[Translation]

Ms. Raymonde Folco: May I add something, Madam Chair?

I would like to congratulate you on this initiative and I hope that you will continue in the same direction. Members, particularly those in the opposition, have seen a decline in the availability of information coming from the government, both from politicians and the public service. This is an important role that we have as members of the opposition and simply as members of Parliament. It is important that we have a two-way relationship with you.

Thank you.

Mr. Kevin Page: I understand how you feel.

The Chair: Thank you.

Mr. Warkentin.

[English]

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

Thank you, Mr. Page and Mr. Sabourin, for coming in this morning. We appreciate your testimony, and appreciate even more the job that you're going to do, or that you've already started doing.

I have to mention and pay some honour to one of my predecessors, Charlie Penson, who worked for almost a decade to see this position come into being. Possibly you know of his work. Certainly people back home are appreciative of this government for finally coming through with what he had been asking for over nearly a decade. Of course, he had ideas about what might be included in this position, and I see that for the most part you are on task to complete what he had in mind.

I'm wondering if you could just give us a little bit of information in terms of your response or how you might be able to assist us when we get numbers from departments or agencies, or even private sector firms with regard to estimates. In this committee a lot of different

numbers from different people are thrown around, and sometimes I think committee members want to know where those numbers are coming from, and if the numbers in fact are legitimate. We hear in some cases about amounts amassed in terms of the deficit, in terms of building refits that need to be done within the public service.

Are you going to have the capacity to look through the estimates or look through these numbers to tell us if in fact these numbers are based on actual estimates given by contractors? What is your capacity when we see a number? Are you going to be able to delve into that number and tell us if there's room to play or room to manoeuvre within the numbers we're given?

Mr. Kevin Page: One of the provisions in the act of Parliament for the parliamentary budget officer is a provision to seek information from departments and agencies. Certainly, when working with members around this table, with other committees, and with other members not part of committees dealing with specific questions, we will have the capacity to approach deputy ministers and their departments to ask for that information. To bring back a deeper understanding of what's behind those numbers would certainly be one of our objectives when we ask for that information.

Often when one is looking at a range of costs, whether it's retrofits or take-up on a certain program, understanding what some of the factors are that could drive some of those costs is almost as important as any point estimate that we could provide to you. You'll have a sense of what class of estimate or projection has been put, if it's dealing with real property related issues or if it's dealing with take-up. Because very often even folks at the Department of Finance for fiscal planning purposes will be forced to put a number on the table, and behind the scenes they worry about take-up on programs. They worry about risk that may happen on the capital side as well. That information is very seldom brought forward.

So I think the role of the parliamentary budget officer will be to work with you to make sure you're satisfied that you have a good understanding of what's behind those numbers.

●(1025)

Mr. Chris Warkentin: One of the things that this committee and I have identified as a challenge moving forward is the whole issue with regard to our aging demographic, on two fronts. First is the issue within the civil service of challenges as we look at an aging civil service and how that's going to translate moving forward. But second, we have the concern with regard to services being provided by the government to an aging population.

In your preamble, you did comment on the aging demographics. I'm wondering what interest you might have in that and what interest you might be able to pursue with regard to the aging demographics in the country.

Mr. Kevin Page: I think there's a lot of focus, and fiscal planning tends to be kind of one-year out. In fact, even in the current environment, there was a lot of focus in the year past on whether or not we were going to have a surplus of \$10 billion, \$11 billion, or \$12 billion. One of the roles of the parliamentary budget officer could potentially be to look at fiscal planning from a much longer-term perspective. It certainly is the case in the Congressional Budget Office. When it looks at these issues it provides longer-term projections. Currently the government provides five-year plans on the economic and fiscal update, but when it actually produces its budgets they're only the current year plus the next two years out.

So looking at issues of aging demographics and other related issues, different policy parameters for different programs, what it could possibly mean to the fiscal situation over the next 10, 15, 20, or 30 years, could be something that the parliamentary budget officer could do. Certainly it could, if it's deemed to be a priority. This certainly plays out in the context of federal-provincial relations and fiscal federalism as well.

