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Mr. Pat Martin

Standing Committee on Government Operations and Estimates

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● (1530)

[*English*]

The Chair (Mr. Pat Martin (Winnipeg Centre, NDP)): Good afternoon, ladies and gentlemen.

Welcome to the 40th meeting of the Standing Committee on Government Operations and Estimates.

We'll continue with the study we have under way on estimates and supply—to consider the way our committee and our government analyzes our estimates process.

We're very pleased today to welcome, as a special guest witness, by teleconference, a very well-respected authority on this subject and someone whose name, I must say, has come up in the witness testimony of various other witnesses who we've had presenting before our committee.

I'd like to welcome to the committee Dr. Allen Schick from the School of Public Policy at the University of Maryland.

You are very welcome here, Professor Schick, and we will benefit from and very much value what you have to say to us.

This is an all-party parliamentary committee, as you know. It's one of the only committees chaired by the opposition members. My name is Pat Martin, and I'm a member of Parliament with the New Democratic Party, the official opposition. You'll be getting questions from members of the three different parties represented here.

Our normal practice is to ask you, sir, to make 10- or 15-minute opening remarks. We have one hour to share together, and then we divide ourselves into five-minute increments for question period.

Having said that, sir, welcome, and you have the floor.

Dr. Allen Schick (Distinguished Professor, School of Public Policy, University of Maryland, As an Individual): It's a pleasure to be a good neighbour and to discuss the Canadian practice, even though I'm not an expert on it.

I want to begin by indicating that good practice is not necessarily a precondition for good budget outcomes. My own country, the United States, is an example of this. We have perhaps the most widely respected legislative budget organization in the Congressional Budget Office. We also have the largest deficits in the world.

I don't want to correlate the two, but I do want to caution that often budget reform is a substitute for budget policy, and it should never be a substitute. Near the end of my remarks, I'll get back to the issue of parliamentary assistance or staff assistance for parliamentary budget work.

I do want to mention that anything that deals with a budget touches the constitutional framework of a country—the relationship between government and Parliament, between the parties and government, the electoral system. Therefore, one has to be guarded in importing from another country practices that may not be well suited in your own country. This is particularly the case because the Westminster system, of which Canada is a member, is at polar ends from the American congressional system. One has to be wary about exchanging techniques when they may ill fit a particular country.

Having said this, I do want to mention that from a distance, my own distance, there are a few matters of Canadian budgeting that I think deserve some attention. Perhaps the most obvious is the disconnect between the budget and the main estimates.

As a matter of fact, I'm kind of puzzled that what you call the main estimates are not what political leaders would regard as the main estimates. The main estimates should be a statement of policy, if they're truly the main ones, and yet here they deal more with the ongoing work of government, that which is being continued, rather than with revenue changes and with policy changes.

The timing issue is well known in Canada, and that is that the main estimates, I believe, precede the tabling of the budget, and consequently the additional estimates, or supplementary estimates, have to be tabled later in the year to incorporate the policy changes recommended by government.

It would be a reasonable step, not a difficult step, for government to change the timing to coordinate, indeed to consolidate, the estimates and the budget. At one time, in fact, the United Kingdom had a distinction between the estimates process, which they called the “spending process”, and the budget we talk of, particularly with revenues in the U.K. case. Now they have been brought together on the same page, as it were. I think that is something that your own country should well consider.

In doing so, I would urge that the fact that you have a divided process, with estimates coming at one time and the budget at another time, allows you to restructure your entire budget process—not only that they are timed together; that indeed the two different sets of actions occur at different times. This is something that I would urge you to consider. Sweden is among the countries that have successfully introduced the procedure: that is, dividing parliamentary budgetary work into two discrete stages, a framework stage followed much later by an estimates stage.

The framework stage is a matter of policy, of strategy, of changes to revenues and to programs, of major changes to the estimates, and, most importantly, looking ahead to the macroeconomic environment, not only for the year for which estimates are being voted but also three to five years or more ahead.

If you combine strategy and estimates, the big picture and the detail, the likelihood is that one or both of them will be neglected. More often than not, it's the strategy, the policy, that is subordinated to the specifics of the budget.

● (1535)

So what a number of countries have introduced is a divided process in which at the first stage, which I label the framework stage, they do not delve into the details of the estimates. Instead, what they do is look at the economic environment, projections over the medium term, major policy changes by government, particularly with respect to the deficit, the debt, and other key fiscal variables.

While spending details are not tabled during this first framework stage, the government does provide, to use a famous or infamous Canadian term, the “spending envelope” that would be available during the estimates stage—in other words, what will be total expenditure, and that's divided by key sectors or policy arenas.

That's the first stage, and in some countries it's actually voted by parliament; in other countries it's merely discussed by parliament. It's presented by government, and depending on the role of the legislative branch, it either would be recognized by parliament or agreed by parliament. After this occurs, government ministries prepare their budgets consistent with the voted or tabled framework.

This leads to the second stage, which deals with the estimates and appropriation of authorized expenditure. The obvious rule in this case is that the estimates have to be consistent in two ways with the framework that was previously established. The first is with respect to the totals—the details cannot exceed the amount of money voted in a framework. Secondly, with respect to policy initiatives or changes taken by government, those should also be reflected in the estimates.

This would be a significant departure from the situation that currently prevails in Ottawa, but it would be consistent, however, with the fact that you have a divided system, and it would engage Parliament at two different times in the year on budgetary matters, one dealing with strategy and the big picture, the other with the specifics of expenditure.

Now, there's another aspect of Canadian practice that to my distant eye was once quite common around the world. It's still common in many developing countries, but it has virtually disappeared from advanced countries such as Canada. That is the distinction between operating and capital expenditure. At one time it was common around the world that there were actually two separate budgets. We often called them divided budgets: one dealing with the investments of government and the other with current or operating recurring expenditure.

The historical basis for this distinction is that the two sets of expenditure had different sources of funding. One was out of current revenue, and the other was often out of borrowed funds—a kind of golden rule that government can borrow only for finance investment. And to ensure compliance with this rule, they divided the budget and the expenditure into these two categories. For two main reasons, this practice has disappeared from developed countries.

The first reason is that to the extent that government is concerned about its fiscal position, the key aggregates—total revenue, total expenditure, total debt and deficit—you have to have a consolidated picture that does not separate between capital expenditure and operating expenditure.

The second reason is that capital and operating expenditures often are not distinct but are interchangeable with one another. In so many areas of government policy they're actually substitutes. One can proceed down a policy course of action through investment—for example, building clinics in rural areas. That would be in the capital budget. On the other hand, government can seek the same aim to improve health services in rural areas by subventing physicians to practise in rural areas. One is in the capital budget, one is in the operating budget.

● (1540)

The more you do one, for example, building clinics, the less you may need of the other, or vice versa. Consequently, if you want to have a robust analysis of the policy options of government and the connections among them, it makes a lot of sense to merge the two types of budgets, keeping in mind that you still must have sufficient data on the investment position of government.

This doesn't mean that you remove investment and capital information from the budget. It means, however, that they are within one umbrella of the budget. The question then becomes what should that umbrella be. What should be the classification or the framework within which you see both investment and operating expenditure?

There are two main possibilities. One is widely practised. The other is widely recommended. The widely practised one is by organizational units. To the extent that an organization bears both operating and capital costs, they should be combined in that entity's budget.

The alternative is what we call a program budget, or program structure. To the extent that operating and capital expenditure contribute to the same objective, they should be located within the same budgetary program, regardless of organizational location. In other words, a program budget, in some cases, will ignore organizational or ministerial boundaries. This is precisely why the program budget approach is highly recommended but is rarely practised, because to the extent that government, in addition to wanting to make robust policy, which would require that you see capital and operating expenditure contributing to the same objective...government has another purpose in managing its finances, and that is maintaining accountability.

Accountability in almost every case requires that the organization responsible for the expenditure and the activity financed by the expenditure should be in the dock, so to speak. It should be the accountable party. This is deeply embedded in Westminster tradition, and it's something that may be very difficult to surrender.

In fact, many countries call it a program budget, but the program is simply a veneer for organizational entities. To give an example that comes immediately to mind, you may have a bureau of water resources, which is an organizational unit, but instead you label it as a water quality program. The boundaries of the program and the boundaries of the bureau are identical, so in effect you've labelled it a program budget, but it really is an administrative, organizational budget.

Regardless of the way you go, I would think it is worth reconsidering the connection between the operating and the capital budget.

