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## Chair

**Mr. Pat Martin**

# Standing Committee on Government Operations and Estimates

**Monday, March 26, 2012**

● (1530)

[*English*]

**The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)):** I call the meeting to order.

Good afternoon, ladies and gentlemen.

This is the 35th meeting of the Standing Committee on Government Operations and Estimates. Today we are reviewing the process for considering the estimates and supply.

We're very fortunate and very pleased to welcome two interesting witnesses today. First, with us in person is Ned Franks, professor emeritus, Department of Political Studies at Queen's University, and an authority on these issues. Welcome, Mr. Franks.

As well, we are very grateful and appreciative to have Mr. Joachim Wehner with us from a very long distance—Cape Town, South Africa. We thank you for staying up late today. We very much wanted to hear your testimony. I believe it will be about 9:30 at night in Cape Town, but you are most welcome, and we appreciate your being here very much.

The custom of our committee is to ask both of our witnesses to make brief presentations on the subject for five or ten minutes or so. Then we will open rounds of questioning from the members of Parliament of the three parties represented here today.

Perhaps we could start with Professor Franks, if that's agreeable.

**Dr. Ned Franks (Professor Emeritus, Department of Political Studies, Queen's University, As an Individual):** Yes; thank you.

**The Chair:** Mr. Franks, you have the floor.

**Dr. Ned Franks:** I prepared a submission. I suspect it was too late to get translated, but—

**The Chair:** Actually, we have it here, Mr. Franks.

**Dr. Ned Franks:** That's wonderful.

This question is of great interest to me. I cut my eye teeth—if that's the right expression—on parliamentary finance and government finance in working for the Budget Bureau of the Government of Saskatchewan. One of the things I worked on there was the form of the estimates and the accounting procedures to the legislature. That's where my interest in the accounting officer approach came from, and the estimates have always been of equal interest because I worked on them for many years there.

I'll just go through the comments. The standing committees were reformed in the 1960s. One of the jobs they were given in those reforms was the immediate, medium- and long-term expenditure plans of the departments and the effectiveness of their implementation. You would have thought that this gave the committees all the powers they needed to review departmental finances, financial planning, and the intentions as embodied in the estimates, but members often found dissatisfaction in the process.

In fact, early on, after those reforms of the 1960s, one committee made a substantive report on the estimates that had been referred to it—in other words, a report commenting on them—but the report was not accepted by the Speaker, who ruled that committees cannot make substantive reports on the estimates; they can only approve them as is, or propose a reduction, or propose eliminating them. But they can't do anything else.

This did not make the committees more eager to examine the estimates, and committee attention has dwindled for all the estimates of the government, in all committees, the Parliamentary Budget Officer has said, to about 60 hours in a year.

In the past, there were two parliamentary studies of the estimates and the estimates process by committees. In 1995 the House instructed the Standing Committee on Procedure and House Affairs to undertake a comprehensive review. Similarly, in 2003 the Standing Committee on Government Operations and Estimates also did that and produced *Meaningful Scrutiny: Practical Improvements to the Estimates Process*, which was 60 pages long, as opposed to 90 pages from the previous committee.

I would like to quote the 1995 committee report: “One of the witnesses, Dr. Franks”—that's me—“expressed doubts—

**The Chair:** I thought that might be your father.

**Voices:** Oh, oh!

**Dr. Ned Franks:** No, I'm guilty.

It stated:

> One of the witnesses, Dr. Franks, expressed doubts that changes to the committee system or to the techniques used by committees to examine the Estimates would result in any improvement.

So I expressed my doubts, and the committee went on to say:

> Although we understand this view, the Committee does not entirely share it. Yes, there are constraints that limit committee effectiveness, but these need not be completely debilitating. The Committee believes that there are ways in which committee study of the Estimates can be made more effective and are confident that the following suggestions will produce positive results.

They made...oh gosh, it was something like 90 recommendations, and nothing happened. There were a couple of tiny changes, but no significant ones. Then, in 2003, also as a witness, I was before a committee that went over the same area. It made fewer recommendations—23—but that did not lead to significant change.

So it might be my fault as adviser to the committees, but with a track record like that, I don't feel that I'm in a position to offer mammoth changes and to say, "Yes, sure, this will happen." Because it doesn't.

Also, there are some problems in it that are constitutional, in the way the Constitution is interpreted in Canada. The fundamental principles of parliamentary cabinet government limit the role of Parliament in the estimates process. Ours is a system of government in and with Parliament, but not by Parliament, and nowhere is this more apparent than in the financial processes. The government is responsible for preparing the budget and estimates.

● (1535)

Parliament approves the estimates and authorizes the government to spend money, though only for purposes, in amounts, and through processes authorized by Parliament. The government, not Parliament, spends the money. Parliament again enters the financial processes in the third, accountability processes, after the money has been spent, with the audit by the Auditor General and the review of the Auditor General's reports by the public accounts committee.

Even in the estimates process, the role of Parliament is limited. It can only make one of three decisions on a particular expenditure item: it can lower the amount proposed by the government; it can reject the proposal in its entirety; or it can approve it unchanged. Parliament cannot increase an estimate, because this requires the recommendation of the crown. Reduction or elimination of an item of expenditure would normally be regarded as a want of confidence, and not surprisingly, this rarely happens.

I go into a discussion of the vote structure, which is the key to parliamentary control of the estimates.

The budget is divided into votes. The government cannot increase the money in a vote without coming back to Parliament, nor can it shift money from one vote to another. Within a vote, it can shift from one part of the vote, what's called an allotment in Canada, to another. In the U.K. system they are called sub-votes, and the process of moving them is called virement. We adopted our own terminology.

I want to offer my answers to six questions that have come before this and earlier committees.

First, should the budgets be on a cash or accrual basis?

As many of you will know, having been in the private sector, accrual is the normal basis for doing budgets in the private sector. Government is on cash, of course.

I'm conservative enough on this one to think that we should retain the cash system, partly because it's a very simple and straightforward system, whereas in accrual accounting, you get into problems of relating the future to the present. With all due respect, every time you're making a judgment like that, you're opening up more avenues for fudging the books. The experience of governments now is that budgeting, from the parliamentary perspective, is cash budgeting and cash accounting. The internal records are often kept on an accrual basis. I don't mind that difference. The interest of Parliament, which is to make sure they get very accurate figures and know what the government has been given to spend, what they have spent it on, and how much they have spent, is best assured on the year-to-year cash basis. That's my view, and I will not go on any further.

I consider the vote structure the essential element of control over the budget. Parliament grants money in votes, in lump sums. The budget estimates are divided into votes. The government cannot spend more than Parliament grants in that vote without coming back to Parliament. That's an absolute, hard rule. They come back with fairly healthy looking supplementary estimates at the end of it, and I like that idea.

A second question I look at is whether votes should be netted.

The answer, I think, is absolutely no. For the purposes of parliamentary control, the whole budget, the whole, one might say, intrusion of government into the economy, has to be looked at. Whole expenditures, as part of the total finances of the country, you can only get through a non-netted total budget.

There are other reasons too, but what I say here is that how government raises money and how government spends money are two quite separate and distinct matters. There's no logical reason that government programs should break even, let alone make a profit. Government is not a business. How it raises money poses one set of issues; how it spends money poses another and very different one. I believe in separating those as clearly as you can.

● (1540)

Should a distinction be made between capital and operating budgets? Once you make a distinction that way, I worry, because—again—a capital budget is going to relate present expenditures to future needs and expenditures, and vice versa, and again you get into far more complex accounting than I believe Parliament can keep control of.

Should the estimates be deemed to be passed by a given date? I do not like the process of deeming, which means that the votes are deemed to be passed whether they come out of committee or Parliament has approved them or not. But bearing in mind the capacity of parliamentary committees and Parliament itself to delay, procrastinate, and simply obstruct business, I think deeming is an essential part of the Canadian financial processes. It's unfortunate, but yes....

My final comment here is that I'm in favour of a budget speech being held on supply, rather than on ways and means as it now is. The estimates present a more complete picture of the government's intentions on how the government will affect individuals, families, and the nation generally than do matters of ways and means. The government's intentions expressed in expenditure proposals hold more significance for both Parliament and the public than do ways and means issues, and I would like to see it changed.

Another reason, which I didn't put in my written remarks, is that ways and means has a pretty well fixed date for the introduction of the estimates into the House of Commons. So we would have a pretty well established budget speech date and budget presentation if we went to that. That's a change I would like to see.

Thank you.

