



**HOUSE OF COMMONS
CANADA**

IMPLEMENTATION OF THE BUDGET FREEZE

Report of the Standing Committee on Government Operations and Estimates

**Hon. John McKay, P.C., M.P.
Chair**

MARCH 2011

40th PARLIAMENT, 3rd SESSION

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THE STANDING COMMITTEE ON GOVERNMENT OPERATIONS AND ESTIMATES

has the honour to present its

TENTH REPORT

Pursuant to its mandate under Standing Order 108(3)(c), the Committee has studied the freeze on departmental budget envelopes and government operations, and has agreed to report the following:

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IMPLEMENTATION OF THE BUDGET FREEZE

Introduction

With the economic crisis, public debt and deficits in industrialized countries have reached unprecedented levels. In Canada, the decline in tax revenues and the rise in public spending to stimulate the economy further strained the finances of the country.¹

In its Budget 2010 presented on March 4, 2010, the federal government set out its plan to restore balance to public finances over the next five years. The key measure in the plan was the proposal to freeze the operating budgets of departments and agencies in order to slow the growth of operating expenditures and improve efficiency while lowering the rate of growth in the size and operations of the public service.²

For 2010-2011, departmental budgets will not be increased to cover the 1.5% increase in annual wages provided for in public service employees' collective agreements. Accordingly, departments will be required to reallocate from the remainder of their operating budgets to fund scheduled wage increases for 2010-2011 and increases to be bargained for 2011-2012 and 2012-2013.

For 2011-2012 and 2012-2013, operating budgets of departments, as appropriated by Parliament, will be frozen at 2010-2011 reference levels, adjusted to reflect the expiration of operating budget spending authorities to deliver the Economic Action Plan (EAP). The government states that freezing operating budgets should produce savings of \$300 million in 2010-2011, \$900 million in 2011-2012, \$1.8 billion in 2012-2013 and 2013-2014, and \$2 billion in 2014-2015, for a total of \$6.8 billion for the entire period.

From March 29, 2010, to February 15, 2011, the Standing Committee on Government Operations and Estimates (hereafter the Committee) held 12 meetings dealing specifically with the freeze on operating budgets. Given that the government anticipates that this measure should generate nearly 40% of the savings needed to restore balance to public finances, the Committee believed it was important to examine the impact of this measure on departments and agencies and the services they provide to the public.

1 Department of Finance Canada, Fiscal Reference Tables, <http://www.fin.gc.ca/frt-trf/2009/frt09-eng.asp>, page 9.

2 Department of Finance Canada, Budget 2010, <http://www.budget.gc.ca/2010/home-accueil-eng.html>, page 161.

Implementing the freeze on operating budgets: a decentralized approach to allow deputy ministers and managers greater flexibility

We weren't micromanaging expenditures on this and that from the centre. Instead, we were leaving it to departments to determine how they were going to meet the freeze in a way that maintained service levels, and I think gave them flexibility.

Daphne Meredith, Chief Human Resources Officer, Treasury Board Secretariat, *Evidence*, No. 6, 3rd Session, 40th Parliament, 1645.

In the course of this study, the Committee learned that the freeze on operating budgets will be implemented differently in each department and agency. Deputy ministers and managers will be free to decide on the measures to take in order to provide services within the limitations imposed by their operating budgets. Treasury Board Secretariat (TBS) will ensure that departments and agencies meet the targets set for the operating budget freeze, while deputy ministers and managers will be responsible for maintaining service levels to the public. Ministers will be held responsible and accountable to Parliament for the decisions and actions of deputy ministers and managers. Senior officials from the Privy Council Office (PCO) and TBS testified that this decentralized approach will give deputy ministers and managers more flexibility for providing services within their budget limitations.

On the question of recruiting during the operating budget freeze, senior officials from TBS stated that renewal of the public service would continue to be a priority for the government. This means that departments and agencies will continue to recruit staff in key sectors during the freeze on operating budgets, taking into account their specific needs and the constraints they are facing:

I think each department will have different realities around their attrition rates. For example, one potential opportunity is for downsizing, and I think they need to look at that; they need to look at where they're going to be recruiting. I guess the main point is that it's up to them to determine their future.

Daphne Meredith, Chief Human Resources Officer, Treasury Board Secretariat, *Evidence*, No. 6, 3rd Session, 40th Parliament, 1625.

In response to questions from members of the Committee, senior TBS officials explained that while they retain overall responsibility for meeting the objectives associated with renewal of the public service, the recruiting decisions will be made individually by the departments and agencies.

The Committee was informed that the work of deputy ministers and managers during the freeze on operating budgets will be governed by the same rules and guidelines that normally apply:

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

Indeed, departments and deputy ministers manage their operation budgets based on a series of rules and guidelines which are issued by the Treasury Board and the Treasury Board Secretariat. These guidelines and approaches continue to apply at this time, but each department and each deputy minister must manage their resources based on priorities, programs and their mandate.

Michelle d'Auray, Secretary of the Treasury Board of Canada, Treasury Board Secretariat,
Evidence, No. 8, 3rd Session, 40th Parliament, 1625.

