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Chair

Mr. Pierre-Luc Dusseault

Standing Committee on Government Operations and Estimates

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● (1530)

[*Translation*]

The Chair (Mr. Pierre-Luc Dusseault (Sherbrooke, NDP)): I now call to order the committee's sixth meeting. We are studying supplementary estimates (B) and the departmental performance reports for 2012-13.

We have witnesses from the Treasury Board Secretariat. They'll start us off with a presentation covering both topics, after which, committee members will be free to ask questions.

Ms. Zeman, Ms. Walker, Ms. Santiago, Mr. Matthews and Mr. Tremblay, thank you all for being here. The floor is now yours.

Mr. Bill Matthews (Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat): Mr. Chair, thank you for inviting us to appear before the committee this afternoon to assist you in your study of supplementary estimates (B) for 2013-14.

I will spend 25 minutes going over the highlights across government, and then I will turn things over to Ms. Walker, who will discuss the Treasury Board Secretariat as a department. After that, we'd be pleased to answer your questions.

[*English*]

Maybe I can start with slide two, just to give you a brief overview of the supplementary estimates (B) and the largest amounts that are included in this year's package.

First, though, I'll give you a little bit on how the actual document itself is organized, because I believe this will be some members' first time going through supplementary estimates.

After that, I will give some highlights of the largest dollar amounts and a review of where we are, in terms of voted and statutory funding, at this stage of the year after supplementary estimates (B).

Turning to slide three, I would offer a quick reminder to members, Mr. Chair, that the supplementary estimates and estimates are prepared on a modified cash basis. Appropriations are an annual amount, in most cases. This is spending for the current fiscal year. I will cover off what happens if the money is not spent.

An important point to remember is that it is illegal to overspend your vote. It's against the law. So it is important that departments don't overspend their vote.

With regard to votes, in the current stage for most departments, we have a vote for operations, a vote for capital, and a vote for grants and contributions. I did mention that it is illegal to overspend your votes. Having said that, there is no obligation for departments to spend the entire amount of money allocated. It's an “up to” amount, with no obligation to spend the whole thing. If departments do not spend their votes or the entire amount—there's been a fair amount of attention on that recently—three possible things can happen.

The first thing that can happen, which you'll see in these supplementary estimates, is something called operating budgets and capital budgets carry forward, where departments can carry forward 5% of their unspent operating and up to 20% of their unspent capital into the next fiscal year. So if the amounts unspent are within that range, they can carry those forward.

If they are outside that range, a request can be made to reprofile the money, which is to bring it back for the next fiscal year, in which case Parliament would have to re-approve it because the previous fiscal year has passed.

There is something in these supplementary estimates that has been through this process before, and the money did not get spent, and it's back again. I'll mention it now, but I'll talk about it again later: National Defence Manuge is a great example of that. Last year we thought the money would be spent. It was in the estimates. The money was not spent, but there is still an ongoing requirement for that money so it's back again, because the parliamentary authority to spend that money lapsed at the end of the fiscal year.

The final possibility if the money is unspent is that it goes back to the fiscal framework. It is indeed unspent and it does not get spent in future years.

I can tell you a little bit about this document itself and the highlights for you. The estimates to date are included in the introduction section, which is kind of the upfront piece, and we do talk about the purpose of the document.

I would like to highlight for members a very useful section that starts on page 12. You can see for each minister, each department, what they had spent in 2011-12.

[*Translation*]

It's page 14 in the French version and page 12 in the English.

[*English*]

You can see what they spent in 2011-12; what they had for authorities in 2012-13; and where they are so far this year, including supplementary estimates (B). It's a nice snapshot of each organization.

I highlight that for members because that improvement is one of the results that came out of a recommendation from this committee, if I recall correctly, to get all the information at a glance.

The largest part of the supplementary estimates is the details by organization. That's where you will go through and find for each department what their request is, included in supplementary estimates (B).

In addition to this document, there is substantial information available online on the Treasury Board Secretariat's website. That includes such things as the statutory forecasts, so details on the statutory items, and a reminder for members that statutory items are for information only. That's why they are not presented in here, not part of the voted package but still important nonetheless.

There's been a lot of discussion here at this committee about estimated spending by strategic outcome and program, so that information is available online for each department. You will also get additional information on transfers between organizations and allocations from Treasury Board's central votes.

After that little bit of an overview, perhaps you could turn to slide four.

● (1535)

[*Translation*]

Supplementary estimates (B) detail $5.4 billion in budgetary voted expenditures for 62 departments and agencies. Parliament will approve those votes by way of a supply bill that you'll see in December.

[*English*]

What you're going to see here is 62 organizations requesting funds, a total of $5.4 billion. You will see on slide 4 budgetary versus non-budgetary. You'll notice there's nothing in the non-budgetary column but I'm happy to explain what that means if that's of interest to members, and also the split between voted and statutory. The statutory is just for information purposes. I will provide some information on another slide about the statutory items because there are some bigger items that are in fact netting each other off to get down to a very small number but there are some large dollars in there.

If I could take you to slide 5, this is where we take a look at estimates for this current fiscal year, 2013-14, versus the previous years. So you'll see on this slide a column for main estimates for this year, supplementary estimates (A), which were in the spring, (B), which is what we have before us today, and (C), which is obviously still to come.

If you were to look at the current fiscal year versus previous fiscal years, you'll notice two things. Number one is the spending in total after supplementary estimates (B), in terms of authorities, is basically in line with what it was the previous fiscal year, but you're seeing a different split between voted and statutory. Voted spending is down slightly. Statutory spending is up. If you're curious as to why statutory spending, or at least estimates of statutory spending, is up, there are two big reasons. There's an aging population, so our statutory programs related to old age security and the guaranteed income supplement, those amounts are up by about $1.8 billion over the previous fiscal year. The other big item I will flag for you is the health transfer which, as members would know, is up by 6% over the previous fiscal year, which is an additional $1.7 billion. Those two things combined would cause your statutory forecast to go up by about $3.5 billion. So I thought I would highlight that for you at this stage.