● (1545)

**The Chair:** Thank you very much, Dr. Franks. That was very helpful and very interesting. I'm sure there will be questions on any or all of those points.

Next, then, we would like to hear from Dr. Wehner, who is an associate professor of public policy at the London School of Economics and Political Science.

May I begin by asking if you can hear us well, Dr. Wehner?

**Dr. Joachim Wehner (Associate Professor, Public Policy, London School of Economics and Political Science, As an Individual):** Yes, I can hear you clearly. I hope you can hear me as well.

**The Chair:** Yes, it seems to work very well.

You have the floor, Dr. Wehner.

**Dr. Joachim Wehner:** First of all, thank you very much for allowing me to present some thoughts to the committee. I also would like to thank your administrative team for being so helpful in helping me to organize this.

First I'm going to give you some comparative observations. I bring less of the Canadian experience but a bit more of a contrast with other legislatures in the OECD countries in particular.

The first point I would make is that there's no standard model. There's no one best model for parliaments to scrutinize the estimates. You have a really wide diversity of models among the industrialized democracies that range all the way from the traditional Westminster model, which essentially keeps Parliament in a very passive role, all the way to Congress, which takes eight months to look at the President's budget proposals, formulates its own proposals, and sometimes doesn't even manage to pass it in time for the beginning of the fiscal year. You have the entire range in the OECD countries, from essentially just approving the government proposal as it is to writing the budget, and anything in between.

Where you position the parliament is a normative choice. It reflects your view of how public spending should be scrutinized and how much Parliament should affect public spending. So one cannot advocate one single best model. I just wanted to make that clear. However, if your aim is to strengthen parliamentary scrutiny of public finances, then I think there are a few factors you can consider, given comparative experience.

Let me just highlight six of these, which are also discussed in the paper, which I believe your research staff has had access to. Maybe some of you have had time to look at it.

In this paper I compare a number of industrialized countries' national legislatures. I look at six aspects in particular. These are institutional features of the legislative budget process.

The first one is the power of the parliament to amend the executive budget proposal. The second is what happens if the budget is not approved by the time the financial year starts. The third is the degree to which the executive can adjust the budget, as approved by Parliament, during the course of the financial year. The fourth one is how much time Parliament has in advance of the fiscal year to scrutinize the budget. In other words, when is the budget tabled in Parliament relative to the beginning of the fiscal year. The fifth element is the committee capacity within Parliament to scrutinize the budget and to monitor its implementation. And the final point is Parliament's access to independent budget analysis capacity.

I'd be very happy to expand this discussion on individual points if you have any questions, but I'm going to leave it fairly general for the sake of keeping my input short.

What I do in the paper, and you have copies of the results in front of you, is produce a ranking of national legislatures based on these variables. I give high scores to countries where the institutional arrangements favour a high degree of parliamentary control of the budget, and I give low scores to institutional arrangements that make it more difficult for Parliament to scrutinize the budget and to shape budget choices.

If you look at this ranking, which I hope is in the submission you received, you will see that the Westminster parliaments tend to cluster at the very bottom of the distribution among OECD countries. So the inherited system from Westminster is not one, from an institutional perspective, that favours strong parliamentary scrutiny and strong parliamentary input into the budget process.

● (1550)

Despite this, it is at the same time true that a number of legislatures, in particular over the past 10 years, and also in countries that have inherited the western system of parliamentary government, have started to make changes to the budget process, in particular changes that strengthen the role of Parliament in the budget process. With this experience in mind, I would like to proceed to a very short list of some reflections about the situation in Canada that relate to the variables that I just summarized for you.

Drawing on international experience, I think there are a number of possible changes. I'm not saying these are changes you should be making, but changes that could be considered if your aim is to strengthen Parliament.

The first one, in my view, is to protect and enhance the role of the Parliamentary Budget Officer. A number of countries are creating similar institutions, and the Parliament in Canada has really been at the cusp of this development. Internationally, the Parliamentary Budget Officer of Canada is very highly regarded, and it's certainly a major change, in my view, at least, in the degree the parliament in Canada has access to an independent, highly professional research capacity.

I believe that some adjustments are possible to the legal framework for the Parliamentary Budget Officer. In particular, this role could be strengthened, or the status be strengthened, if he were a full officer of Parliament. Moreover, steps could be taken so that the Parliamentary Budget Officer has total access to all relevant information. In the past I believe there have been incidents where departments have not been quite as forthcoming with providing information to the Parliamentary Budget Officer as perhaps they should have been. But overall, I see this as a very positive development, and I see some scope for strengthening it also on the basis of international experience.

The second point—and Professor Franks also talked about this—that is worth considering is the structure of the appropriations. In Canada, if I understand correctly, the appropriations are actually fairly highly aggregated, so the main level of appropriating money is at the vote level, and there are some categories of expenditures within a vote. Parliament certainly does not approve the appropriations on a program basis.

So if you wanted more control over the budget process and over budgets, one move could be to move from approval of votes to approval of programs. You already have a set of main estimates that includes strategic objectives and, within these objectives, programs, and it would be a fairly easy step to structure appropriations in a similar way. A number of western countries have made this exact move in recent years. New Zealand has adopted output-based appropriations, which are more detailed than appropriations at the vote level. A country like South Africa, for example, a few years ago, about 10 years ago, switched from approving budgets on a vote basis to approving budgets on a program basis. This gives you a lot more control over the budget and limits a bit more the still very broad flexibility the executive has in implementing the budget.

Quickly, I'll make three other points. It is possible, in my view, to adjust the timing of the budget process. If you look at the comparative evidence, the Canadian Parliament is one of the very few parliaments in the OECD community where the budget is approved after the beginning of the fiscal year. This is done routinely. The OECD best practices for budget transparency state categorically that the budget should be tabled no less than three months prior to the beginning of the fiscal year. The standard is also in the IMF code of fiscal transparency, so this is a very widely accepted recommendation.

● (1555)

The delay of approval of spending proposals and of spending is really something that is very outdated, and there are possibilities to either adjust the fiscal year or to bring the tabling of the budget forward, which will do away with this outdated and—in my view—inefficient practice, which undermines Parliament.

Very briefly, I have two other points. It might be possible to strengthen committee review in Canada. In many countries that have very in-depth scrutiny by Parliament of the budgets, they have a two-step process, where the finance committee or an appropriations committee is first tasked with looking at the aggregates—the spending totals in the budget and the allocation of the aggregates across individual policy areas—and then sectoral committees are tasked with scrutinizing individual votes.

Several parliaments, such as that of Sweden and the United States, in the past few decades, reformed their process to kind of strengthen the scrutiny of the overall allocations and not just have the sectoral committees scrutinize individual budget votes or departmental budgets.

My final point would be—and this is possibly a bit more controversial, but it is worth noting—that the Canadian Parliament has fairly limited powers to amend the budget proposal of the executive. When I say “budget proposal”, I'm referring to the spending proposals. I'm sorry for this inaccuracy in terms of your terminology, but it's one that I'm very used to.

A number of Westminster parliaments, amongst others, have reshaped their amendment powers over the past few years to allow for a slightly bigger possible role in prioritizing the budget. I just want to mention three examples. The New Zealand Parliament in the 1990s changed its standing orders to allow the parliament to make changes within the votes—so to alter the composition of the votes. This is different from the amendment powers that Professor Franks describes in the Canadian Parliament, where you can only reduce items.

In South Africa, the parliament recently gave itself very broad amendment powers, which are essentially unfettered. An interesting reference point may also be the experience in France where the *Loi organique relative aux lois de finances* was reformed in 2001. Through this reform, the parliament actually received the power to change allocations between programs within so-called “missions”, which are broader clusters of programs.

So there are several examples of parliaments that have recently extended their powers to allow for, amongst others, the possibility of shifting money between different programs in the budgets.

Thank you.

**The Chair:** Thank you very much, Dr. Wehner.

It's a very interesting overview from an international point of view. It's interesting to me, as the chair, just how many countries are in fact struggling with an effort to make the matters of supply and estimates more transparent and comprehensible for the public.

It's interesting as well that some countries are making the changes to these things via standing orders.

I know we have lots of questions. Just for your information, we're represented in this committee in roughly the same proportion as the parties are represented in the House of Commons. We have the government side, with seven members here; we have the official opposition, with three; and the third party, the Liberal Party, with one member.

It's our custom that this committee is chaired by the opposition; I'm a member of the official opposition.

The first round of questioning will go to the opposition and our representative, Mr. Alexandre Boulerice.

Alexandre, you have five minutes.