Anticipated Impact on the Operating Budget Freeze on Services to the Public

Throughout its study, because of a lack of detailed figures about the operating expenditures that will be frozen and how departments and agencies will comply with the new budget framework, the Committee was never able to completely assess the impact that the operating budget freeze will have on services to the public. The Committee had to make do with anecdotal information and partial data provided by the government and the departments and agencies that were questioned. This situation is primarily attributable to the fact that the reference levels for the operating expenditures that are to be frozen in each department and agency are Cabinet confidences. To a lesser extent, the situation may also be explained by the fact that the TBS does not usually compile centralized data about the fixed costs and variable costs of departments and agencies.

Cabinet Confidences

Kevin Page, the Parliamentary Budget Officer (PBO), said that Members do not have the information they need to assess the impact of the operating budget freeze on the various departments and on the services they provide to the public:

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

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

Kevin Page, Parliamentary Budget Officer
Evidence, No. 8, 3rd Session, 40th Parliament, 1635.

Kevin Page then said that TBS had refused to provide him with the reference levels that will be frozen because they are Cabinet confidences:

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

Kevin Page, Parliamentary Budget Officer
Evidence, No. 8, 3rd Session, 40th Parliament, 1710.

The PBO also wishes to note that this government provided Parliament details on spending restraints by department and agency in 2006, prior to parliamentary approval of financial authorities, as did the previous government in 2005 in its expenditure review exercise. This raises the question as to why the application of cabinet confidence with respect to restraint measures appears to have changed in a relatively short period of time.

Kevin Page, Parliamentary Budget Officer
PBO, *Evidence*, No. 45, 3rd Session, 40th Parliament 11:10.

His testimony confirmed what some members of the Committee believed: that parliamentarians have too little information to assess the impact of the operating budget freeze on departments and agencies and the services they provide. On October 5, 2010, the Committee tried to obtain the information it needed to conduct its study by adopting the following motion:³

That, in relation to the freeze on departmental budget envelopes, the government provides the Committee with: a planned and approved fiscal framework along with departmental annual spending reference levels; the departmental strategies for savings; the service level standards; the loaded costs for program activities for affected departments; a summary report detailing opening departmental reference levels and adjustments made through the 2010 Annual Reference Level Update for 2010-11 through 2014-15; a summary of items that have received Cabinet and/or budget approval or, in the case of reprofiling decisions, approval by the Department of Finance, but which have yet to be briefed into departmental reference levels and included in the estimates; the details of what is included in the line item: "Operating expenses subject to freeze"; the actual total lapsed voted authorities as well as lapsed operating authorities (i.e. operating vote lapses) from the previous two years, as well as the projected lapsed total and operating voted authorities for all departments for the next five years; the current baseline of full costs (which should be broken out by direct cost and indirect cost, and each cost component should be categorized into one of the 12 standard objects of expenditure used in the Public Accounts of Canada) of major programs within each department including the number of full time equivalents supporting the programs; the list of current service standards for each of these major programs (costs, turnaround times, service quality); the cost categories in each of the major programs, by standard object that would be subject to a freeze; and finally, the impact of the expenditure freeze on the program service.

3 <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=4689970&Mode=1&Parl=40&Ses=3&Language=E>.

On December 2, 2010, in response to that motion, TBS replied that most of the information requested consisted of Cabinet confidences that could not be disclosed to the Committee:

I am pleased to respond to your request. In some instances, the information you have requested falls within Cabinet confidences and, in other instances, the Treasury Board of Canada Secretariat does not hold the information centrally. Accordingly, I am providing what is available given these constraints.⁴

Appearing before the Committee, the Honourable Stockwell Day, the President of Treasury Board, stated that TBS had not sent the confidential Cabinet documents to the Parliamentary Budget Officer, as had been requested, because they had not yet been tabled in Parliament as part of the estimates process:

Mr. Chair, this is something that is very key. I have explained to the Parliamentary Budget Officer, along with the documentation that we have sent him—piles a lot higher than the one in front of me that he quite rightly has asked for and that quite rightly we've given—that there are some things we can't give.

My colleague is saying that he wants the assurance that MPs won't be seeing stuff coming out of the PBO that they haven't had a chance to see yet. There is documentation that I've itemized for the PBO, saying that I appreciate his asking for these numbers, but that MPs haven't even had the chance, because it might be part of an estimates process in years to come—Parliament has not even had the chance—to debate or approve or vote against those numbers. And you're asking me to give them to you so that you can release them? That would be not just an affront to Parliament; it would be contempt of Parliament.

Hon. Stockwell Day, President of Treasury Board
No. 47, 3rd Session, 40th Parliament, 12:05.