Slide number 6 is where I will spend some time highlighting the major items for you in the supplementary estimates (B). There's a list here of the amounts over $100 million and I will talk to a few of them. First on this list is Treasury Board Secretariat accumulated severance pay benefits of $955 million. This is a whole-of-government issue. Members who have been here in the past will be familiar with this. The issue here, the money involved, is because accumulated severance is being negotiated out of collective agreements as they expire. This is severance for voluntary departure from the public service. That being said, employees are allowed to keep the severance that they had already earned and they have been given an option to either leave the money with the government and take it on retirement, or if they want their accumulated severance early, they are in fact able to cash it out now.

So as collective agreements have been expiring and renegotiated, there's an amount that has been set aside over the last few estimates to provide for the payment of severance for those individuals who are wishing to effectively cash out their severance earned to date. This is for voluntary severance. The amount we have is $955 million, largely related to National Defence, our CS category which is our computer folks, and our audit and commerce group. So those are the collective agreements involved there.

The second item on this list, public safety, disaster financial assistance arrangements, $689 million, is largely related to the funding committed to provide relief for the flooding in southern Alberta back in June. The total government commitment, as members would know, is in the neighbourhood of just under $3 billion. It's $2.8 billion, I believe. This amount is simply a top-up to that. This program is a complicated one, in that the amount of money provided by the federal government is based on the amount of money the province spends to effectively clean up the disaster on a per capita basis. What happens normally is provinces will clean up the disaster and then eventually invoice for reimbursement to the federal government. So there's often a two-year or a three-year time lag between the disaster itself and when the federal government flows the money to the provinces.

So in this amount, also for the current fiscal year, there is money for Manitoba and for the Maritime provinces for some flooding and storms that happened between 2010 and 2012. I thought I would highlight that for you.

National Defence, Canadian Forces service income security insurance—Manuge, as I referred to it earlier—that is money that will go to Manulife for distribution to proper recipients. That money was in fact in last year's estimates. It was thought the money would flow last fiscal year. It did not, so it's back again this year.

● (1540)

This relates to a lawsuit that was launched against the government involving a clawback of benefits based on receipt of a pension. It was agreed that the clawback was not appropriate, so this money is flowing to Manulife for future distribution.

Specific claims under Indian Affairs are a three-year budget commitment from the budget of roughly $1.4 billion in total. This is this year's supplementary (B)s portion.

We have $400 million for Canada First Defence Strategy. That's related to readiness capability for our forces.

For Health Canada, for first nations and Inuit health there is $285 million. That is from budget 2013. It's a three-year commitment of $1.8 billion in total.

I mentioned the operating budget carry forward earlier. This is $275 million, and it is money that Treasury Board Secretariat is allocating to departments based on the amount they did not spend last year for operating. This is the allocation we mentioned earlier.

Under National Defence there is an item for ships for Arctic patrol. There will eventually be six to eight ships. The money you will see here is basically just for project definition and infrastructure implementation. As to what we mean by infrastructure implementation, there are three projects in particular that I would highlight: some work in Halifax to improve a jetty; similar work in Esquimalt on the west coast to improve a jetty there; and finally there is a port in Nunavut, up north, and this money is to basically get that facility ready for the work that will come later. This is the infrastructure piece of it.

The Infrastructure Canada gas tax fund is another example of a reprofiling of money from a previous year that was not spent. Two provinces and one territory were a little behind the others in their reporting, so to get the money in the current fiscal year, it was reprofiled.

Lastly I'll mention Foreign Affairs, the crisis pool of $120 million. That is not for any crisis in particular; it is in case there is an international disaster. There is a program whereby Foreign Affairs has money in its reference levels that would allow it to respond without waiting for supplementary estimates or something like that —to have some cash. It allows for a quick response.

I mentioned that I would spend a bit of time on statutory forecasts, because while the netting results in a rather small number, you'll see that there are some rather significant components on slide 7. I will highlight just a few for you.

There is one for employer contributions under the Public Service Superannuation Act, for $443 million. You also have some money in there for fiscal equalization payments for total transfer protection, at $55.8 million. The decrease I will highlight for you relates to Finance's downward revision of its forecasted interest on mature debt; it is revised $556 million down.

As I mentioned, the net result is a very small amount, but these are some of the bigger items making up that small item.

Slides 8 and 9 are about horizontal items. We have had some discussion at this committee about horizontal items in the past. Horizontal items are areas in which more departments than one are working together to achieve a common outcome. We have listed here the horizontal items that are included in supplementary estimates. What is interesting about the horizontal items is that the money is still voted to each department. What we're showing you here is the whole picture for all the departments working together.

The first one on this list, just to give you an example, is the community infrastructure fund. This is a reprofile from previous years, but ACOA, CEDQ, FedDev Ontario, and Western Economic Diversification are all receiving money under that program.

If you go further down the list, you'll see money for Public Works and Shared Services Canada around modernizing the federal government's pay administration system. That system itself is 40 years old, and it will be replaced. This is a six-year project that started in 2010. There are two departments getting money there.

I'm not going to go through the whole list, but I'm happy to take questions as we go.

The last one on this list, you'll see, is for Veterans Affairs; it is related to advertising. I will highlight that one for you. That is because it is the 60th anniversary of the Korean War. Veterans Affairs is planning to do some work to commemorate the veterans from the Korean War this fiscal year, so you are seeing some funds there.