● (1600)

[*Translation*]

**Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP):** Thank you very much, Mr. Chair.

I'd like to thank professors Franks and Wehner for their presentations. They were very learned presentations. They will help us a great deal in our work and the study we are carrying out.

I very much appreciated that Mr. Wehner's brief referred to the advantages of having a parliamentary budget officer, and of being able to benefit from the work he does. I hope that everyone took note of that. It is important.

Regarding appropriations, first of all in context of the main estimates and then in the budget and public accounts, the process is really quite long. It lasts about 18 months. When we receive the main estimates, we are unable to compare them to the main estimates from the previous year because the supplementary estimates are of course not taken into consideration. Moreover, the main estimates are submitted long before the budget. So there is no link between the budget and the main estimates. In short, it is difficult to compare apples, oranges and bananas. I believe you both made suggestions that would lead to changes in the process.

Mr. Wehner, you recommend tabling the budget no less than three months prior to the start of the relevant fiscal year, hence allowing us three months to review it. May I point out that this year, we have three days at our disposal.

Mr. Franks, regarding the timing of the budget speech, you suggested that it not be held on ways and means, but at some other time, on supply.

I would like you tell us more about the timing, and what process would in your opinion be the most logical and the most conducive to our doing our work as parliamentarians properly when we crunch the numbers. Also, we must see to it that the government is accountable to parliamentarians.

[*English*]

**The Chair:** Dr. Franks.

**Dr. Ned Franks:** The thing that interests me about the timing is that the expenditure budgets are usually set, I believe—and you should check this with the Treasury Board—by about the end of January at the latest. I don't know if that information was given to you by the Treasury Board, but I'd be surprised if it's any later than that.

I don't see any problem in having the budget speech at about that time when the government knows what it's spending. I don't see any reason why the estimates shouldn't have a regular time for being tabled, say, in February, and the budget speech is given at that time and then the estimates go on to the committees.

I think that would be just fine. I suspect the Treasury Board, Department of Finance, and Privy Council Office wouldn't agree with me on that. But I'm sure that some of the provinces do it closer to that schedule than the federal one.

**The Chair:** Dr. Wehner, would you like to respond?

**Dr. Joachim Wehner:** I think the case is really overwhelming that Parliament should have a minimum of three months to look at the standing proposals of the executive before the start of the fiscal year. There are a number of ways in which you can do that. Different parliaments have done this in the past or they have changed the system to achieve this.

Several legislatures have changed their fiscal year. This is quite easily done. It's not very hard to do. The U.S. Congress did that in the mid-1970s. Sweden did it in the mid-1990s. Germany did it a couple of times in the 20th century. These are not uncommon things. Each time the objective was to make sure there was enough time for Parliament to review the budget before the fiscal year started.

One option could easily be to say that the fiscal year will start on the first of July. You could maintain all your existing procedures and shift the fiscal year by a few months. This is what a number of countries have done in the past to achieve this. That is one option.

A second option, I would say, is maybe more gradual or incremental. This is the one that Professor Franks mentioned, which is an attempt to bring forward the tabling of the proposals. Some countries have tried this. We tried it in South Africa when I worked here. There the tabling was similarly late, as in Canada, and it is now taking place a few months earlier. But it is still not enough to ensure three months' scrutiny prior to the beginning of the fiscal year.

These are two options. In my opinion, it is—let me call it this way—a no-brainer. It's something that should be done.

● (1605)

**The Chair:** That concludes your time, Alexandre. Thank you for the questioning.

Now for the government side, the Conservatives, we'll go to Jacques Gourde. You have five minutes, Jacques.

[*Translation*]

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

I thank the two witnesses for having allowed us to benefit from their expertise.

My question is for both witnesses. The enormous amount of information in the votes and estimates is a big challenge in and of itself. Even if most of the time, the parliamentarians feel that the information is of a very high level, it is very difficult for us to make adequate judgments on the basis of the aggregate information that is submitted to us.

Firstly, how could this be improved?

Secondly, how could the financial information contained in the estimates be improved in order to allow parliamentarians to follow up on expenditures?

[*English*]

**Dr. Ned Franks:** I couldn't get this working, and my French is not perfect, but I'll try to answer your question.

The one that interests me is the one on the information available to Parliament on the budget and how Parliament can criticize the budget.

I would offer a couple of thoughts on that. The budget process begins in the departments with, I would guess, and I could be corrected on this, not just 10 pages of information for every page in the expenditure estimates, which are well over 500 pages, but probably 100 pages, maybe even more, which Treasury Board and the departments work with to get the budget down. It's a major operation. Thousands of man-hours of time go into creating the budget estimates.

Parliament has a problem there. There are two sides to it.

One is that the information they have on the expenditure estimates is very limited compared to what's available to the government. The second, to make it very simple, is time and human resources. As I say, this is a huge process of going back and forth between departments and central agencies and producing an expenditure budget. There's a huge investment commitment on the budget when it's presented to Parliament.

The system has evolved. We live in it. The government and the departments themselves and the people involved inside are very resistant to changes from the parliamentary side, to the point that they're almost unheard of.

If Parliament—the House of Commons, of course—wants to look at this more closely and do something, Parliament should set up a schedule of devoting a large part of a committee's time or some committees' time to a budget over a couple of years to try to get to a point where they could influence it.

Within the vote structure there is no problem. Parliament can, within a vote, recommend changes and propose them. But they actually have to be approved by Parliament. There is nothing that constitutionally prevents Parliament there, except the very powerful feeling that exists within both the government and the departments that it's their money and their budget, not Parliament's.

● (1610)

**The Chair:** Dr. Wehner.

**Dr. Joachim Wehner:** I have certainly seen more highly aggregated estimates than in Canada, but I did look at the main estimates a few days ago, and at least you have program-level information, which I think is very good. I've seen estimates that include more detailed information below the program level, sub-programs, or whatever you may call them. I don't know if your estimates also include that information. I'm not closely acquainted with that, but there are different ways of presenting estimates, and having programs in the estimates is very important. One could add a level of detail to that on the next level below the program level.

It is also important for estimates to have medium-term figures in them. Of course, you approve budgets on an annual basis, but certainly, in my opinion, in a good set of estimates I would like to see information on past expenditure, the current budget year, and then three years or so out into the future, of which the first year is the budget year. That gives me a range of years that I can then use to query government; I can ask how a program is developing, what is driving spending changes in a particular program. These are some of the things that I'd like to see in a good set of estimates that is given to Parliament.

The level at which you appropriate money is then a second issue, and I have very strongly advocated also appropriating money at the program level. I believe this will also force government, to some degree, to engage more carefully with parliamentary committees, and maybe it will also lead parliamentary committees to ask more detailed questions about programs, because when you just approve the budget at the vote level, you say, “Executive or government, you can do whatever you want”, within very highly aggregated spending lines.

These are just some of the points I would make.

With regard to the last point that was raised on whether it is possible to better analyze the budget, here I can just make the point again that you are extremely fortunate among the OECD countries to have access to the Parliamentary Budget Office. Although this is a growing trend among OECD countries, we have about one-third of all OECD country legislatures having such a research capacity, and the two-thirds that lack it have much less possibility to analyze the budget proposal.

**The Chair:** Thank you, Dr. Wehner.

That actually concludes your time, Jacques, but Dr. Franks wanted to add something to this before we move on.

**Dr. Ned Franks:** The issue of program budgeting depends on the size of the unit or program that you want to have a budget for identified by Parliament, and compared with what used to exist in the United States, and I suspect still does, where much of the budgeting —perhaps I could be corrected here—is line item budgeting rather than program, we have the advantage of having the vote and sub-vote structure based and identified by programs.

It seems to me that one of the useful things this committee could do is invite the government to explain the difference between what it describes as a program budget and the current one and what the steps are to get from one to the other. I like our system of having votes that are part of a department's estimates, and then the allotments, which I would rather call sub-votes, within them, which should be identified by program.

It would be worthwhile for this committee to toss that to our Treasury Board to see if there's a middle ground between line item and satisfactory programming, or if we're at program budgets, or if we're partway there. That is a very important issue that we should look at.

● (1615)

**The Chair:** I agree. Our analysts have taken note of that. We may get the Treasury Board back once we've heard from other witnesses like you, Dr. Franks.

We will then move on to the official oppositions.

Mathieu Ravignat, you have five minutes or thereabouts.

I will tell all committee members that we've been kind of loose with our time. We have a witness here from so far and he's sitting there in the middle of the night, so we really want to cut everybody a bit of slack here.

[*Translation*]

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

I thank the witnesses for being here.