The Committee acknowledges that protecting Cabinet confidences enables Cabinet to operate effectively by allowing all ministers to speak freely during discussions that lead to final decisions of the Cabinet. However, the Committee also believes that the spending reference levels that will be frozen, and how they are distributed among the departments and agencies should not be confidential information since Cabinet has already publicly announced its final decision by announcing the operating budget freeze and the anticipated savings in Budget 2010. In addition, given that the Parliamentary Budget Officer already has the statutory authority to obtain various kinds of documents relating to the government's budget and financial data, he should also have access to non-confidential Cabinet documents. Accordingly:

4 Correspondence received from the TBS in regard to the motion adopted by the Committee on October 5, 2010, page 1.

Recommendation 1:

The Committee recommends that the Privy Council Office and Treasury Board Secretariat enter into a service agreement with the Parliamentary Budget Officer on information-sharing to enable him to obtain the information that he needs, as an independent officer of Parliament, to assess the potential impact of the operating budget freeze on services to the public while preserving the confidentiality that is essential for the Cabinet of Canada to operate effectively.

Lack of Data and Centralized Information

At the hearing on April 12, 2010, a Committee member asked Michelle d'Auray, Secretary of the TBS, what proportion of departments' operating expenses allows for flexibility to deal with the operating budget freeze. Ms. d'Auray replied that TBS does not have centralized data about this.⁵

Gerard Kennedy (Parkdale–High Park, Lib.):

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

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

Michelle d'Auray (Secretary of the Treasury Board of Canada, Treasury Board Secretariat):

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

In addition to the lack of centralized data about the real latitude available to departments, the Committee also noted that TBS did not have any centralized information about how departments and agencies will comply with the operating budget freeze.

To hold the government responsible and accountable for its decisions and actions, Parliament needs information. In light of the testimony the Committee heard, it is of the opinion that parliamentarians do not have the information they need in order to perform

5 <http://www2.parl.gc.ca/content/hoc/Committee/403/OGGO/Evidence/EV4417818/OGGOEV08-E.PDF>, page 3.

their parliamentary oversight role in relation to the operating budget freeze effectively. Accordingly:

Recommendation 2:

The Committee recommends that, for greater transparency, Treasury Board Secretariat ask public service departments and agencies to explain in their Report on Plans and Priorities 2011-2012 how they will meet the targets relating to the operating budget freeze.

Possible Effects of the Operating Budget Freeze

During the Committee's hearings, various witnesses voiced their opinions concerning the anticipated effects of the operating budget freeze on services to the public. In particular, their testimony identified certain risks associated with the measures that might be put in place by departments and agencies in order to comply with their new budget framework.

The ombudsman of the access to information regime in Canada expressed concerns about the possibility that departments and agencies would cut their access to information program spending in order to comply with the operating budget freeze:

But perhaps most importantly, I have a great concern as the ombudsman for access to information. In times of fiscal restraint, institutions have historically made cuts to their internal services, including their ATIP programs. As ombudsman for the access to information regime in Canada, I am indeed greatly concerned, because inadequate funding inevitably affects this fundamental service to Canadians, and not only their service, but their fundamental democratic right.

Suzanne Legault, Interim Information Commissioner, Office of the Information Commissioner of Canada, *Evidence*, No. 24, 3rd Session, 40th Parliament, 1625.

The representative of the Association of Canadian Financial Officers stated that the operating budget freeze might encourage departments and agencies to choose implementation of their programs at the expense of financial oversight:

What happens when operating budgets are frozen? Well, departments are faced with options and choices: program or oversight? Program wins. For example, when a financial officer's position becomes vacant, it could get absorbed into programs; when that happens, you've weakened oversight. You've lost your financial road map.

Milt Isaacs, President, Association of Canadian Financial Officers
Evidence, No. 9, 3rd Session, 40th Parliament, 1625.

What happens in those situations is that if you look at the vulnerability, the types of moneys that could be displaced or could be used inappropriately, those normally end up being significantly more than the investment of having a financial officer there. That's money that now won't serve Canadians, for that most part. So if moneys are being mismanaged, they're not getting to the Canadians--

Milt Isaacs, President, Association of Canadian Financial Officers
Evidence, No. 9, 3rd Session, 40th Parliament, 1710.

One witness voiced concerns about the possibility that the operating budget freeze would have a negative impact on Canadians' health and safety:

What about the security of the Canadian public? If this government freezes budgets and starts cutting programs, will we see an increase in the number of unsafe products hitting the market? Will we see problems with the safety of food and drugs? Can we expect problems, if a new pandemic hits Canada? Will we have the necessary expertise? Will we still have the necessary corporate knowledge?

Claude Poirier, President, Canadian Association of Professional Employees
Evidence, No. 9, 3rd Session, 40th Parliament, 1615.

The President of the Professional Institute of the Public Service of Canada shared the concerns expressed by members of his union about the potential impact of the operating budget freeze on the capacity of the public service to respond in an environmental, health or security crisis:

They work in constant concern that the federal government leaves itself without sufficient regulatory tools, expertise, or financial and human resources to position Canada to innovate or to deal with the potential environmental, public health, or national security crisis.

Gary Corbett, President, Professional Institute of the Public Service of Canada
Evidence, No. 9, 3rd Session, 40th Parliament, 1605.