That leads to the third issue that I would like to discuss, which is what should parliament's role be, and more important, how should parliament be assisted to carry out that role responsibly and in an informed manner?

There is a mock trend around the world, not in every country, and certainly less so in Westminster countries than elsewhere, to enlarge the capacity of parliament to review and even to amend the government's budget. Keep in mind what I said at the outset, that the extent to which you want parliament to be able to amend the budget rises to a constitutional issue.

The practice in a growing number of non-Westminster countries is for a vast increase in the volume of amendments tabled in parliament and some subset of them being adopted, but most of the amendments are specific, detailed. They are within the government's fiscal envelope. This is very important.

● (1545)

To the extent that a country enlarges parliamentary discretion with respect to the budget, it is urgent that Parliament be subject to some fiscal constraint in terms of what it does. The combination of an open-ended parliamentary work on the budget without a constraint is something that can lead to fiscal damage to the country.

My own sense is that this is not where Canada is right now. Canada is not going to break away in a fundamental way from its Westminster legacy. Consequently, the issue becomes one of informing parliament rather than empowering parliament. Empowering parliament would mean that parliament can make significant changes to the government's budget. Informing parliament means that what parliament does is to hold government to account by having a robust debate on the options in the budget, the estimates tabled, the economic and programmatic assumptions that underlie those estimates, and the longer-term sustainability of the government's position. This clearly is consistent with the role that your committee has.

In fact, in your opening remarks, Mr. Chairman, when you indicated that you are a member of the opposition, it brought to mind the historical role of public accounts committees, in which that was the basic mechanism for well over a century, perhaps two centuries, for holding government to account: that opposition would chair the public accounts committee, the committee would operate on a non-partisan basis, take evidence from government, and thereby hold government to account.

Perhaps this system is sufficient. It's certainly survived a long time. But the fact that Canada a number of years ago established a Parliamentary Budget Officer tells me, hundreds of kilometres away from Ottawa, that at least there was unease in Ottawa about whether simply having a committee chaired by the opposition was sufficient to hold government to account and to allow for informed debate. After all, if it was sufficient, there would be no need to establish a Parliamentary Budget Officer.

Canada, in so doing, was following a trend that is quite widespread around the world, and that is staffing up parliament to be able to better perform its budget-related responsibilities. In most countries, however, I should note that the staffing occurs at the committee level, so that the additional staffing that is available to parliament to review the estimates, to offer options, to challenge the assumptions when it's appropriate—these are committee staffings, and therefore it has a low profile and is subordinate to the committee process in parliament.

In a small number of countries, including the United States, Mexico, and Korea, rather than relying on the committee structure as the main means for improving parliamentary budgetary work, a separate and independent office has been established. This has been done in Britain. In Britain it's not formally attached to Parliament, but it advises Parliament.

The role often is to review the estimates to see whether they are reliable. The key budget work today around the world is not simply whether the money should be spent, but are the assumptions underlying the estimates robust? Are they reliable?

Now keep in mind what assumptions are. If the table over here is the waterline, everything above the table is the budget and the estimates. They are open and transparent. They can be reviewed and published. Everything below the table line is assumptions. The assumptions are not transparent. They are not visible. But the numbers above the table are dependent on the assumptions below the table, and there's very little sunlight in government around those assumptions. This becomes the difficult task—and perhaps the most important modern task for Parliament—in dealing with a budget.

● (1550)

On the revenue side, clearly, the revenues are driven. They are a function of the economic performance of government. The future economic performance of government can never be known; it can only be assumed. That is the assumption; that is something parliament has to invest in.

What about the sustainability of the budget over a long term? That's critical to the future course and the future fiscal and economic health of your country. That rests on a bed of assumptions.

What about a government introducing a policy change? You want to know over the medium term what would be the budget implications of that policy change. After all, the first-year cost of a policy change usually is quite minimal, quite modest, but it cascades and enlarges in the future. Has the government been forthcoming? Is it using reliable estimates?

One of the reasons why assumptions lie below the waterline, below the table, is that they do not do well in sunlight. Very often, assumptions.... How do we describe them? The back of an envelope, right? Guesswork, okay? Sometimes they're politically massaged, but even when they're not politically massaged, the best thing you can do about assumptions is just to say this: let's assume a different set of assumptions, let's do a critical sensitivity analysis, and let's—to use a modern term—stress-test the assumptions to see whether they can stand the light of day.

I think this is something that parliament can benefit from. I think this is likely to be something that I would urge your committee to consider, whether in the context of the PBO, the Parliamentary Budget Officer, or in a larger framework—I don't know enough about the situation.

But I do think that you have an organization already, the PBO, which in international quarters is widely regarded, and building on it I think would be helpful. My understanding is that while it's a parliamentary budget office, it works closely with committees so that it's not a completely adrift entity. I would think that's something your committee might wish to consider.

These are some of the thoughts I have. I would invite questions or venturing into other areas where you think I might be of assistance.

Thank you.

● (1555)

The Chair: Thank you very much, Professor Schick, for your opening remarks. They were very helpful, very interesting, and very useful. We will all benefit from also looking at your paper, the publication called "Can National Legislatures Regain an Effective Voice in Budget Policy?" As well, we've been finding the comparative analyses with different countries very helpful.

We have about half an hour. Without any further delay, we're going to open it up to questions from the floor.

We begin with the official opposition and, new to the committee, Linda Duncan.

Welcome. You have five minutes.

Ms. Linda Duncan (Edmonton—Strathcona, NDP): Thank you very much, Mr. Chair.

Thank you very much, Professor Schick. It's very interesting.

I am the new official opposition critic and new to the committee, but I've had an opportunity to go through the proceedings of previous witnesses. I have to say I'm reassured that all the esteemed experts who have testified seem to be on the same page. Dr. Joachim Wehner, you probably know, an assistant professor from LSE, recently gave very similar testimony about changing the timing of the estimates, the budgets, and so forth—and certainly on openness and transparency.

We have a Parliamentary Budget Officer, who actually presented one of his reports today. He expressed again his frustration with the lack of transparency and timely provision of information from the government to his office. He has pointed out that a good deal of that information is collected, readily available, and reported to the Treasury Board, but it is not passed on to Parliament in order to do the scrutiny of the budgets and estimates. It's not necessarily passed on to the PBO.

Dr. Wehner recommended that there should be stronger protections and an enhanced role of the Parliamentary Budget Officer to ensure access to relevant information, and that the Parliamentary Budget Officer be made a full officer of Parliament.

I wonder if you would like to comment on that. Do you have a similar kind of officer in the United States?

Dr. Allen Schick: First of all, I'm a little wary, when two experts agree, that it isn't a conspiracy of sorts. I can't tell you whether the Parliamentary Budget Officer simply has what I'll call growing pains—the new kid on the block, and Treasury Board and other mandarins in Ottawa kind of circling the wagons and denying essential information—or it's something more deeply embedded.

I think it would be welcome for the committee to indicate in a report an expectation that the government be more forthcoming with the information. I know it is a weasel term, "government be more forthcoming", but at this stage it would be premature to go beyond that and give the PBO some quasi-legal authority to pursue information.

At some time in the future that might be appropriate, but perhaps there should something to indicate that the standing of the PBO with respect to requested information should be roughly similar to that of the Auditor General. The same way the Auditor General is entitled to the information, the PBO would be entitled to it.

There is, of course, a big difference between the two. The Auditor General is looking at what happened in the past, and the PBO is looking at what's on the table today, which is why it's much more sensitive.

As for making the PBO a parliamentary officer, I have to admit I do not know enough about what that would entail in terms of the legal and constitutional structure of Canada. Perhaps speaking a little indiscreetly, I have sensed at international meetings that the PBO is sometimes a man without a country, if I can put it that way, without an organizational home. You have to build that home for the PBO. Whether it's as an officer of Parliament or as an independent group, the notion that the PBO is on a short string, so to speak, doesn't bode well for Parliament getting the advice it's entitled to.

● (1600)

Ms. Linda Duncan: Thank you.

The Chair: You have time for a brief supplementary, Linda. You have about 45 seconds left in your time.

Ms. Linda Duncan: No, thank you.

The Chair: Denis Blanchette.

[*Translation*]

Mr. Denis Blanchette (Louis-Hébert, NDP): Good afternoon, professor. In the same context, we are in the process of examining the position of Parliamentary Budget Officer. He could be an officer of Parliament, as has been mentioned. We are also looking at the possibility of his providing a little more support to the committees in being able to get them the information they require.