The second page of horizontal items is all grouped around items related to immigration and border issues. You will see, here on slide 9, a theme of CBSA and citizenship. Members are probably aware that the Government of Canada does not collect data when people leave the country via U.S. border crossings. This would allow the government to collect information on people leaving the country. It would enable a better job to be done of tracking temporary residents, who have to leave the country after a certain point in time.

● (1545)

There's a similar list of horizontal items here but, as I mentioned, all around immigration and border issues.

The last one on the list I will highlight as well: CBSA and the Canadian Food Inspection Agency. There's funding here for CBSA around NEXUS and fast lanes, to improve the speed of clearing the border, and money for CFIA around products that are regulated in the U.S., to enable speedier approval into Canada for those products that are regulated by the U.S.

I will now turn over to my colleague, Christine Walker, to speak specifically about Treasury Board Secretariat as a department.

Ms. Christine Walker (Assistant Secretary and Chief Financial Officer, Corporate Services, Treasury Board Secretariat): *Bonjour.*

For the Secretariat as a department, the total supplementary estimates amount to $1.8 billion.

In terms of program expenditures, we have a number of items in supplementary estimates (B). One, the first one, is for the workspace renewal initiative. This is a six-year project that started in 2011-12 to consolidate ten office locations of the Treasury Board Secretariat into two, to modernize the offices, and to reduce office space by over 30%.

On slide 8 you'll also note that this is a horizontal initiative, because both our department and Shared Services Canada are receiving money. We get $4 million, and Shared Services Canada will receive $3 million, because they are responsible for the IT infrastructure in our new workspace.

The second point is funding to renew the joint learning program. This is a joint program between the Treasury Board Secretariat and the Public Service Alliance of Canada that has been in place since 2001 to do co-development of training for employees.

You will also see a transfer from the Treasury Board Secretariat to Public Works and Government Services. This is an extension, which started in 2011-12, of the human resources modernization project that we've been working on for many years. The Treasury Board has developed a pilot solution, and this will be transferred to Public Works and Government Services to fully implement the solution.

The other two transfers are very small.

The last item is a travel reduction of $107,000. That is a cut of 5% of our total travel budget from 2012-13.

On the next slide there are a number of central votes, which are managed out of Bill Matthews' area. He has already covered the first two, and I'll let him cover the balance of the slide until the last one.

Mr. Bill Matthews: Thank you.

As mentioned, there is $955 million for severance, which we have already covered, and we have already spoken about what the additional requirements for the operating budget carry forward are, but I will highlight the next item on the list.

This is a transfer between the capital budget carry forward and the operating budget carry forward, which is a bit of an unusual item. It requires discussion here because it does, effectively, involve a vote transfer. When I mention operating budget carry forward and capital budget carry forward, I want to emphasize that there are two caps in place. One is 5% of your unspent money, if it's operating money, and 20%, if it's capital. But there was also a government-wide maximum that was set through main estimates when the central votes for operating budget carry forwards and capital budget carry forwards were established.

When we finished the results for 2012-13 and added up all the unspent 5% amounts in departmental budgets, they exceeded the operating budget carry forward vote. So we had to put some more money into that vote to allow departments to get their full carry forward. That's what this is.

This, then, explains the transfer between the two votes. There was lots of money left in capital budget carry forwards, so there was no issue there, but the money was moved from the capital budget carry forward vote over to the operating budget carry forward votes to allow departments to get their 5% carry forward.

Compensation adjustments is the second-last item on this list. These are for cases in which collective agreements are reached. Departments are basically held harmless for any wage increases. They have their existing base reference levels, and if a collective agreement is reached wherein there is a salary increase for a certain group, some calculations are done to determine how much the total cost is for each department. That money is transferred to each department to cover off the wage increase. They're effectively held whole for those things.

There are some exceptions to this. You may recall that there have been years when we've had an operating budget freeze, and an operating budget freeze has been announced for the upcoming fiscal year, 2014-15. But in the current year there is no such freeze, so for the agreements that were negotiated during the year, this is the way we transfer money to departments' reference levels to hold them basically harmless for those raises.

The groups that would be involved here include: our lawyers; our computer folks, as I mentioned earlier; our applied science and patent research folks; and finally, our researchers. Those are the big groups in the $94.1 million.

Lastly comes the statutory item that I've already spoken to, the payments under the Public Service Superannuation Act.

That's the balance of central votes.

Did you want to speak to the next slide, Christine?

● (1550)

Ms. Christine Walker: On the next slide you have a table that shows all of the votes that are under the responsibility of the Treasury Board Secretariat, their main estimates, what they've received in supplementary estimates (B), any technical adjustments, and what the proposed authorities are to date.

That really concludes our remarks.

[*Translation*]

Mr. Bill Matthews: Thank you, Mr. Chair. We would be pleased to answer your questions. But first, I just want to give you a little reminder.

[*English*]

We changed the estimates format a few years ago to list organizations in alphabetical order. What that means is that the order in English and French is different. If you are asking a question about a specific page of the estimates document, I would ask that you give us the page number but also give us a few seconds so we can find the equivalent page number in the other language and allow all members to view the material.

Thank you.

[*Translation*]

The Chair: Thank you for your presentation.

Without further ado, I'll turn the floor over to the members of the committee.

Mr. Blanchette, you can get things rolling.

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

Thank you to our witnesses. It's always a pleasure to see you.

My first question has to do with the reports. You mentioned that last year's reports exceeded the authorized ceiling? What was the ceiling?

Mr. Bill Matthews: On the votes, specifically, I'll turn things over to my colleague Ms. Santiago.

[*English*]

Ms. Marcia Santiago (Acting Executive Director, Expenditure Management Sector, Treasury Board Secretariat): We start at $1.2 billion in main estimates. The amounts that you see in these supplementary estimates are to raise the ceiling government-wide from $1.2 to...sorry, I'm doing the arithmetic in my head.