Challenges Facing the Correctional Service of Canada

The unique operating environment of the Correctional Service of Canada (CSC) is complex. In its Report on Plans and Priorities 2010-2011, the CSC identified a number of challenges it will face in the next few years. These challenges include the increasing needs and associated risks of a more diverse and changing offender population, escalating offender mental health needs, offender suicides in custody, the threat of pandemic influenza, a deteriorating physical infrastructure, threats to the safety and security of offenders and staff within operational sites, an aging workforce, and pending changes to the legislative framework.⁶

6 Correctional Service of Canada, Report on Plans and Priorities 2010-2011, <http://www.tbs-sct.gc.ca/rpp/2010-2011/inst/pen/pen00-eng.asp>, page 16.

Aware of the challenges the CSC will have to meet in the next few years, the Committee wanted to assess the effects of the operating budget freeze on the services provided by the CSC.

One of the subjects raised was the lack of transparency on the part of the Government of Canada in relation to the cost increases associated with the *Truth in Sentencing Act*.

One, the Truth in Sentencing Act will have a significant impact on the correctional system across Canada. Two, parliamentarians should be concerned about whether the fiscal framework and the budget fully reflect cost pressures arising out of this bill or legislation. Three, parliamentarians should be concerned about the lack of transparency to Parliament in the costing of the Truth in Sentencing Act by the Government of Canada.

Kevin Page, Parliamentary Budget Officer, Library of Parliament
Evidence, No. 28, 3rd Session, 40th Parliament, 0855.

Mr. Page also noted that the CSC had refused to provide him with the cost of Bill C-25, the *Truth in Sentencing Act*, because it was a Cabinet confidence.⁷

Mr. Mallette, the National President of the Union of Canadian Correctional Officers, said that the increase in the prison population resulting from changes made to the Criminal Code could force CSC to focus on management of the prison population at the expense of offender rehabilitation programs:

Yes, we are in favour of the expansion. We are happy to see that there are more spaces, but I don't know how we are going to manage them. It's a question I don't have an answer to.

Pierre Mallette, National President, Union of Canadian Correctional Officers
Evidence, No. 49, 40th Parliament, 3rd Session, 12:30.

On the inside, we have to manage the population. We must find a way to make several types of inmates live together. We have inmates from organized crime, street gangs, motorcycle gangs, Asian gangs and gangs from Russia. When it comes to managing a prison population, the larger the population becomes, the more you need to be equipped for the simple management of the population. Above all, it is important to avoid managing it to the detriment of the inmates, if programs can no longer be provided to help them rehabilitate.

Pierre Mallette, National President, Union of Canadian Correctional Officers
Evidence, No. 49, 40th Parliament, 3rd Session, 12:10.

Mr. Mallette also expressed concern about the potential for double bunking to threaten the safety of offenders and staff:

7 <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=4673470&Language=E&Mode=1&Parl=40&Ses=3>, page 9.

First, we must always remember that somewhere a correctional officer is opening a cell door. In other words, when the officer does the rounds in the range, there are two inmates in the cell. There are inmates under maximum, medium and minimum security. So the risk can be higher.

Furthermore, there is also a risk for the inmate. Double bunking means that there are two inmates in a cell. That means that we need to determine whether the two inmates can live together. Last year, there were fairly appalling situations where the two inmates in the same cell assaulted each other. One morning, for example, one of the inmates got up and said, as if it were nothing, that he had stabbed the other inmate. The officers discovered it all when they did their rounds. It doesn't make sense.

Pierre Mallette, National President, Union of Canadian Correctional Officers
Evidence, No. 49, 3rd Session, 40th Parliament, 12:20.

Don Head, Commissioner of the CSC, stated that the CSC will need to generate about \$4.8 million in savings in 2010-2011 and \$6.3 million in 2011-2012 to absorb its employees' wage increases. The CSC will also have to generate additional savings to absorb wage increases to be bargained for 2012-2013. He stated that the CSC should be able to absorb those wage increases by cutting spending on overtime by using the computerized rostering system adopted in 2009, by improving the effectiveness of its integrated human resources and business planning methods and by reducing travel and hospitality expenditures. He also pointed out that, since the start of fiscal year 2010-2011, CSC has already achieved \$5.0 million in savings by reducing overtime costs⁸ and \$5.0 million by reducing travel and hospitality expenditures.⁹

After describing the three primary methods the CSC will use to absorb its employees' wage increases, Mr. Head drew the Committee's attention to the fact that the CSC has very little latitude for dealing with the freeze on its operating budget:

It's important to note that 90% of CSC's budget is non-discretionary and quasi-statutory. CSC has fixed costs that it must fund on a continuous basis. These include the provision of food to offenders, the utility costs related to the maintenance of our accommodations, clothing for offenders, and uniforms for our staff. The remaining 10% provides us with some opportunity and flexibility to seek out ways for us to meet the freeze on operating costs. I am confident that we will continue to find improvements in our program delivery that will help us to absorb these costs.

Don Head, Commissioner, Correctional Service Canada
Evidence, No. 30, 3rd Session, 40th Parliament, 0905.