Mr. Chris Warkentin: I agree absolutely. All these different points are going to be important to pursue obviously in your mandate. You're going to have a lot of work ahead of you, I am certain of that.

Finally, I just want to talk to you with regard to budgets and your ability to consider.... Now, this may be something the Auditor General has to pick up after the fact, but I'm wondering if there's anything you in your position might assist us with, in looking at different departments and the way money is spent on an annual basis. It's my desire, and I think that of many members of Parliament...because in this committee we've heard of the "March madness" syndrome within departments and different agencies. Our concern is that there doesn't seem to be any transparency except for end-of-year responses after the money is spent, after the Auditor General goes in or is able to go in. We don't ever get a full analysis of what might be possible to change or how much of a problem that end-of-year spending is.

I'm wondering if you have any thoughts on that or any thoughts as to what you might be able to do in terms of looking into that particular issue.

Mr. Kevin Page: I think there are different parts of the mandate of a parliamentary budget officer that would encourage him or her to look at issues around end-of-year spending. I will back up just in terms of one aspect of looking at the whole forecasting-related issue, which potentially could generate some pressure for end-of-year spending in departments. Trying to raise a level of understanding amongst parliamentarians as to what the likely fiscal outcomes could be at the end of the year would actually give you a better understanding of what kind of pressure or scope there will be for significant end-of-year spending. As we move through the course of the fiscal year, if the economy turns out to be much stronger and we have more revenues, you'll know that the government may be exceeding its fiscal targets in terms of fiscal flexibility. Obviously it will create pressure potentially for end-of-year type spending, creation of funds that will be disbursed by the end of year, trust funds, those sorts of things. We could certainly bring that to your attention.

There is a private member's bill out now that kind of looks at quarterly financial reporting. I think it's sponsored by Mr. Segal. As we look to what the best standards are, best practices, in terms of financial reporting through the year, I think that type of information, that kind of quarterly reporting by departments, will allow parliamentarians as well as the parliamentary budget officer to put their finger on large changes in spending that take place through the course of the year and try to get at some of the reasons behind it.

● (1030)

Mr. Chris Warkentin: I appreciate that. Actually, I'm the member of Parliament who is bringing carriage to that particular bill in the House. We appreciate the work that we might do together on that particular issue.

Thank you very much.

[Translation]

The Chair: Thank you.

Ms. Bourgeois.

Ms. Diane Bourgeois: Thank you, Madam Chair.

Mr. Page, as far as I'm concerned, we have progressed too quickly today. I will tell you why. You have been in your position—and that has just hit me—for scarcely one-and-a-half months. Is that right? That means that it is perhaps too soon to be meeting with you. I was expecting more, I was expecting a well-defined plan regarding your role, your priorities, the use of your budget, the number of employees and so on and so forth. I have just realized that you have been there for a month and a half, so you cannot provide us with all of this information. Nevertheless, I want to have this information, as a member of this committee. Perhaps we could make arrangements to have you come back in six months' time to tell us how you intend to analyze the budgets, if you're going to do so based on a planning policy. At any rate, you have to do planning in order to prepare a budget, and you could, at that time, tell us what you are proposing. Meanwhile, I would imagine that you're going to have to consult with members of Parliament. So I would imagine that we would have a plan in six months' time.

I would like to go back to the question of 75-25. I'm well aware of the fact that this applies to public service employees. What's interesting about this is that, given that Quebec accounts for approximately 25% of Canada's population, I would have expected 25% of your team to be Québécois or francophones.

Can you give us any assurances on that regard?

Mr. Kevin Page: I think that 25% is a good percentage.

Ms. Diane Bourgeois: So I would be expecting to see francophone Québécois on your team.

Mr. Kevin Page: Yes, absolutely.

Ms. Diane Bourgeois: Excellent. I would also like to know whether it is relevant, in your opinion, for the Canadian government to adopt accrual accounting not only in a general manner but throughout all departments? As an economist, what are your thoughts on the matter?

Mr. Kevin Page: Yes, absolutely.

Ms. Diane Bourgeois: It is relevant. So we are not on the wrong track, as a committee, when we ask that this be the case for each department. Great.