We're increasing it by the value of the transfer and by the new $275 billion.

Mr. Bill Matthews: For clarity, there was no amount that was exceeded. The point is that if we were to give each department their 5%, there was not enough in the vote that was approved as part of main estimates. We are increasing it to allow us to give the 5%.

[*Translation*]

Mr. Denis Blanchette: In the reports, how much do the 5% and 20% come to government-wide? You calculated it because you mentioned it in your presentation. How much is it?

[*English*]

Mr. Bill Matthews: The amount we're transferring is in the neighbourhood of $170 million, but I could maybe speak to the root of the issue, which is the unspent amounts if you look on a government-wide basis in terms of what was not spent in the year 2012-13.

We're only dealing on the voted amounts here, not the statutory, and it's in the neighbourhood of just over $10 billion in authority that was available that was not spent. That's roughly about 10.3%. If you are curious about what the previous year looked like, 2011-12 would have been about $9.5 billion. It was more than we're used to.

That is not abnormal in a time when departments are still implementing budget cuts. Because it's illegal to overspend your vote, departments tend to be very careful, and rightfully so. It's not uncommon to see large lapses, as we call them, in times of budget cuts. The key question for me when I looked at that—there's really two types of unspent money—is whether it was planned or unplanned.

To give you a very simple example, in main estimates there was money that is in departments' reference levels. The budget came along after main estimates, and it reduced the amount of money that each department could spend on travel. That money was already in departments' reference levels, so it was already out there. Basically, we then prevent departments from spending that money. We call that a planned lapse because that's money they have available that they're no longer allowed to spend. That's easy to explain. It was about half of the unspent funds last year that were what we call “planned”.

With regard to the other half, I'd be happy to go into detail in terms of explaining what that is.

● (1555)

[*Translation*]

Mr. Denis Blanchette: Year after year, the unspent amounts keep going up. Over the past four to six years, we've seen an upward trend in unspent amounts.

What does Treasury Board intend to do? Do you intend to keep up the practice of carrying forward certain amounts and trying to recover others? If not, do you plan to tighten up the amounts allocated?

Mr. Bill Matthews: That's a good question.

You're right, Mr. Blanchette. There really is a trend

[*English*]

of amounts that have increased in terms of lapses, I would say this. You have to look at the reasons why. If you looked department by department, Infrastructure is always a heavy lapser of money. The reason is, as I said, departments cannot overspend. They have to plan for negotiating deals and all these things. In fact, they often don't negotiate as many deals as they would expect so the moneys lapse. That gets reprofiled.

National Defence is a very high lapser year after year largely because military procurement is complicated and it's often delayed. So you can ask yourself from a planning perspective: Should less money be set aside to kind of...more realistic assumptions? The other bit I will say is we have some programs that are demand-driven. For instance, Natural Resources Canada has a program where you can apply for an energy rebate if you do certain things. Well, the government is takers in that front. We make a best estimate as to what might happen. If fewer people apply than we expect, so be it. We have similar programs for insurance for agriculture. That's kind of a second theme.

The third one I would mention concerns major project delays on bridges and things like that. That can slow down spending as well. Spending is still necessary, just the profile is sometimes difficult to accurately predict.

[*Translation*]

The Chair: Thank you, Mr. Blanchette. Your time is up.

Mr. O'Connor, you have five minutes.

[*English*]

Hon. Gordon O'Connor (Carleton—Mississippi Mills, CPC): Mr. Matthews and colleagues, I'm pleased to have you here today.

I have a few questions. My understanding is that the PBO has made a comment that Treasury Board is not spending enough. I've looked at your estimates running for the three-year period and I don't seem to have a problem, but maybe you can explain if we're not, whether we are spending too much money.

Mr. Bill Matthews: Thank you, Mr. Chair.

I think the PBO's comment was related to the government as a whole and it was wondering if Treasury Board was approving too much in terms of planned spending. I will come back to this point a few times, I think.

The amounts that departments have authority to spend is a maximum. They don't have to spend it because it's kind of the maximum, and given that it's illegal to overspend they have to plan for the best-case or worst-case scenario, depending on your perspective. If you're in the business of procuring military assets you have to ask what's the maximum that might get procured this year and make sure you have enough money to cover that off.

In fact, reality often turns out to be less than what they planned. So there's a cushion there. For me the question is not, especially with supplementary estimates (B), did we approve too much? It's more, is there good value for the money that's being spent? In that case you look to specific programs and their evaluations to say “yes there's good value there” or “no there's not”.

What I would say in terms of practice for Treasury Board going forward is this. I would pay attention to supplementary estimates (C). It comes along in the winter. It's money that goes into departments' reference levels very late in the year; you know, there's not much time left to spend it. We should really be taking a hard look at money in supplementary estimates (C) and say, “prove that you need this, prove that you can spend it this fiscal year”. So if there's one thing that we should do differently, that's what I would I say.

● (1600)

Hon. Gordon O'Connor: Along the same lines, the finance minister has predicted that in the next budget year, the one beyond this, he will hopefully arrive at a surplus of $3.7 billion. I'm wondering if the actions of the Treasury Board to make sure that people at the end of the year don't just waste their money will have an effect on the $3.7 billion.

Mr. Bill Matthews: It absolutely will. When the Department of Finance is preparing its budget they know how much Treasury Board will likely approve in the upcoming fiscal year. They know how much Treasury Board has already approved, and they always make adjustments for approvals, but they also know that departments do not spend 100% of what they are allowed to spend. So they factor in an adjustment because they're aware the departments will spend 100% less something. The Department of Finance has quite likely noticed the trend as well of decreasing spending against authorities. We work very closely with them in terms of their spending forecast.