He then explained that the government had added another \$2.1 billion over five years to the CSC's spending projections to enable it to hire 4,119 additional employees

8 CSC reduced its overtime expenditures by \$5 million from \$36 million in December 2009 to \$31 million in December 2010.

9 <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=4950373&Mode=1&Parl=40&Ses=3&Language=E>.

and fund approaches such as greater use of double-bunking and constructing and operating new cells. He stated that, although the amount is substantial, it is insufficient to address the rise in new offenders under federal jurisdiction that is anticipated because of the changes to the *Criminal Code*:

Mr. Chair, this is a considerable increase over such a short period of time. The additional 3,828 offenders resulting from Bill C-2 and Bill C-25, together with our normal projections, represents a total growth of 4,478 inmates in the 2014 fiscal year and an anticipated total penitentiary population of 18,684 offenders by March 31, 2014. This growth, Mr. Chair, well exceeds our existing capacity today.

Don Head, Commissioner, Correctional Service Canada
Evidence, No. 30, 3rd Session, 40th Parliament, 0905.

We were hovering around a 10% margin of double-bunking for many years. This year we're moving up beyond 12% to 13%, although I have some facilities right now that are much higher than that. I have some facilities at 20%, a couple at 50%. And my assessment units, which are the intake from the courts and the provinces, are at 100% double-bunking right now. We anticipate, as we move through this process of building new units, that we will reach levels of 20% to 30% double-bunking before those units are actually complete and I can move people back to single cells.

Don Head, Commissioner, CSC
Evidence, No. 48, 3rd Session, 40th Parliament, 11:45.

The Committee shares the concern voiced by the Commissioner of the CSC in his testimony regarding the possibility that the CSC will not have enough financial and human resources to deal with the rise in the prison population that is anticipated because of the changes to the *Criminal Code*. In the present circumstances, with the freeze on operating budgets, the Committee believes it is essential that the government adequately fund the programs and activities affected by the changes to the *Criminal Code* so that CSC managers are not forced to make choices that could jeopardize the safety of staff and offenders or compromise the agency's mission. Accordingly:

Recommendation 3:

The Committee recommends that the Privy Council Office provide Parliament with a detailed estimate of the costs associated with the *Truth in Sentencing Act*, the costs associated with any other major change to the *Criminal Code*, as well as the costs to be paid by the provinces and territories.

Challenges Facing Small Agencies

When the Interim Information Commissioner appeared before the Committee, she stated that the Office of the Information Commissioner of Canada (OIC) will have to generate savings of \$100,000 in 2010-2011 and \$355,000 in 2012-2013 to absorb its employees' wage increases. She said that the operating budget freeze will mean that the OIC will have to cut spending in such key areas as employee training, its internal audit function and computer replacement. She also said that small agencies in the public

service will be harder hit by the operating budget freeze than the large departments and agencies:

Contrary to bigger institutions, we have almost no flexibility when meeting budgetary constraints simply because there is very little fat to trim down, so to speak. Madam Chair, I am currently using every dollar appropriated to the office. My budget is extremely stretched and we are operating at full capacity.

Suzanne Legault, Interim Information Commissioner, Office of the Information Commissioner of Canada, *Evidence*, No. 24, 3rd Session, 40th Parliament, 1620.

First, I would like to state that as a steward of public funds, I fully understand and support this exercise in fiscal restraint given the current economic situation. That said, I also believe that the budget cost containment measures have a greater impact on small institutions as the largest part of their budget is dedicated to salaries.

Suzanne Legault, Interim Information Commissioner, Office of the Information Commissioner of Canada, *Evidence*, No. 24, 3rd Session, 40th Parliament, 1620.

She also voiced concerns about the possibility that the operating budget freeze might reduce the financial flexibility available to the OIC to the point that its mandate could be compromised:

Madam Chair, I know that coming after the presentation by the Department of Public Works, this figure must seem to committee members like a very small drop in a very big ocean, but for my office this has a huge impact. To put it in perspective, this is what it actually means. It is the equivalent of the resources required to close some 400 cases. It represents about 20% of our \$1.8 million envelope for our discretionary operating costs. This makes us very vulnerable to any new pressures that may arise this year, either in the form of another court case or several court cases or with an increase in complaints, which could further erode our ability to deliver on our mandate. And to be very honest with you, Madam Chair, the last thing that I would want is to find myself in the position of seeking additional funding from Treasury Board Secretariat to fund litigation cases in which they might be one of the institutions involved in the litigation.

Suzanne Legault, Interim Information Commissioner, Office of the Information Commissioner of Canada, *Evidence*, No. 24, 3rd Session, 40th Parliament, 1625.

However, at this time I do not exclude the possibility of going back to Treasury Board Secretariat as well as the advisory panel on the funding and oversight of officers of Parliament to ask for additional funding.

Suzanne Legault, Interim Information Commissioner, Office of the Information Commissioner of Canada, *Evidence*, No. 24, 3rd Session, 40th Parliament, 1625.