In the light of your observations of what happens in other Parliaments, what do you feel would be the most promising approach in that respect?

[*English*]

Dr. Allen Schick: The parliamentary budget office is inherently a hybrid. It cannot attach to a committee, and it's not a completely independent organization along the lines of the national budget office in Korea or the Congressional Budget Office in the United States.

I do think the Parliamentary Budget Officer should be doing more routine work for Parliament. I want to stress what I mean by this. I have a sense, which may be misplaced, that one of the issues is that the Parliamentary Budget Officer is put in a position of reporting only when troubles arise: when the government seems to be acting in an uninformed manner, where the numbers don't add up, so to speak.

I think it would be helpful for the Parliamentary Budget Officer to routinely report to Parliament its advice on the macroeconomic condition; various other economic variables that affect the budget, like prices and unemployment and interest rates; and projections of future revenue and expenditure. These come to mind as examples where the PBO would not be in a situation only of second-guessing the government, but rather also providing ongoing essential advice and data for Parliament.

The Chair: Thank you, Denis. Thank you, Professor.

Next, for the Conservative Party, Peter Braid.

You have roughly five minutes, Peter.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you, Mr. Chair.

Thank you very much, Professor Schick, for being with us this afternoon.

I want to circle back to some of the points you made in your opening remarks for purposes of elaboration and clarification.

You started off by talking about a two-stage process, the first stage being a framework and the second stage being the estimates. I want to clarify what the timeframes would look like in this two-step process, both the timing of each event during the fiscal year and then the gap in time between the two events. Have you any thoughts on that?

Where I'm coming from with my line of questioning is understanding how your proposal is different from what we do today. For all intents and purposes, we have this two-stage process now, with the framework being the budget.

● (1605)

Dr. Allen Schick: The problem is that if the framework follows the main estimates it's kind of backwards. The timing is reversed. A framework doesn't do much good in framing issues if it comes after the estimates, so to my mind the key issue is that....

Let's work backwards. When do the estimates have to be tabled in order for Parliament to complete its work before the start of the financial year? That's the key marker.

Working back from that, you ask the second question: how much time is needed between the framework and the estimates for government to complete its budget work? I would estimate that is approximately one to two months, because a lot of the work will already have been done during the framework stage. Then, building back from that, you would have the framework.

Mr. Peter Braid: Okay. Do you see the need for the timing of the fiscal year to change at all, or not necessarily?

Dr. Allen Schick: Not necessarily. I've lived through changes in the fiscal year that didn't make a difference. In other words, at the time you change a fiscal year you say that will solve all sorts of problems, and then you don't really change anything.

There may be good reasons to change the fiscal year, but they are independent of the issue we're discussing now: framework and the estimates.

Mr. Peter Braid: Okay.

Dr. Allen Schick: Let me add a footnote to that.

Mr. Peter Braid: Absolutely.

Dr. Allen Schick: A generation ago, the fiscal year in the United States was changed. It was advanced forward three months, from July 1 to October 1, the rationale being that this would give the United States Congress three additional months to complete its work on the budget.

What we've learned since then is that the U.S. Congress has a great capacity to wait to the last minute and beyond. The three months did not buy any additional time. Instead, it brought additional delay.

Mr. Peter Braid: That's called human nature, I think, Professor.

Dr. Allen Schick: You're right.

Mr. Peter Braid: We work within the timeframes we have.

Second, and I found this interesting, you indicated that in the vast majority of developed countries, this notion of separating operating expenses and capital expenses has disappeared—with the exception of Canada, it seems.

Can you elaborate on that? Can you explain why Canada has been a bit of a holdout in that respect? Why have our partner countries, if you will, made that change, and what benefits have come?

Dr. Allen Schick: I'm sorry, I didn't mean to say that Canada is the only holdout, but clearly it's in the minority. Most countries overwhelmingly have moved toward a consolidated budget.

I don't know enough about Canada to explain why it has persisted with the old system. It might simply be inertia.

Several things happened to make the consolidation of a budget logical. I mentioned the rise in prominence of fiscal policy, which requires that you look at the aggregates in the budget rather than the parts of the budget.

Another thing, which I did not mention earlier, is the decline in the investment component. To be a developed country is to be a country where investment expenditure recedes as a portion of the total budget. That's another factor.

Still another factor is what I mentioned earlier, the substitutability between operating and capital expenditure.

Finally, there's the growth of government debt financing of the budget. If government is financing both operating and capital expenditure, then the logic of separating the two diminishes.

Having said all this, I'd like to raise the following cautions.

One, you still need information in the budget on capital investment.

Two, you still may want to maintain a golden rule with respect to government indebtedness, to limit it.

Three, to the extent that you develop an accrual budget system or accrual accounting system, as a number of the Commonwealth countries—Britain, Australia, and New Zealand—have done, then what you need is a capacity to estimate the value of the capital stock of a country, which means that you need depreciation accounts as well. That's a fairly complex matter that you may want to consider.

The final point I want to make is that some have argued that with the consolidation of the budget, advanced countries, including Canada, are underinvesting in infrastructure. Since it recedes in importance, it doesn't have its separate budget, it's not separately protected, and consequently, in the competition for funds, capital investment, which can be very costly, can be deferred in order to pay the current expenditure.

So that's something you should be mindful of.

● (1610)

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

We are well over time. We are going to try to keep these blocks of time as close to five minutes as we can.

Next, Denis, I believe you would like to pick up where you left off.

[*Translation*]

Mr. Denis Blanchette: I would like to continue with the same topic as my colleague: the operating and the capital budgets. It must be said that it is always easier for a government to announce new measures than to fix existing ones. It is a better sell politically.

Mr. Schick, does the fact that we tend to put capital and operating budgets together not rather encourage new investments of various kinds and discourage investment in maintenance, which is never politically attractive in the short term?

[*English*]

Dr. Allen Schick: Well, I don't know how investment expenditure is treated in Canada, but in most countries it's in the operating budget unless it's a very major project. In other words, filling in potholes in a highway is something that is regarded as an operating expenditure, typically, rather than a capital expenditure.

But I want to briefly note the following. There are multiple options for the relationship between capital and operating expenditure. What we've discussed are the extreme cases: two separate budgets on the one hand, or an integrated consolidated budget on the other hand.

Between these two extremes there are many ways of presenting, displaying, and voting on capital and operating expenditure. You don't have to completely lose sight of capital investment in order to consolidate them in a budget.

[*Translation*]

Mr. Denis Blanchette: Thank you very much.

I would like to move to another topic, the budget and the estimates. In Canada, we give the budget final approval after the financial year has started.

Could you tell us what happens in other countries, to your knowledge? How could ensuring that we table a budget before the start of the financial year help us to a greater extent than what we do currently?

● (1615)

[*English*]

Dr. Allen Schick: Well, if you're asking for the timing or if it should be approved before the start of the fiscal year, there was an old tradition in Westminster countries—one of the most bizarre practices—which was that at one time all Westminster countries routinely approved the budget after the fiscal year had started. That is fading away. Logically, to the extent that a budget authorizes expenditure, it should authorize expenditure in advance of the fiscal year, rather than after the commencement of the fiscal year.

[*Translation*]

Mr. Denis Blanchette: Thank you very much.

Your idea of considering things in two stages, the strategy and the complete picture, is interesting. I imagine that it comes from your knowledge of practices elsewhere in the world. What has been the result of dividing the budget process into two, with a strategy on the one hand and the estimates on the other?

[*English*]

Dr. Allen Schick: It's generally favourable. Sweden, which I mentioned earlier, adopted this divided system in the 1990s in response to an economic crisis it had. Since then, Sweden has done remarkably well. The reason is.... It's not simply that you have a strategy in the first stage. I called it a framework. A framework becomes the boundaries for the estimates, for revenues, and for expenditure.

In other words, government, before it examines the details of expenditure, is taking an explicit decision: what can we afford by way of total expenditure? This is favourable to the fiscal health of a country.

The alternative often is that the totals become the sum of the parts. You have pressure to spend on this and pressure to spend on that. Consequently, there's an inflation in the totals and in the deficit. This is the argument for establishing the framework before you get into the details.

The Chair: Thank you, Denis. Your five minutes have expired.

Next, for the Conservatives, we have Scott Armstrong.

Five minutes, Scott.

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

Thank you, Dr. Schick, for your presentation.

I'm going to start my questions by going back to timing again. We've had several recommendations made by witnesses who have come before us. Sometimes they conflict. You've touched on them, but I just want to clarify your position.