In your presentation, you stated that you were going to be working in cooperation with forecasters from the Department of Finance and the private sector. Why would you want to work with Department of Finance forecasters since, in the final analysis, you have to, if I have understood your position correctly, explain what is happening to the Department of Finance? You don't have to make forecasts, but why would you be working with these people as well as people from the private sector?

Mr. Kevin Page: I think it is important to have a clear understanding of the various forecasts in the private sector.

[English]

Right now the Department of Finance takes an average of 20 private sector forecasts, and behind those forecasts there are some very different expectations around economic growth driven by many different factors—different expectations around what the dollar might be, where oil prices may be, some key assumptions for the economy that will have a huge impact, not only on the national economy but on the regional economy as well. A high dollar, a high oil price have a big impact, potentially, on Ontario and Quebec in particular.

So the work that we can do around working with private sector forecasters is to better understand what's behind their projections—information that is not made available in the budgets—so that you understand what's behind those projections.

Also, I think the role we could play is to take that information and put it in a fiscal context. What does it mean for the federal government going forward? How much fiscal flexibility does it have at its disposal in terms of bringing forth new measures? If we could bring that type of information forward in the fall in a timely way, we think it would help you understand, in a pre-budget consultation mode, what choices the government could be looking at. I think that would be useful.

• (1035)

[Translation]

Ms. Diane Bourgeois: To conclude, I would like to tell you that in June and in December 2006, the Auditor General of Canada appeared before us and reported on various difficulties that we, as parliamentarians, have—because people confided to her—in understanding the budget process.

Do you intend to meet with the Auditor General of Canada?

Mr. Kevin Page: Since March 25, I have had only two opportunities to meet with the Auditor General.

Ms. Diane Bourgeois: Do you intend to work with her?

Mr. Kevin Page: Yes, we will work together collaboratively.

Ms. Diane Bourgeois: Great. Thank you very much.

[English]

The Chair: Mr. Angus, we'll be ending with you.

Mr. Charlie Angus: Thank you very much.

This has been very interesting. Certainly there's a role you're going to play, and I think a very important role, at the macro level. We're looking at long-term forecasts, and we're estimating financial prudence in good times and in difficult times. But as members of Parliament, much of our work is really at the micro level. It's about the utilization of programs, the efficiency of those programs, and whether there's uptake on those programs. One of the things that's really struck me since moving into federal politics is this consistent pattern I'm seeing in departments of money being allocated and then simply not spent.

When I was at the provincial level, involved with arts programming, when we had a pot of money every penny was spent. And if there was, for some reason, a program that couldn't take that money, there was always someone further down the list who would be moved up.

Last year, Indian and Northern Affairs sent back \$109 million from their capital budget. That's \$109 million that wasn't spent on schools in my region, where we have no schools. It wasn't spent on housing. There's no possible argument that could be made that there wasn't a need for this.

I found a much smaller example in terms of the museum program. Desperate communities wanted museums, and there's a little bit of funding all across Canada. Yet we've found that year after year, about 25% of that money is just returned to Treasury Board. And that's never really made public. I just can't understand how money is allocated.

There's obviously a planning process that recognizes this amount of need and that there will be a lot more uptake. Yet the money is simply shipped back year after year. It's like an elaborate shell game.

Do you see a role in your department at that micro level of saying, "Listen, we're allocating funds and not spending them, so we either have to come clean with the public or we have to reallocate those funds"?

Mr. Kevin Page: I think the question of lapses in budgets and budgetary authority is actually a big issue. Could the role of the parliamentary budget officer actually bring transparency to some of the issues that underlie the budgetary lapse? I think, just as background, in terms of numbers that underscore basically the point you're making, there's been a fairly dramatic increase overall across government in the size of those lapses across departments. It's gone roughly from 3% of budgetary authority to something in the neighbourhood of 6% over the last six, seven, or eight years.

As well, over that time we've seen a fairly dramatic increase in spending overall. While spending remains relatively low in terms of historical patterns relative to GDP, there have been significant increases in budgets, particularly one-year-out kinds of budgets, in the past while. I think departments have difficulty getting appropriate authority, through Treasury Board, to spend that money in the first year. As a result, a lot of this money ends up lapsing, as you've noted.