I am wondering about the state of democracy in Canada. As you know, Canadian democracy rests on the principle of responsible government. I am thinking of Confederation and the development of responsible government. I am not at all impugning the responsibility of the Conservative government; I am talking about the concept of responsible government.

The process is extremely complex and the information, in my opinion, lacks precision. I wonder if it has become an empty ritual and whether the very principle of responsible government hasn't been undermined for years. As a Canadian, this concerns me greatly and also concerns the citizens of my riding.

Have things reached such a pass that the concentration of power and the Canadian government's focus on economic decisions are causing a democratic crisis?

**Dr. Ned Franks:** I think it's a crisis that has existed since 1867.

**Voices:** Oh, oh!

[*English*]

**Dr. Ned Franks:** We do have a problem.

You might look at this as a criticism of yourselves, and I don't really mean it, but a big part of the problem of the weakness of Parliament vis-à-vis the executive is the dominance of parties over almost every aspect of an MP's existence. That's not the private side in dealing with the constituents, but who participates in committees, in question period, who gets to talk during a debate, and so on. If you're a bad boy, you don't go on a foreign trip because the whips want to punish you.

If I were to suggest the one obstacle to a collective voice from Parliament in looking at things like the budget and making even minor changes, it's that dominance of party and the control that party exercises over the parliamentary activities of members. I don't know how to break that, and I'm sure you could tell me far better than I can how you might do that.

**The Chair:** Interesting.

Dr. Wehner.

**Dr. Joachim Wehner:** I don't want to become too normative. I said in my opening remarks that some of these things about the right balance of power between the executive and the legislature are really questions that are normative and reflect a certain view of how politics should be structured. But let me nonetheless give you some food for thought, which I think is in the spirit of your question.

The first point I would make is that in Westminster-type systems, parliaments used to make changes to the budget and be more active in making decisions on public spending. Even in the U.K., for example, which nowadays is maybe the weakest parliament of the OECD countries on scrutiny of public expenditure, until about 1920 the parliaments very routinely made changes to executive spending proposals. Then somehow this practice emerged of not doing it anymore.

I don't think there's anything inherent in the constitutional model of the Westminster government that says Parliament cannot play a more active role in scrutinizing the budget and even making changes to it. Quite clearly, historically it did that for a very long time, in fact.

The second point I would make is that even within the Westminster-type setting—which I think you very appropriately characterize as being extremely biased toward executive authority and executive power in economic policy-making—we are seeing a shift. The shift is not only in one or two countries; it is taking place in several countries. You can see it, for example, in the creation of legislative budget officers in Australia, South Africa, and Canada. These are Westminster-type countries. They are strengthening legislative scrutiny. You can see new committees, for example, or the changes I mentioned earlier to amendment powers in New Zealand and South Africa, which also has a Westminster-type system.

So there's a history of more proactive parliamentary involvement in economic policy-making. There's nothing inherent in the constitutional model that would prevent this. Second, I think there's a broad international trend, and I don't see why the Canadian Parliament couldn't at least reposition itself a bit more toward legislative scrutiny of the budget and a greater role in setting the budgets.

● (1620)

**The Chair:** That's your time, Matthew. Thank you.

For the Conservatives we have Kelly Block for five minutes.

**Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC):** Thank you very much, Mr. Chair.

I want to thank you as well for being with us today.

We've been doing this study for a few weeks, and we've had many witnesses make similar observations to those you have made here today, recognizing that some of these processes have been in place for over a century, and studies have been undertaken and recommendations have been made, but not too many changes have resulted.

I want to go back to some of the comments that were made after my colleague asked questions about democracy. You noted that this has been an issue since 1867. I guess it's about partisanship. I'm going to ask you to comment a little on that.

A former Liberal member of Parliament, Mr. Joe Jordan, testified to this committee. I believe he was parliamentary secretary to the President of the Treasury Board for a time. Mr. Jordan made the following comment. I want to quote it and then perhaps get both of your thoughts on the issue of partisanship.

> The estimates and supply process is a terrible, partisan mechanism for trying to embarrass the government, but it could be a very useful mechanism if MPs saw it as a way to improve the effectiveness and efficiency of government operations.

I'd like you to comment on that. Do you think there are ways we can make this process less partisan, more efficient, and more effective?

**Dr. Ned Franks:** I think you need a rebellion in the caucus to do that, though I can offer some moderately serious things.

I don't think there should be the number of associate members of committees that there are. Now this is one of the best committees in Parliament, and most of you come to most of the meetings, but I believe I'm correct in saying that the NDP has something like three associate members on this committee, the Bloc has very few, the Liberals have very few, and the Conservatives have more than 120. Every member of the caucus who isn't a member of the committee or who isn't a cabinet minister, including the parliamentary secretaries, is an associate member of a committee.

I think the rules of the House of Commons should be looked at to the point that you can feel reasonably confident, if you're on a committee, that the whip isn't going to take you off if he doesn't like you or you don't do what you're told; that you're here for the full time, maybe even for a full Parliament; and that as associates you'd just have a limited number, not every member of the caucus. I have wanted to see that for a long time.

One of the real problems I find, in looking at committees and what they do—even if it's a committee that I go before, say, three times in a year—is that there are always new members. The thing you want to have in an effective committee is a corporate sense that you're not there for your party, but you're there for the people of Canada and the constituents and to work with your colleagues to produce the best thing you can for Canada, regardless of your party's views. Tell your party leaders to keep out of it.

That's an ideal. They've done it in England in their smaller committees, and they have an amazing history of it. But it's a totally different world. The average stay in Parliament for a member in Canada is a little over seven years, from seven to ten years. The average stay in Britain in almost triple that. I don't know about South Africa. But we do have that very real problem of the resources and the pressures on human resources and the pressures on MPs that tend to reduce the ability to produce a cohesive committee, except in very select circumstances.

● (1625)

**Mrs. Kelly Block:** Okay.

Mr. Wehner, would you like to comment?

**Dr. Joachim Wehner:** Well, I think you've raised an important point, and it is that we can talk about institutional features, but at the end of the day what Parliament does is part of the political system and political dynamics, and these give rise to certain behaviour, which can be highly partisan or sometimes less partisan in some countries.

I have, however, seen parliaments in other countries that also have parliamentary systems, where you see occasionally at least much more of a cross-partisan approach in committees in particular. So if it is possible, it is possible in committees. This is the one big point I would make, and I also second Professor Franks on this.

I will just give you one nice example, which I really like, from the German budget committee in the German Parliament. They were having their budget hearings a few years ago and they heard that instead of attending the hearing in the budget committee, the finance minister was hanging out in the press gallery. When the committee heard this, they cut $500 million Deutschmark, at the time, from his budget—half a billion Deutschmark is not an insubstantial sum—which he wanted to use to renovate his customs offices.

That kind of approach...you're not doing it to score party political points, but you are really doing it to hold government to account. You can see a kind of cross-partisan spirit in that.

I think that is only possible in committees. One of the ways in which some committees foster this kind of approach is through rapporteur systems, where you give groups of MPs the task to scrutinize a particular part of the budget, and these MPs come from different political parties and they try to come up with a consensus view on this. Some committees in other OECD countries operate along these lines.

But as you said in your introduction, these broader political dynamics are very difficult to change, so they often are what they are, unfortunately, sometimes.

**Mrs. Kelly Block:** Thank you.

**The Chair:** Thank you, Kelly. We're well over time.

Now for the Liberal Party. John McCallum, you have five minutes.

**Hon. John McCallum (Markham—Unionville, Lib.):** Thank you, Mr. Chair.

I, too, would like to welcome our two experts. I guess my line of questioning is a little bit similar to what you've already heard.

We've heard a number of proposals, and people seem to agree on the direction we should go. Let me take the very simplest one, which is the timing. Dr. Wehner referred to this as a no-brainer. It would not be difficult, I don't think.

You said, Professor Franks, you could have the budget in February. Let's say you change the fiscal year so it ends on June 30, just for an example. You would have more than three months there. I can't see how that would reduce the power of the executive relative to Parliament, just that one little change. Many other countries have done it.

I guess my first question would be to Professor Franks. Is there any downside of that timing change, and if not, is it only the institutional inertia that is stopping it, or is there some good logical reason why Professor Wehner may be wrong and why perhaps it isn't such a no-brainer?

● (1630)

**Dr. Ned Franks:** I think it's a very good idea, but I find every proposal for reforming committees, with some exceptions, in the Canadian House of Commons foundering on the reefs and rocks of partisanship. The one exception I can think of was the decision of the public accounts committee to go against the government and recommend the implementation of the accounting officer approach to responsibility in the accounts. That one fascinated me. It was one of my pet peeves.