I believe that in the United States the budget comes down some time in the fall, well before the fiscal year. Am I correct in saying that? That's if you can get a budget passed. Am I correct in saying that it comes down in the fall, well ahead of the fiscal year? Is that accurate?

Dr. Allen Schick: Not in the fall, but in February. But that's nine months, yes.

Let me respond with the following. The United States is not a role model in budgeting for any country in the world and should not be regarded as a role model.

Voices: Oh, oh!

Mr. Scott Armstrong: I'm definitely not suggesting that. What I am suggesting is that space and timing provide the opportunity to have the estimates fall underneath the framework that was presented before. Am I accurate in saying that?

Dr. Allen Schick: Yes.

Mr. Scott Armstrong: That's if the system works as it's supposed to work, but it doesn't always do that.

Would you suggest that one change, one recommendation, we maybe look at is to move the timing of the budget—earlier?

Dr. Allen Schick: The answer to that question lies with you, not me. Ask yourself the following question: Do we as parliamentarians have sufficient time to undertake a responsible review of the government tabled by government? If the answer is yes, then don't change the timing. Only if the answer is no, and you can explain that no, should you consider moving it.

As a colleague of yours said earlier about human nature, giving Parliament two more months does not mean that Parliament will actually have two more months to discuss the budget.

Mr. Scott Armstrong: I want you to clarify one other thing. You mentioned that sometimes, when you look at a consolidated budget, where you combine operating expenses and capital, capital becomes a poor stepchild. You look at the operating expenses and fund those first, because they're more immediate, and then capital tends to be brought to the side.

I would argue that in many cases, particularly in the area of infrastructure, municipal infrastructure, for example, you tend to let things go, and at some point in the future, when the infrastructure is about to collapse, you have to make massive investments. Would that accurately encapsulate what you were trying to get through to us?

● (1620)

Dr. Allen Schick: No, but your point is well taken. That leads to something I did not discuss in my testimony, and that is that whether you have a consolidated budget or not, major infrastructure projects roll across two or more or sometimes even more than five fiscal years. One of the problems we have identified in advanced countries is that they are quite capable of undertaking short-term infrastructure projects, projects that can be completed within a year or two. But beyond that point, there's another parliament, another set of estimates, another appropriations act, etc., and you have stop/go financing, which adds to costs and diminishes results.

Even more important is to make sure that Parliament and government have the capacity to consider, vote on, and finance long-term, major infrastructure.

Mr. Scott Armstrong: Great.

The last question I have concerns the cash versus accrual debate. We've had witnesses come to the committee to talk on both sides of that. You touched on that in an earlier answer. Can you elaborate on that a bit? If we're going to move to more of an accrual basis, do you think that's a good direction to move in? Or again, is that something we have to decide for ourselves?

Dr. Allen Schick: If you're talking about accrual budgeting in contrast to accrual accounting, then I would raise a number of cautionary flags.

Financial reporting in Canada, I believe, as in most of the developed countries, is done on a modified accrual basis already. If you move the budget to an accrual basis, you have to be very careful about how you do it. Australia did it wrong, with disastrous results. The budget gets to be more complex. There's a lot more misunderstanding about it, particularly with respect to depreciation accounts. To tell you the truth, there are only about half a dozen countries that really have what we'd call an accrual budgeting system. The fact that so few countries have it would indicate that it's not something I would put on the top of the list in terms of urgency.

Mr. Scott Armstrong: One thing we could say for sure, though, is that if we moved in that direction and went away from a cash system, it would definitely be more difficult to provide proper oversight because of the complications that would incur. Am I accurate in saying that?

Dr. Allen Schick: Without adequate staffing of Parliament, that would be correct. In other words, if you move to an accrual basis, as you indicated, you escalate the complexity of the budget statements. Assumptions become even more important. If, for example, you are provisioning funds for future liabilities in government, you have to know what the assumptions are. So if you move from a cash basis to an accrual basis, you have significantly increased the prominence of assumptions in budget work.

The Chair: Thank you, Scott.

The way things are going, we'll just have time for one more round, I believe, and happily that's the representative of the Liberal Party, John McCallum. So all three parties' representatives will at least have an opportunity.

The floor is yours, John.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, and thank you, Professor Schick.

I had one question about the capital operating distinction, to have capital operating separate or just combine the two. I don't quite understand why that's so important, because when you have the two separately, you also have the total, so if you don't want to make the capital operating distinction, just look at the total. I'm not sure much would change if we got rid of the two separate categories. Am I missing something?

Dr. Allen Schick: If you're looking at the total, then you're right, but if you're looking at the interchangeability between capital and operating, the story might be different. We recall that one of the arguments that presented in favour of integration is that capital and operating expenditure, rather than being discrete, often are substitutes for one another. More of one can mean less of the other. More of one can be more of the other. So however you do it, sir, it is important to view capital and operating expenditure in tandem with one another. You are building the road, you're opening a hospital, you are expanding the school network, and that entails operating costs downstream. It is important to see the connections between the two budgets. The connections are what I'm worried about, rather than simply the averages.

● (1625)

Hon. John McCallum: Thank you.

I wanted to clarify one point about what you meant by assumptions under the table, as you put it. I'm an economist, so I make assumptions. Are you talking about assumptions on matters like the economic growth next year, the demographics, the growth of seniors, for example, all of those ingredients that make up the likely revenue streams and the expenditures on old age security, those kinds of things?

Dr. Allen Schick: Exactly. And economists live by assumptions all the time. You know the old joke about "assume a ladder", and that's what economists do.

But seriously, if you look at appropriations estimates, divide them into two categories. One I'll call fixed appropriations—you're appropriating a sum to an administrative unit for its running costs. Assumptions are not important there. The other thing, our open-ended programs, mostly in standing or permanent legislation, constitute by far the largest share of the government's budget in Ottawa. Those are driven almost entirely by assumptions. What will the price level be? What will the employment rate be? What will the participation in a program be? Government announces a new program with respect to assisting low-income people with nutritional needs. You put an entry in the budget. But what matters is the assumptions you make as to who will participate, to what extent, etc.

So in the fixed budget, assumptions are not important. In the much larger, open-ended budget, and of course for revenues as well, assumptions are critical.

Hon. John McCallum: In one of your papers you refer to the possibility of parliaments or legislators reducing spending in lower-priority areas and increasing spending in higher-priority areas. Are you suggesting that one option might be for parliamentarians to have that authority as long as there's no net increase in the total?

Dr. Allen Schick: Yes, sir.

Let me tell you the basis for that. I'm from the State of Maryland, which is one of the fifty states. It's the only state in the country where the parliament, the legislature, is barred by the state Constitution from increasing the estimates tabled by the government. It cannot vote appropriations in excess of what the government recommended in the budget.

One result of that is that the Maryland legislature has gravitated to a role not of adding expenditure but of taking a tough line in reviewing expenditure, ensuring that they are sensible, that they are within a fiscal envelope, and often cutting expenditure. So that's a possible role.

Things don't always work out precisely that way because what parliamentarians in Maryland sometimes do is tell the Governor of the State of Maryland that if he doesn't put their preference in the budget, he'll have a difficult time with them on some entirely unrelated issue. So in effect they're taking the budget hostage, as it were.

Nevertheless, this is a role the Maryland legislature has carved out, not adding to appropriations but cutting appropriations.

Hon. John McCallum: Thank you very much.

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

That concludes the time we have set aside for your presentation, Professor Schick. On behalf of the committee, I want to say how very much we appreciate your taking the trouble to be with us here today. When we first began this comprehensive review, many people said, "You've got to hear from Professor Allen Schick". We're glad we did.

It was a pleasure to meet you. We found everything you had to say very useful. We will make very good use of some of your publications comparing other nations and how they wrestle with this thorny issue. On behalf of the committee, I thank you for being with us today, sir.

Thank you very much, Professor Schick. It was a pleasure meeting you.

● (1630)

Dr. Allen Schick: Thank you.

The Chair: We're going to suspend.

● (1630)

(Pause)

● (1630)

The Chair: We will reconvene on our project and welcome our next witness. He is someone who is no stranger to this committee. Mr. Jack Stilborn served for many years as a researcher for the Library of Parliament and as the analyst for this particular committee on government operations and estimates.

I understand, Jack, that you were with us in 2003 when this committee undertook a similar study that wound up with a great number of recommendations. It's very helpful to us to have you here to share your thoughts with us on that experience and on anything else you might like to give us in your opening remarks.

You know the routine. The floor is yours, sir.