So for the Minister of Finance to project a surplus it would be based on spending patterns that they've seen in the past, as well as planned spending going forward from budgets that we've seen recently.

Hon. Gordon O'Connor: You've noted a carry forward budget. What I'd like to know is: on what basis is this carry forward budget calculated? I did a calculation and it was at $11.5 billion. I understand we spend in cash $90 billion. Is the 5% based on the $90 billion or some other amount?

Mr. Bill Matthews: I'll have my colleagues supplement my answer, but basically the 5% is on unspent, so it's what was available less what was spent, and you get 5% of that.

Have I got that right? I don't, do I?

Ms. Marcia Santiago: For the operating budget carry forward, the current method is to use 5% of the operating budget established in the main estimates as a department maximum. So if you have a vote 1, operating expenditures, that is $100 million, then your maximum that you could carry forward into next fiscal year would be $5 million. So, for example, if that was last year into this year, this year we would allocate up to $5 million, based on what you actually lapsed. Again, using from last year to this year as an example, most departments lapsed right around 5%. So if you were the department that lapsed $4.5 million, then you would get that. If you lapsed $6 million, you would still only get $5 million. So it's 5% of your main estimates' operating budget.

[*Translation*]

The Chair: Thank you, Mr. O'Connor.

Thank you for your answer.

Ms. Day, you have five minutes.

Mrs. Anne-Marie Day (Charlesbourg—Haute-Saint-Charles, NDP): Thank you, Mr. Chair.

I'd like to follow up on Mr. Blanchette's question. If we consider Treasury Board's cost savings, we're looking at $1.2 billion. Were the various directorates given a clear mandate to cut their budget by a certain percentage this year, in order to carry forward what they're allowed to carry forward? Were they given clear direction to that effect, or were the amounts not spent simply because they weren't?

Mr. Bill Matthews: Mr. Chair, it's a bit of both.

You have cases like Shared Services Canada.

[*English*]

Of their lapse, a good portion of that was planned. They had a reduction that they had to make.

There are other cases where programs are very much demand-based. Agriculture is an example where we're offering insurance programs, and the department does a forecast of what they think the take-up of their program will be, but sometimes it's not as high as expected.

I mentioned Natural Resources Canada is another example, and Veterans Affairs. Veterans Affairs is very much driven by how many applicants they have for their programs. So those are a bit different. They are very much demand-based.

Then you do have the odd project where there are simply delays. Bridges are complicated and sometimes there are delays in spending, so the forecasted spending has been greater than the actual spending.

As you mentioned, there is a theme here of under-spending, which is good. Overspending is a bigger problem. I'm pleased to say there are no cases of departments exceeding their vote. But you really have to get down department by department to understand why they didn't spend their money because there's not one reason government-side.

● (1605)

[*Translation*]

Mrs. Anne-Marie Day: The supplementary estimates (B) show VIA Rail is requesting $97.9 million for bridge rehabilitation, signalling systems and track improvements to enhance the safety, efficiency and effectiveness of operations. In the French version of supplementary estimates (B), it's on page 1-7.

Can you tell me whether that amount was allocated after the accident in Ottawa between a bus and a train in which a number of people lost their lives? Or was the amount allocated before the incident and adjusted afterwards because it was an emergency situation?

Mr. Bill Matthews: Thank you for the question.

For the benefit of the other members, I believe it's on page 1-7 in the English version.

[*English*]

What was the French page?

[*Translation*]

Page 1-7 in the French as well.

[*English*]

What I will say is two things.

The operating requirements in vote 60, so $54.7 million, flow directly from budget 2013. So that was already in the works.

I'll turn to Marcia to talk about the capital requirements.

Ms. Marcia Santiago: A portion of the capital requirements was also part of budget 2013 and another part of it, $43 million, is reprofiled from previous years related to delays from other capital projects.

[*Translation*]

Mrs. Anne-Marie Day: My next question concerns the natural disaster that occurred in Alberta and the Lac-Mégantic tragedy. You said several million dollars were committed to Alberta. I can't recall the exact number. Can you tell me what the amount was for Lac-Mégantic?

Mr. Bill Matthews: In the case of Lac-Mégantic, I would point out two things.

[*English*]

In July, the government announced $60 million to be spent. The provincial government put up an equal amount. The $60 million in federal money from July was $25 million for response and recovery, search and rescue, things like that, and then there was an additional $35 million that was provided that is targeted for the Economic Development Agency, Quebec, that is around economic revitalization of the region. That's the other $35 million. That gets you to $60 million.

[*Translation*]

And on November 21, more funding was announced,

[*English*]

$95 million to help pay for the cleanup, the environmental cleanup itself, which is an ongoing effort. I believe they've estimated that about 40% of that cleanup is done. I believe both the federal and provincial governments are cost-sharing that cleanup. The actual railway company itself only had about $25 million in liability insurance to put towards that cleanup, so the federal government and provincial government are taking on additional amounts.

That $95 million is not in supplementary estimates (B). It was just announced in November, so you will see it in future supplementary estimates.

[*Translation*]

The Chair: Thank you.

Mr. Komarnicki, you have five minutes.

[*English*]

Mr. Ed Komarnicki (Souris—Moose Mountain, CPC): Thank you, Mr. Matthews.

I have a few questions, particularly relating to the Treasury Board vote 30b relating to $955 million for “Paylist Requirements”, and that's in relation to “allocations to eligible departments and agencies for the payment of accumulated severance pay benefits”.

I know in the private sector severance obligations arise when someone's dismissed for a cause, but I gather the collective bargaining agreements provided for severance in cases of retirement and/or, I suppose, resignations, so it's something quite different from what we see in the private sector.

You would agree with that?

● (1610)

Mr. Bill Matthews: I would agree with that. I can't say it's completely unique to the public sector, but it is certainly not normal in the private sector, I would agree.