Large Departments and Agencies

During its study, the Committee also examined the effects of the operating budget freeze on the Canadian International Development Agency (CIDA), the Department of National Defence (DND), Public Works and Government Services Canada (PWGSC), Industry Canada (IC) and Human Resources and Skills Development Canada (HRSDC).

David Moloney, Executive Vice-President of CIDA, said that his agency will have to generate \$2.2 million in savings from its operating budget to absorb its employees' salary and wage increases in 2010-2011. He testified that these savings will come from attrition as employees retire, an overall reduction in non-salary spending and efficiency gains associated with the decentralization of program responsibilities to staff in the field.¹⁰

William F. Pentney, Associate Deputy Minister of DND, told the Committee that DND will look for ways to increase the effectiveness of its operations, focusing on delivering its core roles and on meeting the priorities and expectations of Canadians. He believes that the savings generated from these efficiency gains will enable DND to absorb salary increases for civilian and military personnel until the end of the freeze in 2012-2013.¹¹

Andrew Treusch, Associate Deputy Minister of PWGSC, said that PWGSC will have to generate savings of \$8.7 million from its operating budget to absorb its employees' salary increases in 2010-2011. Mr. Treusch stated that tighter and more careful management of spending related to travel and hospitality and a decrease in spending on professional and specialized services will enable PWGSC to comply with its new budget framework¹²:

PWGSC has undergone many changes in recent years, and we believe we are well positioned to absorb the impact of the freeze. A few years ago we embarked on an ambitious program of renewal and transformation, seeking efficiencies and adopting common business practices, particularly in the areas of acquisitions, real property, and information technology.

Andrew Treusch, Associate Deputy Minister, Department of Public Works and Government Services, *Evidence*, No. 24, 3rd Session, 40th Parliament, 1530.

Richard Dicerni, the Deputy Minister of IC, stated that his department will have to generate savings of \$3 million in 2010-2011 and of \$4.6 million in 2011-2012 to cover employee wage increases. He stated that more rigorous management of travel costs for outside consultants and the efficiencies achieved through the new financial governance model implemented in recent years will enable the department to achieve the targets reflecting the freeze on operating budgets.¹³

10 <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=4441574&Language=E&Mode=1&Parl=40&Ses=3>, page 1.

11 <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=4465180&Language=E&Mode=1&Parl=40&Ses=3>, page 11.

12 <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=4623046&Language=E&Mode=1&Parl=40&Ses=3>, page 2.

13 <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=4950373&Mode=1&Parl=4,%20page%2011.%2000&Ses=3&Language=E>.

Ian Shugart, the Deputy Minister of HRSDC, stated that his department will have to generate savings of \$4.1 million in 2011-2012 and \$5.2 million in 2012-2013 to cover employee wage increases. He stated that these savings will be the result of attrition through retirement and efficiency gains associated with the automation of simple processes and internal transactions. He also pointed out that the effective use of new technologies will enable his department to reduce travel, hospitality and conference expenditures by \$5 million.¹⁴

After considering the testimony heard, the Committee has concluded that small agencies will be more affected by the operating budget freeze than large departments and agencies. Because they allocate a larger proportion of their operating budget to personnel expenditures, small agencies have less flexibility. Accordingly,

Recommendation 4:

The Committee recommends that the Treasury Board Secretariat develop an asymmetrical approach in implementing the operating budget freeze that takes into account the special challenges facing small agencies.

Conclusion

In the course of its study, the Committee at all times analyzed the impact of the operating budget freeze from a public interest perspective.

In light of the testimony heard and the information gathered, the Committee has concluded that Parliament does not have the information needed to hold the government responsible and accountable for the decisions to be made by deputy ministers and agency managers to meet the targets relating to the operating budget freeze.

The Committee firmly believes that implementing the recommendations made in this report will lead to greater government transparency.

14 <http://prismweb.parl.gc.ca/IntranetDocuments/CommitteeBusiness/40/3/OGGO/Meetings/Evidence/OGGOEVBLUES49.HTM>

LIST OF RECOMMENDATIONS

Recommendation 1:

The Committee recommends that the Privy Council Office and Treasury Board Secretariat enter into a service agreement with the Parliamentary Budget Officer on information-sharing to enable him to obtain the information that he needs, as an independent officer of Parliament, to assess the potential impact of the operating budget freeze on services to the public while preserving the confidentiality that is essential for the Cabinet of Canada to operate effectively.

Recommendation 2:

The Committee recommends that, for greater transparency, Treasury Board Secretariat ask public service departments and agencies to explain in their Report on Plans and Priorities 2011-2012 how they will meet the targets relating to the operating budget freeze.

Recommendation 3:

The Committee recommends that the Privy Council Office provide Parliament with a detailed estimate of the costs associated with the *Truth in Sentencing Act*, the costs associated with any other major change to the *Criminal Code*, as well as the costs to be paid by the provinces and territories.

Recommendation 4:

The Committee recommends that the Treasury Board Secretariat develop an asymmetrical approach in implementing the operating budget freeze that takes into account the special challenges facing small agencies.

APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p>Privy Council Office</p> <p>Patricia J. Hassard, Deputy Secretary to the Cabinet, Senior Personnel and Public Service Renewal</p>	2010/03/29	6
<p>Treasury Board Secretariat</p> <p>Hélène Laurendeau, Assistant Deputy Minister, Compensation and Labour Relations</p> <p>Daphne Meredith, Chief Human Resources Officer</p>		
<p>Library of Parliament</p> <p>Mostafa Askari, Assistant Parliamentary Budget Officer, Economic and Fiscal Analysis, Office of the Parliamentary Budget Officer</p> <p>Sahir Khan, Assistant Parliamentary Budget Officer, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer</p> <p>Ram Mathilakath, Manager, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer</p> <p>Kevin Page, Parliamentary Budget Officer</p> <p>Peter Weltman, Financial Advisor-Analyst, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer</p>	2010/04/12	8
<p>Treasury Board Secretariat</p> <p>Michelle d'Auray, Secretary of the Treasury Board of Canada</p> <p>Alister Smith, Assistant Secretary, Expenditure Management Sector</p>		
<p>Association of Canadian Financial Officers</p> <p>Milt Isaacs, President</p>	2010/04/14	9
<p>Canadian Association of Professional Employees</p> <p>Claude Danik, Executive Director</p> <p>Claude Poirier, President</p>		
<p>Professional Institute of the Public Service of Canada</p> <p>Walter Belyea, Acting Manager, Policy and National Representational Services</p> <p>Gary Corbett, President</p>		
<p>Public Service Alliance of Canada</p> <p>John Gordon, National President, Executive Office</p> <p>Howie West, Work Re-Organization Officer, National Programs Section</p>		

Organizations and Individuals	Date	Meeting
Canadian International Development Agency Christine Hogan, Vice-President, Strategic Policy and Performance Branch David Moloney, Executive Vice-President Jim Quinn, Chief Financial Officer	2010/04/19	10
Department of National Defence Cynthia Binnington, Assistant Deputy Minister, Human Resources - Civilian Kevin Lindsey, Assistant Deputy Minister, Finance and Corporate Services William F. Pentney, Associate Deputy Minister Denis Rouleau, Vice-Chief of the Defence Staff	2010/04/26	12
Department of Public Works and Government Services Alex Lakroni, Chief Financial Officer, Finance Branch Diane Lorenzato, Assistant Deputy Minister, Human Resources Branch Andrew Treusch, Associate Deputy Minister Caroline Weber, Assistant Deputy Minister, Corporate Services, Policy and Communications Branch	2010/06/14	24
Office of the Information Commissioner of Canada Suzanne Legault, Interim Information Commissioner Layla Michaud, Interim Assistant Information Commissioner		
Library of Parliament Mostafa Askari, Assistant Parliamentary Budget Officer, Economic and Fiscal Analysis, Office of the Parliamentary Budget Officer Sahir Khan, Assistant Parliamentary Budget Officer, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer Kevin Page, Parliamentary Budget Officer Ashutosh Rajekar, Financial Advisor, Office of the Parliamentary Budget Officer Peter Weltman, Financial Advisor-Analyst, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer	2010/10/05	28
Correctional Service of Canada Liette Dumas-Sluyter, Acting Assistant Commissioner, Corporate Services Don Head, Commissioner	2010/10/19	30

Organizations and Individuals	Date	Meeting
<p>Library of Parliament</p> <p>Mostafa Askari, Assistant Parliamentary Budget Officer, Economic and Fiscal Analysis, Office of the Parliamentary Budget Officer</p> <p>Jason Jacques, Financial Advisor-Analyst, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer</p> <p>Sahir Khan, Assistant Parliamentary Budget Officer, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer</p> <p>Kevin Page, Parliamentary Budget Officer</p> <p>Peter Weltman, Financial Advisor-Analyst, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer</p> <p>Treasury Board Secretariat</p> <p>David Enns, Deputy Assistant Secretary, Expenditure Management</p> <p>Alister Smith, Associate Secretary</p>	2010/12/02	41
<p>Library of Parliament</p> <p>Mostafa Askari, Assistant Parliamentary Budget Officer, Economic and Fiscal Analysis, Office of the Parliamentary Budget Officer</p> <p>Jason Jacques, Financial Advisor-Analyst, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer</p> <p>Sahir Khan, Assistant Parliamentary Budget Officer, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer</p> <p>Kevin Page, Parliamentary Budget Officer</p> <p>Church Council on Justice and Corrections</p> <p>Lorraine Berzins, Community Chair of Justice</p> <p>Laurent Champagne, President</p> <p>Treasury Board Secretariat</p> <p>Stockwell Day, President of the Treasury Board and Minister for the Asia-Pacific Gateway</p>	2011/02/01	45
<p>Correctional Service of Canada</p> <p>Liette Dumas-Sluyter, Acting Assistant Commissioner, Corporate Services</p> <p>Don Head, Commissioner</p> <p>Fraser Macaulay, Assistant Commissioner, Human Resource Management</p> <p>Department of Industry</p> <p>Richard Dicerni, Deputy Minister</p>	2011/02/08	47
	2011/02/10	48