Mr. Jack Stilborn (Retired, Library of Parliament, As an Individual): Thank you very much for that introduction. It really leaves it for me only to say thank you to all of you for this invitation today. It's a great privilege to be here.

You have a text that I have distributed. I will attempt to speak from it, but I will shorten it down a bit as I go.

The synopsis that I offer there I want to reword slightly by suggesting that I think the basic thing I'm trying to do in this text is respond to the fact that a great deal of our thinking about Parliament is heavily dominated by unexamined assumptions, many of which are traditional. One of the challenges in thinking about anything like the estimates process is to attempt to see how Parliament actually works today, and particularly to take full account of the impact of disciplined political parties on Parliament, and then ask what Parliament really needs, rather than necessarily simply imposing what we think it ought to have or should be doing, based on assumptions with which it's no longer well aligned.

Dissatisfaction with Parliament's role in the scrutiny of government spending is longstanding, both among observers and among many MPs themselves. The central argument I will present today is that unrealistic expectations, and, as I've just said, possibly a misunderstanding of the way the Westminster model of Parliament now works, have been a major contributor to these dissatisfactions. A stronger focus on how Parliament actually works today could result in more realistic expectations, lower the frustration level, and also perhaps suggest some changes that might actually make a difference.

Concerns about Parliament’s effectiveness in scrutinizing government spending date back to the beginning of the modern era in Canada’s Parliament in the mid-sixties. The standing committee structure was originally created in 1965, and made permanent in 1968, partly because estimates debates on the floor of the House had become chaotic affairs, wildly partisan, and typically involved the concurrence in most of the government’s spending in panic sessions running late into the night in the last few days when Parliament was sitting. So it's interesting to realize that in the standing committee structure originally, estimates were one of the main jobs that it was seen as potentially being able to contribute to.

Successive episodes of reform in subsequent years have given committees greater powers, resources, and so on, in theory to strengthen their effectiveness in financial scrutiny. Paradoxically, however, 45 years of procedural reforms, both large and small, do not seem to have made a difference to the basic issues that originally provoked reform. Parliament is still widely seen as ineffective in its financial scrutiny role. MPs continue to express wide frustration with the estimates procedure and the supply process. Indeed, if anything, frustration appears to have increased roughly in tandem with the reforms that were intended to address it.

Why is this? A central explanation would seem to be that during the past 45 years the incentives that apply to committee members as they face the estimates each year have remained essentially unchanged. Government-side members who raise issues that could create ministerial discomfort soon learn that this does not contribute to successful political career development in Ottawa.

Some hon. members: Oh, oh!

Mr. Jack Stillborn: Opposition members may gain temporary glory by raising critical questions, but the inattention of the media and public to committee proceedings on estimates is so profound that these moments remain invisible in the ridings. It is implausible, to say the least, that electoral support in the ridings can be influenced by labour on spending estimates in Ottawa.

The fact that governments view the estimates as matters of confidence, given that they reflect the financial intentions of the government, underlies the incentive problem, along, I suppose, with the current level of party discipline. Under majority conditions, there is really nothing for committees to do with the estimates that might actually change spending plans, and under minority government scenarios, as we have recently seen, the theoretical possibility of changes is inevitably wound up with strategic calculations about bringing the government down rather than being about the substance of the estimates.

● (1635)

I have a section here called “Recent Reforms” that I'm going to treat in a more summary way. It basically makes the point that the major recent reform is the restructuring of reporting to Parliament and the creation of a theoretical future-year focus in the RPPs, which committees can study and make recommendations on outside the constraints of the estimates. That's the major development since that time. But committees have shown singularly little appetite for that kind of study, and I think it's because the basic incentives or disincentives I just reviewed have not changed. Also, this new future-oriented study concept—that just comes out of the Treasury Board Secretariat, actually—requires committees to engage in a level of delayed gratification about their work that is very optimistic about the kind of political timeframes that dominate members' behaviour, because these future-oriented studies won't even come into play until a year or more down the road. It's only then that the results will be visible.

What is to be done?

The dynamics of the Westminster model suggest that even in more attractive formats, with more interesting content, the overwhelming portion of information generated by Parliament about spending will continue to be greeted with seeming indifference by Parliament.

However, beneath the indifference, in committees and elsewhere, there is continuous attentiveness to the possibility of exceptional cases—sponsorships, F-35s, and so on—that have a high level of political resonance. When Parliament becomes seized with these issues, its appetite for relevant information becomes extremely intense and rapidly goes far beyond anything available in the formal estimates reports.

This brings me to my first recommendation. Attempts to improve Parliament’s effectiveness in scrutinizing government spending should focus on what Parliament actually does rather than on what we have traditionally thought it should do.

Parliament's attention to government spending is issue-driven and highly episodic. The critical improvement challenge is thus the availability of information when needed by Parliament rather than the fine-tuning of formal reports or the attempt to redeem the formal estimates process by means of procedural tweaking.

In the committees, the estimates process will continue to be about looking for issues rather than about actually changing government spending. A flexible online resource that allows MPs and staff to drill down to individual activities and get a concrete picture of planned costs, or what is being accomplished and what the present costs are, should be the priority.

Such a resource might occasionally be useful for the consideration of estimates. More importantly, it could support attention to government spending outside the estimates process, where most parliamentary action actually happens now. It should be designed with that role in mind.

I want to just mention here that a lot of the basis for this already exists in the Treasury Board Secretariat in something called the program activity architecture, which you may have heard about from previous witnesses. It basically requires departments to organize their programming in a hierarchical form. They start at the top, with the outcomes to which they contribute, then move to the programs, then move to activities, sub-activities, and sub-sub-activities, where appropriate.

In theory, that drill-down environment is already there. It just needs to be made available to Parliament.

Second, although the idea has traditionally been anathema to governments, a capacity of this resource to break out activities and spending on a riding-by-riding basis is also needed. Yes, this will predictably produce a great deal of posturing about real or imagined inequities. But it would enable questions relevant to Canadians to be asked. Facts would be provided and explanations given. Ultimately, this is a healthy thing.

My second major point is that the existing structure of estimates needs to be replaced with something that reflects what Parliament actually does and, if the argument I have outlined is correct, will continue to do.

● (1640)

Why not integrate the estimates votes into a single vote on a government spending plan? After all, is this not in the bottom line what Parliament does? Parliament concurs in the estimates every year. Why do you need multiple and, in many cases, treacherously obscure votes to accomplish this?

The spending plan could include any limitations on making funding authorities transferred among what are now separately voted items that are appropriate to ensure that the government doesn't have just a free hand to shunt money back and forth at will. It could also include any principles or guidelines currently used by Treasury Board Secretariat in assessing departmental submissions for reallocating money during the fiscal year. This approach would reflect the modern reality that substantive spending control is actually done by governments, with parliamentary endorsement, rather than—as the phrase "the power of the purse" seems still to suggest to many—by Parliament itself. Furthermore, it could actually strengthen parliamentary and public knowledge about how spending control happens.

A modern supply process should take Parliament seriously, and this includes relieving it from ritual tasks that are too often incomprehensible to MPs. Political accountability is by its nature not a systematic process, but is highly selective based on the political importance of singular issues.

Parliament is uniquely the institution that can do this: selecting issues that are important to the public, holding governments accountable for what they are doing or failing to do, and providing through the contrast between government and opposition positions a very public counterweight to the tendency towards groupthink that is otherwise a pervasive feature of modern institutional life.

I think we should be more appreciative of the political accountability delivered by our Westminster model of Parliament and less troubled by the absence of a more systematic, non-partisan kind of accountability in the committees.

Thank you very much.

● (1645)

The Chair: Thank you, Mr. Stilborn. That was a very thoughtful and interesting presentation.

We're going to jump right into questions then. We'll begin with the NDP. Alexandre Boulerice.

[*Translation*]

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

Mr. Stilborn, thank you for coming here to make your presentation. It was very interesting, but at times also troubling.

When you stress the indifference of Parliament to examining budget estimates, it calls to mind other presentations we have heard in which we have been told that scrutinizing expenses is the reason Parliament exists. If it is our role, but we are not fulfilling that role because we are not interested, we have a problem.

You say that members of Parliament are not provided with enough incentives to do this work conscientiously and to spend a lot of time on it. You also mention that it is not very glamorous politically. Yes, I have to confess that committee work is not the first thing my constituents want to talk to me about.

If there are insufficient incentives, what do you suggest to change that situation, that culture? You seem a little negative, a little pessimistic when you say: "In the committees, the estimates process will continue to be about looking for issues, rather than actually changing government spending."