I think it could almost be a piece of ongoing analytical research. After the public accounts are released, we could prepare an analytical report by the parliamentary budget officer that would explain the lapses and the lapse experiences across different departments and agencies. It could be a kind of ongoing regular report that would put you in a better position to actually start putting pressure on some departments to get at some of the reasons for what's going on, be it INAC or other departments.

•(1040)

Mr. Charlie Angus: Thank you.

I think that would be an excellent use of your role, because it then allows us to make sure that federal spending is accountable and that it's accountable to the people it's supposed to reach.

I want to follow up on that, because at that micro level it would play a huge role, I think, in giving people confidence in federal spending.

As I said, you have the macro role, yet clearly, opposition members will be looking to you to play other roles as well. My colleague wanted to know if you'd be willing to denounce federal interventions in provincial jurisdictions. We're looking to the Congressional Budget Office in the United States, which plays a role in almost setting up alternative forecasts and budgets. There will certainly be requests from members asking you to start to play that role.

What terms of engagement are laid out? How do you make the decision about what is appropriate and what isn't appropriate for you? Who makes that decision, and how is that done?

Mr. Kevin Page: This is a big business-model-type decision that we're grappling with right now. How do we set priorities? How do we work with the Library of Parliament? How do we work with the Auditor General as well, so that we make the best use of available resources?

Having spoken a few times with the Auditor General, I'm very interested in the way she establishes, in a very public way, her work plans for the next five years. Just from going around the table here, a lot of good ideas have been brought forward that could be priorities. But those priorities will take up available resources that have been established for the parliamentary budget officer role.

We will work with parliamentarians over the next number of months in terms of how this business model could work, the priorities we're hearing about. This is the fourth committee I've been at. We will actually put together a work plan.

One option is actually making the work plan public so that you know, for example, with the issue you just reported, Mr. Angus, that not long after the release of the public accounts for the following

fiscal year we will prepare a report on lapses, as ongoing product that you can look forward to. If we put out those kinds of products, that kind of transparency—again, it's a model that the Auditor General uses—that will allow you to understand where we're putting our resources.

I think we have a mandate that has been well defined. We're now in the act of Parliament. We're working within the economic and fiscal analysis, the estimates and costing. You could say that you could probably drive a truck through any one of those agenda items.

I think if we could work toward some kind of public work plan—this is what we're doing analytically—then you'll have a good sense of thins. And that work plan will evolve as your priorities change.

Mr. Charlie Angus: I'm certainly pleased to hear that, because it's a massive undertaking. Federal spending covers off so much area. There will be so many requests, and you have a limited budget.

As my colleague said, if you could come back down the road and update us on a work plan, I think we would actually have a sense that there's direction and accountability at the end of the day. I think we would all feel that this is the culmination of what we were looking for in your office.

Thank you very much.

The Chair: Thank you, Mr. Angus.

Thank you very much for coming before us. As you can see, there's going to be a lot of work for you coming up. I wish you well. We will probably be asking you all kinds of questions. We're going forward on a study on procurement, and we'd certainly like to have your input. If there are experts on procurement you can think of, we'd be very grateful.

Speaking of procurement, I want to make sure our committee members realize we want names for experts or people to come before the committee on our study on procurement. If we could have those names today—tomorrow at the latest—that would be great.

Madame Bourgeois.

[Translation]

Ms. Diane Bourgeois: The problem we have, Madam Chair, is that many of these individuals and companies are currently before the Canadian International Trade Tribunal. Since many of the decisions will be rendered in June, these people may be feeling insecure, on the one hand, about coming here and, on the other hand, they may be saying that they could win their case at the Canadian International Trade Tribunal. So they want to wait. I am not sure what we should do. Perhaps we could discuss the matter later on, once our guests have left.

[English]

The Chair: I'd also like to remind you that the Auditor General is coming before our committee on Thursday morning.

Thank you very much, Mr. Page.

We can take a minute, members, before we come back and discuss the challenges Madame Bourgeois is bringing forward on people we're trying to get before the committee.

[Proceedings continue in camera]

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.