Organizations and Individuals	Date	Meeting
Department of Industry	2011/02/10	48
Kelly Gillis, Chief Financial Officer, Comptrollership and Administration Sector		
Helen McDonald, Assistant Deputy Minister, Spectrum, Information Technologies and Telecommunications		
Confédération des syndicats nationaux (CSN)	2011/02/15	49
Éric Lévesque, Coordinator		
Pierre Mallette, National President, Union of Canadian Correctional Officers		
Lyle Stewart, Union Advisor		
Department of Human Resources and Skills Development		
Gina Rallis, Assistant Deputy Minister, Human Resources Services		
Ian Shugart, Deputy Minister		
Alfred Tsang, Chief Financial Officer		
Service Canada		
Carolina Giliberti, Senior Assistant Deputy Minister, Service Management Branch and Chief Learning Officer		

APPENDIX B LIST OF BRIEFS

Organizations and individuals

Library of Parliament

Professional Institute of the Public Service of Canada

Public Service Alliance of Canada

MINUTES OF PROCEEDINGS

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 3, 6, 8, 9, 10, 12, 24, 28, 30, 41, 44, 45, 47, 48, 49, 50, 52, 53 and 54](#)) is tabled.

Respectfully submitted,

Hon. John McKay, P.C., M.P.
Chair

DISSENTING OPINION

The following report is the dissenting opinion of the Conservative Members of the Standing Committee on Government Operations and Estimates on the committee's study of *the freeze on departmental budget envelopes and government operations*.

It is important to note that, in the view of the Conservative Members of the Standing Committee on Government Operations and Estimates, the report contains arguments, opinions and conclusions that do not give a balanced view of this study, nor does the study correctly reflect the numerous testimonies heard.

The President of the Treasury Board, Stockwell Day, stated during his testimony before the Government and Estimates Committee on February 8, 2011, that the Government has a clear plan to balance the budget by 2015.

"First of all, we do have a plan. It's very clear. It's laid out in a number of budget documents. The plan, which is here, is one, which I think you are familiar with. We show a very clear deficit reduction. We show the deficit of \$45.4 billion in 2010-2011, and then the next year, you'll see a reduction, where it will drop to \$29.88 billion. Of course, you have all these documents I'm sure in both official languages. That will be a result largely of the end of our Economic Action Plan,

\$19 billion which will no longer flow forward, and \$1.28 billion in restraint measures, including operating budget freezes.”

The Treasury Board President indicates furthermore that Canada is on track on to balance the budget and this statement is backed up by numerous national and international economic forecasters which he also refers to during his appearance before committee. For example, the International Monetary Fund has said that Canada is an economic miracle and that our overall fiscal outlook in light of the global recession stands out as one of the best among the G20. The OECD stated that Canada’s economy shines. The World Economic Forum says that Canada has had the strongest financial platform for the last three years of any other country in the world. Statistics Canada reports that there has been a job creation of over 400.000 since June 2009.

Notably, the approach taken to balance the budget is not being made by slashing programs to people, slashing health care or by slashing provincial transfers as the Liberal Government did in the 1990s. Transfers will not only be maintained, but increased by 6%. This is possible through freezing the federal government’s own operations, by cutting corporate taxes and by improving efficiencies of departments.

Every department, and on their behalf the responsible Deputy Minister, will adapt independently to the budget freeze and find ways to increase their

efficiencies, as they are best equipped to manage their portfolio. As such, every department had the responsibility to develop an individual plan on how to best handle the freeze on departmental budget envelopes and government operations. From the numerous testimonies heard, it was clear that every department was confident in achieving budget and operational objectives through finding efficiencies while maintaining service levels.

The following are representative examples of testimonies made by government officials before the Standing Committee on Government Operations and Estimates.

Mr. Andrew Treusch on June 14, 2011(Associate Deputy Minister, Department of Public Works and Government Services):

“PWGSC has undergone many changes in recent years and we believe we are well positioned to absorb the impact of the freeze. A few years ago we embarked on an ambitious program of renewal and transformation seeking efficiencies and adopting common business practices, particularly in the areas of acquisitions, real property and information technology.”

Mr. Ian Shugart on February 11, 2011 (Deputy Minister, Department of Human Resources and Skills Development):

“Our 2010-2013 plan identified judicious technology upgrades and streamlining of processes as key elements that would help the department maintain its service standards in a context of fiscal constraint.”

Mr. Don Head on February 10, 2011 (Commissioner, Correctional Services Canada):

“This approach reduces redundancies and overlap between some of the programs we offer to offenders, and ensures a more timely delivery of programs to offenders while maintaining the quality of content and staff training.”

“Having said that, are there areas where we can still find some efficiencies without affecting negatively the public safety results? I believe there are”

In conclusion, departmental officials are confident to achieve the balance between the mandated budget freeze while maintaining the commitment to service levels. This is ultimately the key point in all testimonies heard.