Mr. Ed Komarnicki: So this $955-million allocation, is that the obligations you anticipate in one fiscal year for all departments across the government, or is it a go-forward figure as well?

Mr. Bill Matthews: It's two things. It's only for the fiscal year, and so it's an estimated payout.

If you permit, Mr. Chair, there is some history here.

The collective agreements—and I'll generalize—had a clause that basically said for every year you work, you accumulate a week of severance, and that severance would be applied whether you were retiring, departing voluntarily, going to the private sector, and when you left you would effectively get those funds.

As the collective agreements have expired, we've been negotiating away the accumulation of severance, but it was important to the government to honour what had been earned to date. You can't backtrack on what had already been earned. For those collective agreements that have negotiated out the severance, employees were given a choice. They could take their money now or they could wait until they retire or they could do a mix. The $955 million is what we're estimating will actually flow out the door this year based on employees cashing out.

To date, we have now negotiated away severance in all of the collective agreements in the core public service. So the negotiation piece is done, but there will still be cash flowing out for a number of years as we go forward.

Mr. Ed Komarnicki: Do you anticipate the $955 million to be a constant kind of thing going forward? Or would it be increasing? Decreasing?

Mr. Bill Matthews: No, it will be decreasing. Now that the agreements are all done, we've probably hit the peak, so I expect it will decrease. But there are some people who have elected to not cash out until they retire. To date, about 70% of people are cashing out as soon as they can. The balance are electing to wait. So there will be money that flows over time, too.

Mr. Ed Komarnicki: In terms of negotiating out that provision, the collective agreement, in terms of what you've already done, what's the amount of savings you might anticipate for year one, let's say, the year in question here, 2013-14?

Mr. Bill Matthews: The savings are difficult to estimate simply because employees could choose to actually hang onto their money until they retire, and then there's an interest obligation, I believe, on top of that. But, basically, employees were getting one week of pay for every year they worked. To negotiate that away, it's hard to put your finger on. But the unions knew they were giving up something, so they pushed for an increase in pay to get rid of that. So I can't speak to exact dollars.

Mr. Ed Komarnicki: You can certainly say, for year one by having negotiated a certain percentage of contracts this would be the savings for that direct line item for this year.

Mr. Bill Matthews: No, it's difficult to say because, think about it this way, if you're a brand new public servant, you're at an entry-level position, and you earn a week's worth of severance, and then 20 years later you rise up to a level that's much more senior, you're cashing out at a much more senior level when you actually cash out. You're not cashing out at the rate you actually earned the severance, so it is very difficult to say what the savings are.

Mr. Ed Komarnicki: Let me put it another way, if you were to negotiate out the severance except for, let's say, just-cause dismissals, but not in case of retirement or in the case of resignations, if you were able to negotiate those out, what might be the anticipated savings in dollars, generally going forward, knowing how many collective bargaining agreements you have and how many employees it would affect going forward? Of course you would start at zero on day one, but going forward over the next three or five years, there must be an anticipated savings that you have in mind.

Mr. Bill Matthews: There are definitely savings. I'm reluctant to put a dollar amount on it because it's complicated and I don't want to oversimplify it. But if you think about the wage bill for the Government of Canada, on average employees earned about a week a year of severance, but there was a maximum. The wage bill for the government on an annual basis is about $30 billion, so if you took one over 52, that gives you a number. But again, you have to factor in how employees get promoted and there is a maximum that employees reach where they no longer accumulate. So it depends on whether you're dealing with someone who is a long-time public servant or a new one. It is very difficult to actually put a dollar figure on savings.

[*Translation*]

The Chair: Thank you, Mr. Komarnicki.

I will now turn the floor over to Mr. Byrne for five minutes.

● (1615)

[*English*]

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Thank you very much, Mr. Chair.

I want to go back to the line of discussion regarding lapsed funds, and what the PBO is suggesting is sort of a systemic or patterned process of lapsing funds. You mentioned that there are some things that are one-off, that are incidental and occasional, but there also seems to be some evidence that the practice is occurring in mature statutory programs as well, such as the guaranteed income supplement in OAS.

I've noticed lately that the estimates have predictably predicted a certain amount of expenditure for old age security and GIS. That's a pretty mature program in the sense that it's not very difficult, or it should't be very difficult, to anticipate uptake based on simple demographic trends. A couple of years ago we had basically lapsed about 5% of the GIS and probably 4% for the OAS. Historically, I've looked at the numbers and we've actually budgeted more over the last 10 years and required funds to be lapsed over seven of those 10 years,

The money may not be a whole lot of money when you think of it as 4% or 5%, but these are not small-ticket items, this is $27 billion a year for old age security and about $8 billion or $9 billion for GIS. Has the Treasury Board looked at that which I am now preaching to you and suggested that it's a problem? Or do you not identify that as a problem?

Mr. Bill Matthews: These are statutory programs, as the member mentioned. They are old age security and GIS. The amount you would see in the federal budget and then in estimates is for information purposes only, so it's not lapsing, as in unspent. There is a number that is estimated and I would say my colleagues in Finance are a little on the conservative side in that they typically will forecast a little extra. That is a trend with statutory spending. But I wouldn't view this in the same light I would view lapsed funding, where a department has authority to spend, has control over the program, and then is unable to deliver for various reasons.

Statutory spending is applicant-based. You're quite right the demographics are the demographics, but I wouldn't characterize statutory spending as being the same issue simply because it's an estimate that's provided based on the best information they have at the time. It's not like there was money left on the table. That is an entitlement program and they do their best estimate. Through the supplementary estimates process, if Finance looks at their estimates and they realize that it's in need of an update they will update the information for parliamentarians.