**Hon. John McCallum:** We got a letter from the President of the Treasury Board, Tony Clement, who seemed to be encouraging us to do this study and who seemed to be making some noises consistent with what you are proposing. I can't see that this timing issue would cause the government to quake in its boots about losing power to us MPs.

You still haven't really answered my question. Why can we not make it happen?

**Dr. Ned Franks:** It's not for me to answer why you can't. I think if you as a committee believe in it, make the proposal. Recommend it. Then make sure that your report is debated in the House. I believe you could bring up that one single thing as a private member's motion. Do it. I'd love to see something like that come out of this committee, truly.

**Hon. John McCallum:** Thank you.

Professor Wehner, do you have anything to add to that, or comments?

**Dr. Joachim Wehner:** I just want to give you a small insight on why this practice actually prevails in Westminster parliaments.

In medieval England, parliaments tried to force the king to spend his own money before taxing. It was a good idea a few centuries ago to vote the budget as late as possible. There's no good reason now to do that anymore. We don't have kings who play a role in public financial management anymore. The OECD and the IMF and everybody agrees that the budget should be approved on time.

This is really an overhang from an old and ancient past that no longer has any relevance in the modern public financial management setting. I just wanted to add that because sometimes we forget where these procedures come from, and of course it made sense 300 or 400 years ago to keep the king waiting, but we no longer have kings; we have democratically elected governments and democratically elected parliaments.

**Hon. John McCallum:** Thank you.

**The Chair:** You still have about 90 seconds left.

**Hon. John McCallum:** I have one quick question, then, for Professor Franks. This is a much more specific Canadian thing.

There had been some concern in the recent past about the G-8 legacy infrastructure fund and the green infrastructure fund in regard to money that had been allocated to border infrastructure being shifted to Muskoka, money for the green infrastructure fund being shifted to forestry.

Is there some change that could be made so that parliamentarians are at least made aware of these changes other than by fluke?

**Dr. Ned Franks:** Yes. I'll deal with the one I've looked at most closely, which was the border defence or whatever becoming gazebos—unarmed gazebos, we must remember—in Muskoka. That was a product of the structure of the votes in the department, which was Public Safety, I believe. The vote divided into the allotments. One of the allotments permitted the transfer from the border defence or protection into a slush fund of $50 million for the minister's riding. I have often felt that, just to be fair, he should have given $50 million to every member.

● (1635)

**Mr. Mike Wallace (Burlington, CPC):** I think we have to be careful with language that calls it a slush fund. The professor indicated that it was a legal transfer of money based on how the votes are structured. He may not like how the votes are structured, but—

**The Chair:** What's your point of order?

**Mr. Mike Wallace:** Nothing. The guy talked. Thank you very much.

You shouldn't be calling it a slush fund.

**Dr. Ned Franks:** I should not call it a slush fund. I should call it a fund that was used at the minister's discretion and that became cultural amenities in his riding. Is that acceptable?

**Mr. Mike Wallace:** That is much more acceptable, Professor.

**Dr. Ned Franks:** Thank you.

**The Chair:** Thank you to both of you.

Actually, we're out of time, but it's just as well.

We'll move to the next questioner, Mr. Peter Braid, for the Conservatives.

**Mr. Peter Braid (Kitchener—Waterloo, CPC):** Thank you, Mr. Chair. I'm pleased to bring some respect and decorum back to these proceedings.

Professor Wehner, I want to start with a question for you, please.

You mentioned in your presentation two examples, New Zealand and South Africa, where the approvals for appropriations are based on programs or outputs. I'm curious to know what impact, if any, that has had on the people, the electorate, as it were, of New Zealand and of South Africa.

**Dr. Joachim Wehner:** That is a very big question. I believe that we see the effects of these changes only over a number of years.

If I look at the journey in South Africa, for example, you used to have a parliament that was entirely passive and that never did anything to the budget. That was the system inherited after the end of apartheid. At the very least, now you have a better process, and you have at least the possibility of more careful scrutiny. I can see now, at least in public debates around the budget, that people are starting to ask questions about the programs within the votes. I think this is really a level of detail that was missing before from parliamentary discussions.

You may not see major changes for a number of years, but by making programs more meaningful, you get much more input from the public debate, and you have much more detail, which you can use to ask questions of the government.

I'm not promising miracles here, and I certainly have no evidence of miracles happening as a result of these changes, but they do give Parliament a lot more information, which it can use to ask questions. And that is a good thing, I believe.

**Mr. Peter Braid:** Thank you very much.

Professor Franks, do you have any thoughts or suggestions on how to improve or simplify the estimates documents themselves?

**Dr. Ned Franks:** The problem with changing the estimates is its multiple functions. It's a control document. The structure of the votes in it, and to a lesser extent the allotments, is a control over departments by Parliament and by the Treasury Board. The issue that faces Parliament and the Treasury Board in creating the estimates is the level of control you want to have. How many votes should there be? Should there be a vote per program or should they aggregate programs? How much control can you exercise effectively centrally? How much do you let the departments do within a vote or, to be more accurate, within an allotment within a vote? The answers we have come to in Canada are primarily derived from the experience of the Treasury Board and the departments over the years. There has been very little parliamentary input into it. I don't even know if Parliament is capable of doing it.

In your report, you might ask about the estimates going to the specialist committees in Parliament. Invite them to comment on the vote structure and the allotment structure of the budget estimates they're dealing with. You might be surprised. You might get some very helpful answers that would surprise even the government.

I think there's a large role for Parliament, because the question you have to ask as parliamentarians, ultimately, is whether you are comfortable with this system as it exists. Or do you feel that you lack both knowledge and control, even in the accountability stages? I know that many times I have heard parliamentarians express that concern about control, if we can call it that, over the budget.

● (1640)

**The Chair:** Thank you.

It's been over five minutes, but if you have one quick question.... We've been way over on everybody's time allowance.

**Mr. Peter Braid:** I might as well take advantage of your generosity, Mr. Chair. I'll go back to Professor Wehner.

I have a different question on a different topic. I'm curious if you have any thoughts on how we can better use technology to help us understand the estimates process. Specifically, I'm thinking about Internet-based documents, hyperlinks, including analytical tools.

Do you have any thoughts on that?

**Dr. Joachim Wehner:** Not immediately, I have to say. It's been my experience that what really makes the difference—and I've briefly worked in Parliament as well—is when you get members of Parliament who pick up the estimates and actually read them. I'm sure there are good ways of using technology to deepen that process, but very little actually gets around basically picking it up and reading it and thinking about it.

I'm sorry to disappoint—

**Mr. Peter Braid:** It's just like a morning newspaper. You can't replace it.

**The Chair:** Dr. Franks would like to answer that briefly.

**Dr. Ned Franks:** I've wondered about that, having worked on the inside and looking at it from the outside. The answer is the amount of information that Parliament gets is “that big”, compared with “that big” within the department and “that big” in the Treasury Board, and so on all the way along.

I think Parliament could get more information, but the question is, can Parliament use it, and how would it use it? I don't see that there's a matter of confidence that you couldn't get more than is given, at current times, in the estimates.

Having said that, even the estimates you get now, with their meagre descriptions of programs and so on, is far better than 50 years ago—far, far better. Perhaps we could give a little push to get more in there.

**The Chair:** Thank you, Peter.

Now we're starting a whole new round and we'll go as far as we can. We're going up to about 5:15 our time, which is about half an hour still, if that's okay with our witnesses.

For the NDP, Denis Blanchette.

[*Translation*]

**Mr. Denis Blanchette (Louis-Hébert, NDP):** Thank you, Mr. Chair.

I thank our guests for being here.

Mr. Franks, the beginning of your statement was rather pessimistic as to our system's capacity for transforming itself. I am going to try to get past that.

I'd like to discuss a comment you made which surprised me. You said that basically, no distinction needs be made between capital and operating expenditures.

Since budgets get larger and larger and expenditures are increasingly diverse, would not making a distinction between capital expenditures and operating expenditures not contribute, on the contrary, to making things even vaguer and harder to grasp when we attempt to follow up on the budget?

[*English*]

**Dr. Ned Franks:** I've wrestled with that, and perhaps my academic colleague might have something to add, but my impression is that when you separate the capital budget from the operating budget, you open avenues for fudging. What is capital and what isn't capital is a debatable notion.