If there are not enough incentives, if government members cannot really criticize their own government and if opposition members are sitting here solely to sniff out scandals, what concrete changes are you suggesting?

[*English*]

Mr. Jack Stilborn: I probably do need to talk a little bit about the impression that I may have given of general indifference to the estimates, because I certainly don't want to create that impression. I think that MPs, generally speaking, go through the considerable inconvenience and challenge of becoming involved in politics because they are very passionate about what government does and how public money is spent.

That passion surfaces from time to time in discussions of singular issues that catch parliamentary and public attention. I'm talking about not so much indifference as an almost act of revulsion to the appearance every year of the estimates documents in large piles and reports, which most MPs who I have talked with personally find to be very turgid and uninformative. They feel that these things are being inflicted upon them and they have to wade their way through them to do the formal estimates work, and then at the end of the formal estimates work there's nothing much to do with the estimates other than report them back.

It's not so much indifference as perhaps an element of hopelessness produced by the constraints of the formal estimates process.

[*Translation*]

Mr. Alexandre Boulerice: I want to talk to you about the timing of the process of approving the estimates and the presentation of the budget. It is an odd situation in that the supplementary estimates (C) come at practically the same time as the main estimates. Then that is followed by the budget, which has nothing to do with the main estimates we have just examined.

The American professor we spoke to earlier talked about two stages. The first is when we look at the strategy, the big picture, the overarching issues in the budget; the second is when we look at the expenses in detail, meaning the main estimates and the supplementary estimates (A), (B) and (C). But there should be some connection between the main estimates and the budget itself. They cannot be completely disconnected from each other.

What do you think should be the time between the budget being brought down and the main estimates?

[*English*]

Mr. Jack Stilborn: I think the first thing I would say is that if we think about the key requirements that one would expect Parliament to bring to these various documents and pieces, you essentially need to be able to hear what the government is proposing to do in the budget, and then you need to be able to track what it's doing through a succession of reports, estimates, documents, and other information sources.

Personally, I'm not sure that the sequence of these various reports is the critical matter in the tracking. As long as every document is quite clear about what it is and what's in it, and explains clearly how the other documents add supplementary or complementary information, it should be possible to track the story.

Having said that, it does seem odd to have what appears to be a kind of mingling of different fiscal years, where you get the budget and then you bounce back to the main estimates. Personally, I don't understand why the timing couldn't be altered in a modest way by moving the budget forward, possibly into late January or early February, as soon as Parliament comes back, and then moving the estimates tabling to later on.

As we already recognize, the deadline for placing the estimates before Parliament has no substantive consequence. The estimates are placed before Parliament and then they sit there for several months before committees get around to examining them. I don't see why you couldn't move the main estimates later into the spring, into May perhaps, and that would allow a considerable portion of the proposals in the budget to be costed specifically and put into the main estimates.

Let's remember, too, that the main estimates are called "estimates". If they're not dead right, then there are plenty of opportunities in supplementaries later on to correct that. If that were done, you would have a sequence that starts with the budget and then merges through....

As I said, I don't know how much stands on this, but certainly that sequence is more obviously logical and transparent.

● (1650)

[*Translation*]

Mr. Alexandre Boulerice: Thank you very much.

Thank you for your suggestion; it is a constructive one, I find.

[*English*]

The Chair: Thank you, Alexandre. Thank you, Mr. Stillborn.

For the Conservatives, Jacques Gourde.

[*Translation*]

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

Mr. Stilborn, thank you for joining us and giving us a different perspective on our study. It is very interesting.

I am wondering about one paragraph in your presentation. You said that a priority should be for us to have a new online tool that could give us new or better information. You also said that the tool might be able to give us information riding by riding. Could you give us some more details about that tool?

I understand that it could be very interesting to see government expenses riding by riding, but it could well be tiresome work. It might be a source of pride to be able to determine how much was spent in old age security or employment insurance, but perhaps we would always end up comparing ourselves to others when situations are not necessarily comparable. Some regions have higher unemployment and that is not necessarily anyone's fault. It may also be that some regions have more seniors. I do not know how a tool like that would be relevant.

[*English*]

Mr. Jack Stilborn: The main thing I can tell you, and I don't want to be in the position of creating myths about Treasury Board capacity, as it will make them very unhappy people, but I do know there is a single program activity architecture and it is a hierarchical structuring of programs. Then beneath them there are activities, sub-activities, and so on, and down at the very bottom, I believe, there is nominal cost information. They roll up the cost information to get the estimates and the cost of programs.

So, in theory, a great deal of what could be an online resource that could be available to parliamentarians exists over there. I have heard officials express some concerns about the cost of putting it online, for example. It could be that if you think about it in a very narrow framework focused on the formal estimates process, that might be a fair point to make. But if you think of it as an information resource supporting Parliament working on programs and their effectiveness both inside and outside the formal estimates process, then any costs involved become correspondingly more understandable.

In terms of the breakdown of information by writing, from time to time members do ask for that information about specific programs in written questions and by other means, and then the PCO goes into a panic and has to coordinate across all the departments pulling that information together. So the capacity to provide the information is there. We just do it now on an ad hoc basis.

I would have thought that if you have this kind of an online database, it ought not to be an insuperable problem to have that information built into it. Perhaps it would cost some money to do that, but on the other hand, the offsetting savings would be that you don't have these panic episodes when specific questions are asked.

● (1655)

[*Translation*]

Mr. Jacques Gourde: It could well be interesting for a member of Parliament to have that information, but what would be the relevance in having it riding by riding, from an overall public administration perspective? Some departments can get us some information. But, in terms of the overall budget, not a lot would change for us.

[*English*]

Mr. Jack Stilborn: It's fair to say that in many cases this information wouldn't have policy relevance, but it might have. Some members at least, as I mentioned, have asked for it and do ask for it from time to time. My logic is if Parliament wants to do something, then the role of the system is to help it do it. If there is no policy relevance to the information once it's been obtained, then that can be explained and the question gets put to bed, but at least members have the opportunity to see the information and decide for themselves whether or not they think a policy issue has been raised.

The Chair: Thank you, Jacques.

Next we have Linda Duncan for the NDP.

Ms. Linda Duncan: Thank you, Mr. Chair.

Welcome, Mr. Stilborn, and thank you for your ideas, obviously based on a lot of experience.

I'd like to follow up on the discussion that's been going on about providing information riding by riding. I can certainly think of an obvious program where that was being requested; it was like pulling teeth, and that was the economic action plan.

Of course, where you have a plan like that where the intent is supposedly to provide jobs across the country, then it's pretty obvious that the MPs in each region, particularly those areas where there's high unemployment, are going to want to know. To do your job as a parliamentarian, you're going to want to have the information that tells you, okay, what's the overall expenditure, what are the policy objectives, where's that money being expended, and who's benefiting from it. Certainly, the process we went through on that was not open and transparent, and some MPs, to their credit, took their own staff time, hours and hours, getting that information.

Not necessarily about the riding by riding, but your recommendation about availability of information.... It's interesting that all the other experts who have appeared seemed to drill down to that, and certainly seemed to be endorsing what the Parliamentary Budget Officer was calling for even today. He noted that a good deal of this information is already provided to Treasury Board in a detailed way, and there doesn't seem to be any logical reason why that same information couldn't be made available to parliamentarians or certainly to the Parliamentary Budget Officer, who could in turn report.

A number of experts have recommended that the Parliamentary Budget Officer should report throughout the year, and perhaps monthly, on spending and comparison with policy proposals. I'm wondering what your comment might be there.

I think your idea is a good one. I don't think the detailed information would be of relevance and interest to MPs just on a riding-by-riding basis, but certainly to have the comparison on particular policy areas that they're following would be.

Mr. Jack Stilborn: I think the idea of drilling down is kind of interesting. As a way of coping with the scope and scale of modern government, we've kind of institutionally passed the last several decades agglomerating information into more and more high-level statements. There was a sentiment at one point among the people who worked on parliamentary reporting that you were actually doing Parliament a favour by this because you were giving them something shorter, which has been a demand from time to time about estimates documents. It would give them in a nutshell a report on spending and what was happening. There is merit to the high-level discussion on how numerous programs contribute to outcomes, and so on.

One problem is that members of Parliament, in general, don't have a natural affinity for some of this very abstract language. In the world they live in there are real people in the ridings who have problems, or not, and finding if government can be helpful or not. At a policy level that's where they live. The system somehow has to help them do what they want to do and give them the kind of information they want to start with. There might very well be a learning curve of what would be most useful.