Hon. Gerry Byrne: Would the Treasury Board monitor this and provide advice or even direction if a department is consistently doing this and it does seem outside of the norm?

Mr. Bill Matthews: Treasury Board looks at all spending, and we will look at voting more carefully than we looked at statutory, but when we provide our expenditure forecasting to Finance, it includes both, but we wouldn't necessarily tell Finance they need to adjust their estimates. It's a collective effort.

For most of the statutory programs, Finance actually tells us what the number is, and we are simply takers. If we do notice something, we would point it out.

Hon. Gerry Byrne: I think the concern amongst Canadians and certainly among some parliamentarians is there is a political veneer to this, or a political lens in that we are now captured by a game of how big the deficit is going to be, and can we shrink the deficit. And if we actually lower the deficit beyond what were the original expectations, then it shows the government to be good fiscal managers.

I think that's really one of the concerns I might have. There may be an effort to inflate statutory spending, which is big-ticket spending, and then simply not use the funds, and then show the projected deficit wasn't as high as what it was first anticipated to be.

I'm not suggesting you comment on that, but what you're telling us is you don't actually police that behaviour. Treasury Board doesn't necessarily police that kind of behaviour.

Mr. Bill Matthews: We would police it to the extent that we're aware of what was forecast and what was actually spent. I'll get Marcia to correct me, but typically, Finance's starting point for the new fiscal year for their statutory programs is what was spent in the last fiscal year, and then they will adjust. If you think about the health transfer, there was 6% inflator. So they do revise them.

I'm not overly concerned by their forecast. It is an entitlement program. It's a very different issue from the lapsed funding for voted programs.

Marcia, do you want to add anything?

● (1620)

Ms. Marcia Santiago: If the concern is around the level of scrutiny at the Treasury Board in terms of voted increases, yes, even now we go through at the point of not just the policy decision in cabinet around establishing the funding levels, but also when it comes to Treasury Board to seek program authorities, and then again when the department prepares its supplementary estimates.

The department can get asked several times at each stage: do you really need this money? Do you really need all of this money? As Mr. Matthews mentioned earlier, the level of questioning does increase in final supplementary estimates.

Mr. Bill Matthews: Maybe I'll make one final comment on the statutory piece because your question was on statutory.

If you look at the forecast, and it's wildly different from what was spent in the previous fiscal year, your first question should be why is it different? If it's because there is an increase in OAS rates, or an increase in GIS rates, that's understandable. Demographics are changing. But you should be able to get an answer to that.

[*Translation*]

The Chair: Thank you.

It is now Mr. Aspin's turn for five minutes.

[*English*]

Mr. Jay Aspin (Nipissing—Timiskaming, CPC): Thank you.

Welcome, Mr. Matthews and guests.

The Treasury Board is requesting $275 million for vote 25b, a centrally managed vote for operating budget carry forward, in addition to Treasury Board's plans to transfer $173.9 million from vote 33, a centrally managed vote for capital budget carry forward, to the operating budget carry forward to address incremental requirements.

My question is, why is an amount of $173.9 million being transferred from the capital vote to the operating vote in 2013-14?

Mr. Bill Matthews: I understand the member's concern here because members often get very interested when it looks like money is being moved from capital to operating. This is a different case.

These are the carry forward amounts where Treasury Board has a central vote that it allocates out to departments to basically allow them to spend money in the current fiscal year that they didn't spend in the previous fiscal year. To do that, we have to wait until the previous year is finalized so we can see what each department spent, or more importantly didn't spend. When we finished crunching those numbers, it was clear if we added up all the five percents of departments for operating, we would exceed what was in the central vote for operating.

When we did a similar exercise for the capital, it was clear we could give each department their 20% and still not exceed the vote. There was money left, in this case about $174 million. So the decision was made to put into estimates a transfer to take the money we did not need from capital budget carry forward and move it into operating to allow departments to get their full 5% carry forward.

So this is not a case of moving money that was planned for capital and switching it to operating, which I know is a concern frequently of members. It is because of the size of the unspent money in fiscal year 2012-13. We did bump into a bit of an unusual circumstance.

I will also say, though, if you looked at government spending over the years, it has gone back down, but it's up over where it was 10 years ago. The amount we have put aside for operating budget carry forward has not really been increased in many years. So we never increased the ceiling of operating budget carry forward to properly allow for the growth in government spending, so this was a bit of a one-time catch-up adjustment.

Mr. Jay Aspin: Would this transfer be in line with generally accepted accounting principles?

Mr. Bill Matthews: The accounting comes in when we're actually doing the books for what was spent. This is a mechanism to resource departments for what they can spend. But when a department spends money, if they spend it on operating dollars it will be characterized as operating. If they use the money on capital, if it meets the definition of an asset, it will still show up on the financial statements of the Government of Canada as an asset.

So it doesn't matter where the source was. From an accounting perspective they will account for it based on what it was spent on. So to answer your question, yes.

Mr. Jay Aspin: Can I ask you then what incremental requirements are being addressed by the transfer of funds from the capital budget forward vote to the operating budget forward vote?

● (1625)

Mr. Bill Matthews: It's nothing specific, but I will say that during the last couple of years as departments have been implementing the deficit reduction action plan reductions to their budgets, they do need flexibility because they've been absorbing costs for things like severance and winding down programs. So they will often use operating budget carry forwards to fund things like severance payments to the extent necessary to give them the flexibility they need to implement those budget reductions.

There is not one specific thing I can say this money is targeted for, but I will say that in times of restraint departments can use whatever flexibility we can give them and this is a way to give them flexibility.

Mr. Jay Aspin: Thank you, Mr. Chair.

[*Translation*]

The Chair: Thank you.

It's now over to Mr. Martin for five minutes.

[*English*]

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Mr. Chair.

Thank you, witnesses.