I know that lawyer friends of mine who deal with the selling or purchasing of businesses always prefer the cash accounts to the accrual accounts because they figure they're getting a truer picture of a business. It's not that I don't trust public servants or politicians, but I do feel that keeping away from capital budgets, as something totally different from operating budgets, opens the room for more fiddling than I would like to see. We did it in the past, and I was not comfortable with what we did then.

● (1645)

[*Translation*]

**Mr. Denis Blanchette:** Thank you.

Mr. Wehner, I thank you for your very interesting contribution. When you mentioned that all of the parliaments that have adopted the Westminster system have by and large the same type of structure, you raised the fact that we may have a systemic problem.

Beyond simple suggestions of accommodation, in the best practices you have observed elsewhere, such as at the OECD, are there ways of getting closer to a type of governance that will allow us to have a clearer perspective on things and to gradually get closer —we who work in this type of parliamentary system—to some more effective models, even if, as we are agreed, there is no single ideal model?

[*English*]

**Dr. Joachim Wehner:** I've seen a lot of change within the basic model of the Westminster system of government. Different parliaments have, for example, instituted new committees that they didn't have in the past.

Professor Franks mentioned that this was the case in Canada as well, in the 1960s, for example, with reforms to the committee system. You've seen new analytic institutions and changes to the structure of the estimates and so on. I would say there's nothing inherently wrong with the Westminster system. It's just a system that comes from a starting point that puts Parliament at a severe disadvantage.

It is up to you, in a way, to reshape that system. I've tried to highlight some of the variables that you could try to shift if you wanted give Parliament more of an opportunity to make a difference. I'm not saying that it will always use that opportunity—that is partly due to party politics—but what could be done is very clear, I think. It is about the formal powers of the parliament. It is about executive flexibility once the budget has been approved, the strength of committees, the timing of the budget process, and access to analytic capacity. Any of these variables can be changed, even within the Westminster framework, and we have seen that in the past.

Some of the things that I recommended in my comments I think are very well possible within the basic framework of a Westminster type of system.

[*Translation*]

**Mr. Denis Blanchette:** You talked about adjusting the period during which we study all of this, but certain imperatives are difficult to control. For instance, we study the main estimates, but our system imposes a structure by which we only see the results some 18 months later in the public accounts.

Can you tell me whether, according to your observations, this cycle is used in several countries? If not, would it be possible to compress the process to allow us to see the total financial picture from one year to the next, in an effective way, using tools that would allow us to monitor the evolution of programs and to make better forecasts?

● (1650)

[*English*]

**The Chair:** Could we keep our answers fairly brief, please? We're getting close on time.

**Dr. Joachim Wehner:** I think you've raised a very important point. One of the things that could be done without much difficulty, I believe, is to have more in-year reporting by the government at a detailed level, or a more detailed level than may be available at present.

Technically, there's no reason why there shouldn't be an update every month, for example, or every quarter of budget execution, at least at the vote level, and maybe at the program level. That will give you a lot more information, not only 18 months down the line when the accounts come to the public accounts committee, but also as the fiscal year unfolds. You will have a lot more information at hand about what is actually going on in the budget. These are changes that I have seen in a number of countries.

There are quite a few parliaments where you have monthly reports. These are not necessarily reports to parliament. They are just things that are posted on treasury websites, for example, such as monthly reports or quarterly reports, and ideally at a program level. And why not? The treasury has all of this information. It may as well publish it.

**The Chair:** Professor Franks, would you like to respond?

**Dr. Ned Franks:** I think it was a very good question, and it was a very good answer, except that we're going to need two reporting agencies there. One would be the Department of Finance on the overall income outgo picture, and the second would be the Treasury Board on the expenditure side. It might be something that we could ask the Parliamentary Budget Officer to produce in conjunction with those two departments every quarter. I think it would be a wonderful thing to do.

**The Chair:** Excellent; this is really interesting.

We now go to Ron Cannan, for the Conservatives.

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair.

Thanks to our witnesses. I do appreciate you sharing your wisdom and experience.

Mr. Franks, in your presentation you referred to the 1995 report. That was a 92-page report, with 49 recommendations. To maybe help make it more efficient, out of those 49 recommendations, are there some there that...? As you said, very few of the recommendations were implemented. Instead of reinventing the report, maybe we should just take that report and implement the recommendations.

Are the recommendations still pertinent today?

**Dr. Ned Franks:** Yes. On the other hand, what we have in the reform process in Canada is what you might call a "fractured" dialogue. A bunch of MPs get in, whose tenure, as I say, is less than 10 years, and they're dissatisfied with the estimates process. They produce a report, with often good ideas. Then there's an election, and another bunch comes in. Seven years later, they're dissatisfied, and another report comes. This is the third of those.

I mean, apart from going to a different system of electing people —some kind of proportional representation that would guarantee longer tenure for many MPs—I think the thing you have to do here is simply direct yourselves to how you as MPs feel now. What are you least comfortable about in your role as overseers of the public purse, and what would you like to see changed? It might be more detail in the estimates, or it might be quarterly reports that would make you feel much more comfortable—vote by vote, for that matter, although one must recognize that within government, there is no assumption made that the expenditure in a vote will be quarter by quarter; in fact they can have widely varying amounts per quarter.

I think there are a lot of things like that that you could do and propose. I think it's the stick-with-it-iveness that your committee can manifest before the next election that will determine what comes out of this.

**Mr. Ron Cannan:** I know that several of us in Parliament have spent years in and around municipal council tables and regional districts in different levels of government. Then, when we come here, we try to find what is the role of the parliamentarian—oversight versus micromanaging—as well, and I think that's one of the aspects you alluded to: the level of comfort.

As we talked about before, people get this big book, look at it, and aren't even sure where to start. They set it down and move on to something else to review where they can feel at least some sense of consciousness.

We're hoping to have something, for our future parliamentarians as well, that's a little bit more understandable. From the comments, we could look at maybe going to the program-based. We had Treasury Board officials saying they have that information; it's available. So we could go to that rather than output-based appropriation of votes to approval of programs.

● (1655)

**Dr. Ned Franks:** I worry a little about that, because the votes and the sub-votes, or the allotments, to a large extent mirror the program structure of government. They don't mirror the purposes of government, but in terms of the program structure as delivered by departments, there's a pretty decent connection between the two.

I could see it being more detailed in the estimates, but then we get into the problem of whether or not you'll drown in detail. I mean, when the estimates used to be considered on the floor of the House, in committee of the whole, the questions used to be something like this: "Mr. Minister, last year you spent $2,500 on X. This year you're proposing to spend $3,500. Can you account for that difference?" It wasn't terribly helpful.

So I think you really have to focus on what you think members of Parliament can do, what size they'd be comfortable with.

**Mr. Ron Cannan:** I agree; it's important to find that balance.

Professor Wehner, you talked about the British Parliament right now, and I think you said it's probably doing the worst job of any Westminster government in oversight of budgets or estimates.

Can you elaborate on that comment?

**Dr. Joachim Wehner:** I think if you look at some of the variables I talked about, the Westminster Parliament really is at a severe disadvantage. Amendment powers are the same as in your House of Commons. Parliament can only reduce existing items. The last time the government was defeated on estimates was in 1919, when the Lord Chancellor was denied funding for a second bathroom. So that was a long, long time ago, 80 or 90 years ago.

The budget is routinely approved late. What happens in the meantime is that the government starts implementing its budget proposal. It's a system that puts Parliament at a disadvantage. The estimates are extremely high-level, in particular with big departments at the vote level, where many, many billions of pounds are appropriated in a single line. It effectively means that the executive can adjust the budget during the fiscal year in almost any way it likes. It can withhold the money, because British-style appropriations are only upper limits; they don't oblige the actual disbursement of these funds. That is up to the treasury's discretion. It's an upper limit at a very high level of aggregation, which means that a lot of money can be moved during the fiscal year.

You have the disadvantages of timing. In the British House of Commons, it's one of the very few parliaments in the OECD that does not have a specialized budget committee. There are only three or four parliaments within the OECD community where the legislature does not have a specialized finance or budget committee. There is a treasury select committee, but it is departmentally focused. It is not a finance or budget committee. Finally, they do not have a very extensive budget research capacity.

So on several of these counts, on several of these variables, the situation in Canada is actually already better. There is more for committee infrastructure. There is the Parliamentary Budget Officer. I think in many ways you already have a more useful set of estimates than the House of Commons in the United Kingdom gets at the moment.

● (1700)

**The Chair:** That is very interesting.

Thank you, Ron.