● (1700)

Ms. Linda Duncan: My understanding is that one of the roles of this committee is to also analyze across departments—in other words, where there is a substantive area that the government is delivering programs on, but they are being delivered through a number of departments and agencies.

In my previous role as the Aboriginal Affairs and Northern Development critic, we ran into this, even when we had the minister and the deputy ADMs in the committee to look at the main estimates. It was simply revealed to us at that point, "Well, you can't ask that because that's actually for the Minister of Health. Gee, too bad she's not here."

So it would be a far more useful exercise—and probably less frustrating for the officials and the ministers themselves—if a lot of that information could simply be available online. Then the process of estimates could be on the broader policies of what direction we are going in, and so forth.

I think there would be a lot of advantages to simply providing that information more openly and transparently. I think you sort of alluded to the issue that until that information is provided you can keep it as a hot issue. The hot issue is the government's secret. In fact, if the information were readily available, you could move on to bigger issues of Parliament. So I think you are raising some really interesting issues here.

The Chair: You are well over time, but you can make a brief comment.

Mr. Jack Stilborn: Thank you for those comments.

The Chair: Thank you, Linda. That's excellent.

Kelly Block has five minutes.

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

I would also like to welcome you here, Mr. Stilborn. This has been a very interesting study. We're coming to the end. As it has been observed by many of my colleagues, we've heard many similar comments and recommendations from our witnesses.

In your opening remarks you stated that a major contributor—I didn't get it exactly right—to the dissatisfaction experienced by MPs, was that the discussions or conversations are heavily dominated by focusing on unexamined assumptions. I'm intrigued by that observation. I'm curious about those unexamined assumptions. Maybe that's where this whole study needed to start. What are we assuming we need to set aside? Then we can start looking for solutions.

I'm wondering if you would follow up on what those unexamined assumptions are that we may be functioning under.

Mr. Jack Stilborn: If you go back to the creation of the standing committee structure, the assumption was that you had this kind of nasty, wild stuff happening on the floor of the House of Commons at the last moment. But if you could create a series of standing committees, with defined, substantive mandates, and then put relatively continuous memberships into them, the members would work in a more collegial, non-partisan way across party lines. They'd get to know each other. They'd get to know the issues much better than existing structures gave them the opportunity to do. And they would have constructive inputs to make on the estimates.

In my view, if you look at the history of the committee system, not so much for estimates but for other things the committees do, there are certainly lots of examples of this expectation having been met to a considerable extent.

At the same time, the reality of the Westminster Parliament, under modern conditions, is that you have parties engaged in ceaseless competition. And that has certainly made its way into the committee structure. You basically have a great deal of the old wine of partisan behaviour in these new bottles. The result has been a fair bit of disillusionment with the standing committees and what they could do as you come forward through the 1980s and 1990s.

I worked for the committees. I think we really had quite a cycle of somewhat unrealistic expectations. I can think of one of the parliamentary reports that fed into the committee reforms that actually anticipated that the committees would take Canada out of the narrow Westminster model and would create a system that was somewhere between congressionalism and Westminster. That was a really ambitious intention, to say the least. Not surprisingly, high expectations have been followed by a measure of disillusionment.

● (1705)

Mrs. Kelly Block: Our previous witness observed that perhaps this system is sufficient. It certainly has lasted a long time. I know that there have been several studies within the last couple of decades, with very little to no change being made to the process.

You have given us a list of recommendations. But if we had to come back and recommend at least one or maybe even two things we could do that would actually move this process from being one of informing to one that is more empowering, what would those two things be?

Mr. Jack Stilborn: I hope what I say isn't going to make you too mad at me. I think, within the Westminster model, it's the government that governs. Parliament's role is to scrutinize and debate and hold accountable. So the way you would empower Parliament is to enable it to become more persuasive in the work it does and in the recommendations it makes to government.

The point has been made by other witnesses that there is nothing to stop committees from undertaking to study a program, for example, outside the constraints of the estimates process and to take as long as needed. Presumably, they could come up with recommendations that might be programmatic but might also have to do with spending on the program. If they are really strong recommendations, the optimistic hope always is that the rest of the world will pay enough attention, and the government, for its own reasons, will take these things seriously.

It's an influence role. I wouldn't call it empowerment. That's sort of beyond that. If you do that kind of work well, that influence can, and has in certain cases in the past, with some committees, become quite definite. That would be the one thing, it seems to me. I think it's a question of recognizing that you have to persuade the government to do things and take it from there.

The Chair: Thank you, Ms. Block.

Thank you, Mr. Stilborn.

That concludes the time. Normally this would be the Liberal's turn. He had to step out for a moment, so we will skip right past him and when he comes in, perhaps we can plug him in.

Ron Cannan would be next in the normal routine.

Are you ready, Ron?

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Yes, thank you, Mr. Chair.

Thanks, Mr. Stilborn.

I'd like to also welcome Ms. Duncan, from my old stomping grounds in Edmonton. It's good to have you on our committee.

Mr. Stillborn, I would like to thank you for your years of service to Parliament. From your years of experience...if one Googles your name, there is a history of all kinds of estimates of Parliament. This isn't something new that is happening. I have studies from 1998 with 52 recommendations, and previously from, I think, 2003. We've had witnesses. John Williams, for example, came and testified.

Out of the previous recommendations I notice one was to have a separate committee established to look specifically at all the estimates. Is that something you would still recommend?

Mr. Jack Stilborn: Personally, I can't say that I would, because, again, as I've said, there is something about the word “estimates” that causes a kind of blanching of the complexion of members of Parliament, by and large. You can just see them thinking about what other direction they could go in. That's just my personal experience.

Because of the fact that, again, within the formal estimates process there isn't anything very visible or interesting to be done, for the most part, I'm not sure why you'd create a separate estimates committee, unless there is a sufficient supply of parliamentarians who are in the bad books of their colleagues and you want to send them off to the committee equivalent of Siberia or something.

Anyway, thinking again about what Parliament can do, I think in order to do persuasive work on estimates, first of all, within the constraints—I see many volunteers at this table—of the estimates process, which requires you to send a message back that you can't even explain, I wouldn't be thinking of particularly somehow investing more time or more committee apparatus in the formal estimates process.

But what any committee can do...if there's a program that looks like it warrants study, that can be done outside the estimates process. I think that's where the potential for more influence is.

● (1710)

Mr. Ron Cannan: Thank you very much for that clarity.

Vote structure. We've had different witnesses talk about looking more at the estimates presented by program activity, and the fact that with more control over the budget process we'd have the ability to vote on the program activities instead of capital and operating votes. This could better link voted items to departmental activities and allow for more meaningful scrutiny by parliamentarians on service level impacts.

Mr. Jack Stilborn: To some extent, that question takes me into technical waters I am not qualified to go into, so I won't answer it in detail.

This hierarchical organization, programs and sub-activities and so on, that I was talking about, on the face of it...if that's the information structure that parliamentarians are using, then it would make sense to make the votes as closely related to that as possible, just intuitively. So if you structured the votes in the same way, or using the same language to the extent possible, to me that would make sense.

The only thing I would say is that I'm not sure you even need a structure of multiple votes to do what Parliament currently does with the estimates, which is to concur in them normally.

Mr. Ron Cannan: Yes, that's a whole other issue, and I'll get into that in a minute if we have time.

The other aspect that Professor Schick commented on was the issue of timing, and how the Americans gave three extra months and all it did was delay the process.

We heard from several witnesses to incorporate the budget bill into the supply bill to make the process more effective. We heard from the countries of Australia and New Zealand; they have that process, and it helped them to understand the effect of the budget on supply. Is that something you'd recommend?

Mr. Jack Stilborn: Again, I can't profess to be a technical expert who could give you good advice on the matters that Professor Schick talked about.

My general take is that I don't think that adjusting things at that procedural level has made much of a difference in the past, as far as we can see in Canada. I think we certainly should be attentive to the experience of other countries in case there is something that would work, but I'm not optimistic that as long as the basic incentives stay as they are these different mechanisms are going to be making a significant difference.

The Chair: That's it for your time, I'm afraid, Ron. You'll have to wait for the next round.

Mr. Ron Cannan: I've been deemed reported....

The Chair: That's right. You're deemed done—done like dinner.

Denis Blanchette, for five minutes.

[*Translation*]

Mr. Denis Blanchette: Thank you, Mr. Chair.

Welcome, Mr. Stilborn.