Members, before I go to Alexandre Boulerice again, I think we'll have to make sure that we keep it to five minutes for questions and answers if we're going to finish our list in the 15 minutes we have remaining.

You have five minutes, Alexandre.

[*Translation*]

**Mr. Alexandre Boulerice:** Thank you, Mr. Chair.

My first question is for Professor Wehner.

You indicated in your document that we could enhance the independence of the parliamentary budget officer, notably by upgrading his status to that of a full-fledged officer of Parliament. I think that is an excellent suggestion.

You say this afterwards: "Moreover, steps should be taken to ensure full access to all relevant information."

Why did you think it advisable that measures be taken to ensure that the parliamentary budget officer has access to all of the data?

[*English*]

**Dr. Joachim Wehner:** We have just completed, as part of an OECD study, a review of independent fiscal institutions in OECD countries. Amongst these institutions was the Parliamentary Budget Officer of Canada. I have also followed a little bit over the past few years the work of the Parliamentary Budget Officer, not in extensive detail, but I have kept a bit in touch with it.

From this work, I am aware that on occasion there have been requests for information from departments where the information has not been furnished, and then letters posted on the website of the Parliamentary Budget Officer that are essentially the responses from government departments to such requests for information.

I think that despite the provisions in the law, the Parliamentary Budget Officer should get information for free and should get the information he needs to undertake his work properly. I believe there have been some problems in this area.

[*Translation*]

**Mr. Alexandre Boulerice:** Thank you.

Beyond a certain date, the estimates are deemed to have been approved by a committee. You suggest, Mr. Wehner, that that practice be abolished. For your part, Mr. Franks, you do not like that process but you think it should be maintained.

I would like to hear you debate this. Should we, yes or no, maintain this procedure? Convince me.

[*English*]

**Dr. Ned Franks:** Shall I begin on that? I could get something off my chest.

Before the current system existed, back in the dark old days of the 1960s, there was sometimes a risk in minority parliaments that the budget wouldn't ever get passed. It did, finally. Sometimes the estimates would be approved after the fiscal year was over. It was to avoid this that the deeming factor came in.

Now, maybe there should be a longer period between the time the estimates are introduced and the budgets are deemed passed. I would be comfortable with that. That I think is perfectly possible. But knowing what one might call the rampant partisanship in minority parliaments that we have seen in the past—not to suggest that modern MPs are like those of earlier generations, but it's perfectly possible—I think we need that deeming thing in there as a protection against just pure bloody-minded obstruction and the refusal to pass budgets in minority parliaments.

[*Translation*]

**Mr. Alexandre Boulerice:** Mr. Wehner.

[*English*]

**Dr. Joachim Wehner:** I think there are many parliaments where it is unthinkable that you would have anything happening on the floor of the House with regard to the budget without the responsible committee reporting on the budget. I'm not aware of any incidents in the German Bundestag, for example, or in many other western European parliaments, where the lack of a committee report would have delayed parliamentary practice.

So why not just require parliamentary committees to report on the estimates or on part of the estimates? Then they are under an obligation to do so. But you just say that if you don't do it, you're deemed to have reported. Effectively, this means that this part of the budget will not be properly examined. Let me put it more mildly: there is no potential, no possibility, for this part of the budget to be properly examined.

Examination at committee level is crucial. It's not going to happen on the floor of the House. If there is serious debate and analysis of the budget, it has to be at committee level. I would be a very strong proponent for making sure that committees live up to their duties and their responsibilities.

● (1705)

**The Chair:** Thank you, Dr. Wehner.

That concludes your five minutes, Alexandre.

Scott Armstrong, for the Conservatives.

**Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC):** Thank you, Mr. Chair.

Thanks to both of you for your presentations today.

Dr. Franks, I'm going to start with you.

The Standing Committee on Procedure and House Affairs said in 1998 that the standing committee should be able to reallocate funds during their consideration of estimates. My first question is, should they be able to reallocate these funds? If so, how would this affect both the principle of a royal recommendation that all funding proposals proceed from the crown and the ability of departments to actually plan for spending? Can you reconcile that for me?

**Dr. Ned Franks:** No, but I can try.

**Voices:** Oh, oh!

**Dr. Ned Franks:** Parliamentary control is on the vote, and the royal recommendation is based on the vote. Within the vote, there are sub-votes—the allotment—and my understanding was that they were proposing that kind of readjustment within the vote, not from vote to vote.

**Mr. Scott Armstrong:** Okay—

**Dr. Ned Franks:** I think—I'm pretty sure, but I couldn't swear to it.

**Mr. Scott Armstrong:** I understand.

Dr. Wehner, I have a question for you.

What are your thoughts...? Maybe you could inform us of your research on this. Is there any other country that consults the private sector in preparing estimates in such a way as to arrange the data to make it more accessible and easy to manage for parliamentarians? Do you see any opportunities for benefits by doing so on the presentation of process and the financial information? Have any other countries used the private sector to help out on this?

**Dr. Joachim Wehner:** Not necessarily in presenting the estimates or presenting information. The U.K. government has just committed itself to having, more routinely, public consultations when it comes to major tax changes, for example, which then will give the private sector a chance to make input and so on. Many parliaments would call it part of their review process of the budget if private sector institutions such as banks, for example, were to testify, or other private sector institutions that provide independent forecasts of fiscal policy or economic data, but this may not be entirely what you referred to in your question.

**Mr. Scott Armstrong:** Thank you.

I have one last question for both of you.

Another problem we have is that it seems each department has its own way of doing accounting. For us, that makes things very confusing.

In your opinions, would centralizing the process be an option?

**Dr. Ned Franks:** Treasury Board has responsibility for overseeing the production of accounts in departments. I think you should direct that question to Treasury Board and give them specific examples of the kinds of divergences in practice that concern you. It's certainly possible to make the accounting more uniform, but you have to draw the problem to their attention first.

**Mr. Scott Armstrong:** Dr. Wehner, do other countries use some sort of centralized process or format? Or is the situation like the one here, with every department kind of controlling its own accounting processes?

**Dr. Joachim Wehner:** There should certainly be uniform standards with regard to the format of accounts. I hope that is the case in Canada. I would reckon it is. But it could well be that the quality of accounting varies a bit across departments, and then you would have to focus on rectifying that situation, because, really, that shouldn't be the case. I would agree with that.

Let me just add this one thing. In the U.K., the preparation of the annual accounts is very much devolved to departments. The practice that you see is that some departments produce accounts much more quickly than others. Through that process, especially after the introduction of accrual accounting, there's also been a bit of competition between departments. So if you are one of the laggards, you're trying to catch up with the ones who report early on after the close of a fiscal year. So that has been quite helpful in the U.K.

● (1710)

**Mr. Scott Armstrong:** Thank you.

Thank you, Mr. Chair.

**The Chair:** That was five minutes, bang on. Thank you.

Next, for the Liberals, we have John McCallum.

**Hon. John McCallum:** This is just an observation, first, on your point about capital versus operating expenditure. I remember from the time we were in government—so it's not a partisan comment—that governments never spent a penny. All we did was invest.

**A voice:** Oh, oh!

**Hon. John McCallum:** So I agree with you that capital account could go up to 100%, and it's very arbitrary.

**Dr. Ned Franks:** Thank you, sir.

**Hon. John McCallum:** But going back to the deemed adopted rule, and the debate the two of you had, I think I'd tend to be more with Professor Wehner. If we take your point, would a substitute for that be a minimum amount of time devoted to the estimates of each department by each of the committees?

**Dr. Ned Franks:** I think that's a sensible alternative. I must say—and I haven't looked at this recently—that when the estimates were first referred to committees many years ago, I kept track of what was happening there. Members tended to find it one of the more frustrating things they did. I'm not sure if that's changed or not. I think you people could answer that far better than I. But you wind up with a bunch of people asking questions, getting answers, and not being able to do anything with them. You can't write a report and you can't change the figure in front of you, so you go on to something you think is more useful.

**Hon. John McCallum:** Maybe it would have to be done in conjunction with other things.

**Dr. Ned Franks:** Well, I don't see why a parliamentary committee in Canada can't take note of the estimates and write a substantive report. So the report is not on the estimates, but it's taking note of them and writing a report on some issue that the committee wants to do a report on. I see no reason, since the estimates cover almost everything that government does, why you couldn't have wonderful reports coming out of committees that way.

**Hon. John McCallum:** Going back to the issue I raised before about the G-8 legacy fund, whatever you wish to characterize it as, you may have said this, but I don't think I caught it: if we wanted to have the system changed so that governments could not do this freely but would at least have to report to Parliament if they shifted funds in this way, would that require some sort of legislative change? Would that be a good idea?

**Dr. Ned Franks:** Well, you see, the shifting was within a vote, from one allotment to another—a sub-vote to another, as I prefer—but you can't have a vote structure so small that it cripples discretion within departments. On the other hand, you can't have a vote structure so big that departments have complete discretion. It's the thin line they walk. I'm trying to remember the Irishman who walked the thin line between discretion on the one hand and indiscretion on other. It's sort of like that in setting up these systems of votes and allotments.

There is a fair amount of discretion. Normally, to my mind, it's not abused. When I see something surprising, like what the Auditor General reported on, I scratch my head and ask, “How could that happen?” My suspicion is that it was something in the oddity of the vote and what was permitted in the allotments that allowed it. But normally we can trust, I think, that when Parliament votes money for a purpose, even down to the allotment level, the government is going to spend it on that.

**Hon. John McCallum:** Okay.

I have one last point if I have time.

**The Chair:** You have 90 seconds.

**Hon. John McCallum:** I think this comes back to the discussion we were having at an earlier meeting in this committee. I think there was unanimity that we don't want voting on line items, as they have in the U.S., because then you have politicians voting for things in their own riding, but neither do you want such a broad category that it's meaningless. So perhaps one thing this committee can do—I guess I would ask both of you—is to try to find that happy medium where you have enough detail to be meaningful, but neither too much nor too little.

**Dr. Ned Franks:** All of you, I assume, sit on departmental committees as well as this one. You look at departmental estimates there. You might ask yourselves when you're looking at the estimates—or get the committee to ask—if the votes are too big or too little, if the allotments are appropriate, if you understand what the government is doing, and if you feel that you have control over it from what you are presented with.

Just start somewhere there. I think it's a very useful question, and you can come up with a useful answer, but I think you people have to do some research on your own.

● (1715)

**Hon. John McCallum:** Well, from my point of view, it's certainly too aggregated rather than not aggregated enough.

**The Chair:** I'm afraid that uses up our five-minute allotment. We just have time to do our last speaker in this round. We'll hear from Bernard Trottier for five minutes.

Bernard.

**Mr. Bernard Trottier (Etobicoke—Lakeshore, CPC):** Thank you, Mr. Chair.

Thank you to our witnesses for coming in today.

I just want to build on John's point about the level of detail, but also on whether that level of detail is something that should be voted on. Or really, is it just a question of having a discussion on it and then reporting? It ties back to our centuries of tradition around the confidence convention, and obviously if something were voted on in a committee that could constitute lack of faith in the government, then the government should fall.

So is it appropriate to have some level of voting...? I guess I'll ask your opinion, Professor Franks, on whether it makes sense to have votes at all within a parliamentary committee that is looking at this. It could be the government operations and estimates committee or it could be another committee, a departmental committee. What are your thoughts on voting on estimates?

**Dr. Ned Franks:** Prima facie, I don't see a problem, but ultimately the responsibility does not belong to the committee; it belongs to the House itself, and then the House itself has to realize that if it's changing a vote in a significant way, the government can treat this as a vote of confidence. So there are some unfortunate constitutional limits.

You might want to change it. You might want to say that every year there is a certain number of votes that can be changed and those will not be construed as votes of confidence.

**Mr. Bernard Trottier:** Part of that ties back to your earlier comment about all the associate members on the government side of this committee. I guess it comes down to how, as the government, it's difficult for us to lose a vote in the committee, because we're expected to win the votes, versus how the opposition can afford to lose votes, because normally they do lose votes on the committee....

**Dr. Ned Franks:** That's a very Canadian way of looking at things. I'm sure my colleague on the screen will support this. In most parliaments, committees are not as rigidly partisan as they tend to get in Canada.

**Mr. Bernard Trottier:** Mr. Wehner, maybe you can describe the voting process as to whether there is a committee or a subcommittee within different parliaments that actually votes on spending estimates. Or do they just observe and comment on the estimates?

**Dr. Joachim Wehner:** In many cases, the committees are tasked with preparing recommendations that respond to the government proposals, and then there is a vote on them on the floor of the House.

If you take, for example, the Swedish Parliament or the German Parliament, the finance committee—or the budget committee in the German case—makes many amendments every year, which are proposed to the House. When they come out of the committee, they are very rarely changed on the floor of the House. They represent a view that is usually accepted on the floor of the House.

Of course, the government usually is not against these amendments, or it allows them to happen. But it is also possible for the opposition to sometimes influence particular items. In many parliaments, you have some scope for cross-partisan cooperation.

Again, if it is possible, it's possible at committee level. I'm aware that the Westminster type of set-up tends to be extremely partisan, but if this space exists, it is at the committee level. It's even more important that the space not be diminished, for example, by the deemed rule or lack of time or things like that.

**Mr. Bernard Trottier:** Thank you. I have just one final question —

**Dr. Joachim Wehner:** I just want to add one short observation, which is on the number of line items.

Certainly, if you look at international evidence, my impression is, and you could do a study of this if you wanted to, that the number of lines you appropriate—so not the estimates, but the appropriations—is at the very low end of the spectrum. No one here suggests that you should go all the way to the other extreme. The extreme I know is Turkey, which has more than 30,000 line items in the budget. Nobody wants that. But having, say, somewhere between 500 and 1,000, with some provisions for executive flexibility to move money within the limits, within the vote, during the financial year—the so-called virement or reallocation—without going back to Parliament, with, say, a 5% threshold or 10% threshold, does not really hinder the executive in any way. It just forces it to design meaningful programs.

This is something you should be entitled to as parliamentarians. The executive should put thought into its programs. I think that's a key message I would like leave you with.

● (1720)

**Mr. Bernard Trottier:** I have one final question, if I have some time, Mr. Chair.

Very quickly, Professor Wehner, you mentioned that a timeframe with a minimum of three months between presentation of the budget and voting on it would be appropriate. Presumably, in that three months, departments would have time to put together estimates, which we could call our “main estimates”.

Given technological changes, is there a possibility to compress that even further? I know that if you give a bureaucrat three months to do something, they'll take three months to do it. If you give them six weeks, maybe they'll be able to do something in six weeks. Is there something now with modern accounting systems and so on that would allow us to compress that timeframe, if we move toward your recommendation to have a timeline between the budget being presented and the beginning of the fiscal year?

**Dr. Joachim Wehner:** Is your question referring to the scrutiny process within Parliament or to the formulation process in the executive?

**Mr. Bernard Trottier:** In a way, it's both.

I sense that you want to have estimates before the beginning of the fiscal year, so you want to introduce a budget well ahead of the beginning of the fiscal year. I want to explore whether a minimum of three months could be made even shorter, based on your experience in some other parliaments perhaps or maybe some insight you have into the process.

**The Chair:** Could we have a very brief answer, please, Dr. Wehner?

**Dr. Joachim Wehner:** I think sometimes it's like wine: it takes time. If you want good wine, you need to give it time to mature.

I think three months really is a minimum standard already. If you look at the U.S. Congress, they get the budget eight months prior to the beginning of the fiscal year. Germany gets it five months before. So three months really is not excessive. Within the legislature, I think a division of labour between committees can make the process more efficient. So instead of having just one committee to look at it, the fact that you have the sectoral committees dividing that task amongst them is already potentially a way of making it more efficient.

**The Chair:** Dr. Franks, did you have a brief opinion on that?

**Dr. Ned Franks:** We would have to be rearranging the fiscal year, and we would have to be rearranging the government's calendar for preparing the estimates, but those things are matters of taste and habit rather than things fixed in stone.

I think that if as a committee you want to propose ways to give Parliament a greater opportunity to scrutinize budgets before they are actually implemented, you should.

**The Chair:** That may well be one of the recommendations that comes out of our study.

Dr. Franks and Dr. Wehner, thank you both for your very interesting and very valuable contributions.

A special thanks to you, Dr. Wehner, for the trouble you've gone to in order to be with us so late into the evening. We all took a lot of notes and enjoyed your presentation very much.

Dr. Franks, you are welcome at this committee any time. We may even want you back again as we continue with this study.

**Dr. Ned Franks:** It would be my pleasure to come back.

Thank you. I've enjoyed it.

**The Chair:** Thanks to both of you.

Thank you, Dr. Wehner. I hope we meet again some time.

**Dr. Joachim Wehner:** Thank you.

**The Chair:** We need to go in camera to deal with a couple of business items in the last ten minutes we have.

[*Proceedings continue in camera*]

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