Your comments were discouraging. You mentioned motivation, but, in a way, you are not motivating us. Honestly, I found your approach very pessimistic.

If I am not mistaken, you said that, for 50 years, no one has understood how the Westminster model works, and that is why reforms are being made. Nothing is working and everyone is frustrated.

But let us look at it a different way. In the current situation, is the Westminster model out of date? Is it our current way of doing politics, using the Westminster model, that is causing us to have a hard time making the reforms that we as parliamentarians want? Is it not rather that fact that we are presently managing such huge budgets, with about the same staff as we have always had, that is preventing us from adequately overseeing those budgets?

To cut to the chase, should we not just have a monarchy, made up of ministers only? Then we could get back to work doing something else.

● (1715)

[*English*]

Mr. Jack Stilborn: First of all, I certainly wouldn't want to be undermining your motivation. I'm sure there are lots of other people available on the Hill who can do that.

Some hon. members: Oh, oh!

Mr. Jack Stillborn: What I would say is that I think there are some extremely valuable things that Parliament does that I, as a citizen, value and that no other institution does. I don't think there's any other institution that does it like Parliament, scanning across the whole horizon of government actively looking for issues that warrant public attention and debate for one reason or another. That's valuable.

Basically, an awful lot of what government does is pretty routine, and neither Parliament nor citizens really need to know about it. Citizens will probably never invest the time to do that.

What we need is an institution that is vigilant and sufficiently engaged in governance that it can find those things that need to get further attention. I think that's where Parliament does very valuable work, and we should be thinking about how we could help it do that better.

That's where I come back to the information availability—possibly a database-type proposal.

The second point in the question was whether the Westminster model is outdated. It's very hard to say, frankly.

I think we need to appreciate the merits of the Westminster model, and not dilute it by sliding in congressional elements here and there. I think the expectations around our standing committees bordered on that at an earlier point. Ideas about empowering committees to reallocate a certain portion of funding, for example, go in that same direction.

You have to ask yourself, does that not muddy what is now a relatively clear line of accountability between the government that does these things and Parliament that holds them accountable? Furthermore, if you had 20 standing committees reallocating 10% or 5% here or there in an uncoordinated way, would you actually have better government, and would it even be more democratic?

Personally, I'm skeptical about all of those things. I think that while it is imperfect, our Westminster model has some very important advantages that we need to preserve.

[*Translation*]

Mr. Denis Blanchette: Okay.

So let me ask you a question that is less broad this time.

Our practice is that if, by May 31, the standing committee has not reported to the House, it is deemed to have accepted any proposals as it. What do you think of that? Is that good enough? Should we perhaps be improving the focus of the committees' work in studying the budget, so that the job can be done in the time we are given?

[*English*]

Mr. Jack Stilborn: Basically, the “deeming” rule was put into place I think right back at the beginning of the standing committee structure in 1968, but I'm not 100% sure about that. If you don't have some way of ensuring that the estimates get back out of the committees to the floor of the House, then you open the door to all sorts of tactical games within the committees to avoid having votes on them and to delaying and possibly kind of gumming up the larger parliamentary consideration of the estimates. Those activities wouldn't necessarily have to do with the substance of the estimates; they could have to do with almost anything.

So the deeming rule is basically a way of ensuring that the whole process isn't brought to a halt by what would amount to filibustering. I think that's valid. If Parliament decides to bring the estimates process to a stop, either in some small way or more broadly, that's its right to do, but it should be done on the substance of the estimates and not as a result of some kind of clever tactics in a committee.

The second point—and it goes back to this basic mantra about incentives—is that if committees are not motivated to look seriously at the estimates, then deeming or not deeming really doesn't make much of a difference. So you just do what allows the system to keep working, I think.

● (1720)

The Chair: Thank you, Denis.

Thank you, Mr. Stilborn.

Bernard Trottier, go ahead for five minutes.

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

Thank you, Mr. Stilborn, for coming in today.

I think you mentioned a few times that there have been quite a few witnesses here with similar points of view. I'll say also that it's been refreshing to work on this committee, in the sense that there's a lot of agreement on both sides of the committee, the government side and the opposition side; we both have a desire to inject more transparency and openness and accountability, maybe for different reasons. There's motivation, say, on the opposition side to look at exposing the government. I think on our side there's a desire to hold the bureaucracy, deputy ministers and so on, to account. Ultimately, these lead to the same objectives of having more effective government.

I just wanted to talk about one issue around the timing of the budget in this Westminster system. One of the challenges, of course, is minority parliaments. If we tried to always have a budget in lockstep with the main estimates, when you look at the Canadian Parliament in the 21st century, which has governments falling on a budget practically every other year, you wouldn't be able to actually have a budget that could then be tied to the main estimates. Do you see that as a major challenge?

As I think you were saying, the Westminster system isn't perfect, but to paraphrase Winston Churchill, democracy is a terrible system, but it's better than all the others. Therefore, maybe this committee shouldn't focus so much on the timing of the budget and on trying to reconcile that with the main estimates, just because this inherent challenge would mean that in some years the budget would just not get passed.

Mr. Jack Stilborn: I think there's a valid case for thinking about at least the normal sequence of budget estimates and so on. It's true that especially in a minority environment Parliament becomes a very unpredictable animal indeed. You could have budgets not getting passed. You could have budgets getting passed and then estimates not getting passed. Any number of things could happen.

I don't think there's necessarily one solution to all of those things. Parliament is the master of its business, and if a situation like that arises, then there are ad hoc remedies that are normally put in place to kind of "tide" things along. That's really about the only thing I can....

Mr. Bernard Trottier: Okay.

Another witness, John Williams, suggested that we shouldn't try to reconcile budgets with estimates, in the sense that the budget is really a statement of principles, of objectives. It's at a higher level than the estimates are, and we're tying ourselves in knots when we try to tie the two together. I know another congressional system in which they do try to tie them, and I suppose even some Westminster parliaments have tried to do that. The suggestion was just to kind of look beyond it.

Getting back to your point about the incentives, it's the behaviours these engender that are really more important. I like what you had to say about it—let's think about these human beings, whether it's in the government, in the legislative end of it, or in the bureaucracy. What are the motivations that you can kind of instill in people via incentives and then the processes around them?

Can you just talk about this other notion of committees looking at certain spending instead of looking at it in the macro? So instead of looking at a high-level set of estimates, we could focus narrowly on certain programs instead and take more of a sampling approach. Do you think that would be effective? The current process is very high level, and we try to uncover something, but there's really no in-depth analysis in the committees when it comes to the estimates.

● (1725)

Mr. Jack Stilborn: In picking a program and studying it in some detail, and it could be a relatively widely skilled program.... The example I just happen to be personally familiar with is a program that seemed to have about nine lives in Canadian governance, called the court challenges program. It kept getting dispatched and then brought back, and so forth.

I had the experience of working for one of the committees that worked on it. What was interesting to me was that it was a very small program. You could actually have all the people who worked in the program come in as witnesses. So the members had a chance to become familiar, in considerable detail, with just who these people were, what they did, how they worked, etc. There seemed to be a lot of interest generated by the fact that we were looking at something small enough that you could actually get your head around it. There is perhaps some merit in finding a program that would be small enough to do that with.

The only offsetting consideration is that it has to be interesting. I had another experience, with the predecessor to this committee. They decided, as part of the 2003 exercise of their report on the estimates process, that they wanted to try looking at a program in detail. They picked the real property program at Public Works. They had officials come in on successive weeks. The members struggled to attend those meetings before long, because they were just boring. There just didn't seem to be anything that interesting there.

It's a real challenge to pick a program, going back again to this motivation issue I talked about. It has to have some political resonance. Otherwise, it's not going to interest you folks, and it's not going to be visible to voters. It's a challenge.

The Chair: I'm afraid you're well over time, Bernard, but thank you very much.

That actually concludes our list. We're within a minute of our hour being up. I don't know how the members feel. I think maybe we should just thank Mr. Stilborn for his time.

We note, Mr. Stilborn, that you've continued to write and do research on this subject, even into your retirement. We will benefit especially from a paper you've written, "Parliamentary Review of Estimates: Initiatives and Prospects". We will certainly fold that into our examination of this. We will lean heavily on the work you did with the committee in 2003. We're not trying to reinvent the wheel here. We'll benefit from many of the recommendations there.

Thank you for the trouble to come in today, Mr. Stilborn. It was a great pleasure to see you again. You had some very interesting remarks.

With that, we are adjourned. Thank you.

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