I would like to use my bit of time to pick up where Gerry left off. He was talking about the unused portion.

The lapsed money is the same as the unused portion. Is that correct?

Mr. Bill Matthews: Lapsed typically is unused, and I would say is typically for voted money. Statutory is just for information purposes.

Mr. Pat Martin: Right.

It seems that it goes beyond just being cautious so they don't exceed and break the law by overspending. In some areas like Transport Canada, 37% of available funds were left on the table unspent, $785 million.

We all see what's happening with the Montreal Champlain bridge. The Federal Bridge Corporation Limited left 30.8% of available funds. I'm getting this from public accounts.

I found the training that you guys brought to our committee was very helpful. We try to follow the buck through the whole continuum of spending. But it's useful to look back a little bit and see what's left on the table.

It seems to me—and Gerry would know, being at the cabinet table—that there seems to be pressure being put on ministers to shave and shave and shave, and not spend their budget, knowing full well that only 5% can be rolled over. Is that correct?

Let's use Transport Canada as an example. How much of the $785 million can be rolled over without having to be voted on again?

Mr. Bill Matthews: Well the automatic rollover would be the 5% of operating, and we talked about 20% of capital.

When you're into grants and contributions, which is part of the issue at Transport Canada, there is no such thing as a 5% or 20% for grants and contributions. Departments actually do have to make a case to say, “Yes, we need to reprofile that money”.

Mr. Pat Martin: But it seems to me that when the finance minister stands up and says, “We're whittling away the deficit”, it's under direction at the cabinet table to cut and hack and slash and make sure you don't spend anywhere near the money that was approved by Parliament. There is something disingenuous about this, which is what I'm getting at, and it's the political lens that Gerry is looking through and I am, too.

We lived for years with completely disingenuous budgets under the Liberal regime. There were surpluses but we were told all through the year, “No, there is not a penny. Sorry, the cupboard is bare, not a nickel” and then this rabbit gets pulled out of the hat, a $10 billion surplus, and everyone had been told there wasn't a nickel to be spent.

I sense something similar happening today because it worked so well, frankly, in the last administration. That's more of a comment than a question.

My question would be something that's come out of the whole Prime Minister's Office/Senate scandal. Deloitte Touche was given a $20-million contract to advise government how to save money, $90,000 per day. You think that giving Mike Duffy $90,000 was bad; this is $90,000 per day.

First of all, isn't that cabinet's job or your job to advise government? Does that Deloitte & Touche contract and other Deloitte & Touche contracts go through Treasury Board? Do they advise you?

Mr. Bill Matthews: I have a couple of things. If I may return to your first comment, I will say, where you see money unspent—and I will get to your second question in a moment—in the case of Transport, the question you should ask is, has the money been reprofiled and submitted back for approval? In that case, in Transport's case, over $600 million has been reprofiled and is back to be voted on again. It's hard to argue that this is a reduction when it's back to be voted on again.

When you're dealing with some of the issues Transport is dealing with in terms of reaching agreements—

● (1630)

Mr. Pat Martin: Bill, it is a reduction. It wasn't spent that year. If they needed another $600 million, they would have asked for another $600 million—

Mr. Bill Matthews: No, but if you're just extending out the profile by a year, then it's really not a reduction. The profile is different in terms of timing, but it's a fair question to ask.

I will say normally the—

Mr. Pat Martin: Deloitte Touche....

Mr. Bill Matthews: —the government has an excellent track record of forecasting expenses. Last year is a bit of an outlier in terms of the size of the lapse being big. You did mention the previous governments. If you went back to those surpluses, you would see that the surprises were always on the revenue side, not the expenditure side.

To come back to your final question on Deloitte—

Mr. Pat Martin: Deloitte...well, actually, management consulting generally, because $459 million in 2012-13 in outside management consultants.....

I mean, you're about the smartest guy I know. I don't know why we'd have to hire anybody else. If they would listen to you and your team, they'd be well served. Do those contracts go through you? Do you end up taking orders or recommendations from Deloitte Touche?

Mr. Bill Matthews: Any department is free to strike a contract with the management consulting firm of its choice through competitive process or otherwise. The one you mentioned on the deficit reduction action plan actually did indeed go through the Treasury Board Secretariat as a department because they were advising TBS. My colleague, Christine Walker, was equally involved in the management of that contract. So that one did.

I can say—

Mr. Pat Martin: How did that make you feel when they were getting $1,600 a day to tell you your job? They probably couldn't even figure out their way through the supplementary estimates (B), because nobody can except you...to be honest.

Mr. Bill Matthews: The actual advice...some of the initiatives we were looking for under the deficit reduction action plan were transformational in nature, so the thought was that some outsiders in terms of private-sector practices, other government, would actually be useful in benchmarking that.

In terms of our ongoing day-to-day work, do we use management consultants in my work? The only bit we use is from time to time we contract a third party to do a wage comparison analysis. If we're heading into collective agreements, we want to see what the private sector pays for a similar function, we may consult with a third party to do that sort of study. As a rule, we use them infrequently in terms of our exercises.

Mr. Pat Martin: Somebody is using them a lot at $459 million a year.

[*Translation*]

The Chair: Thank you, Mr. Martin.

We'll now go to Mr. Hawn for five minutes.

[*English*]

Hon. Laurie Hawn (Edmonton Centre, CPC): Thank you for being here.

I'd just like to pick up on that for a second because I was part of that deficit reduction action plan.

The $20 million sounds like a large amount of money, but when you look at $20 million divided by the $5.2 billion that was identified, that's less than four-tenths of 1%.

Would that fall in line with sort of consulting fees or common practice in other parts of the economy?

Mr. Bill Matthews: I'm not sure what the private sector would spend on consultants. I would say that in the private sector, they typically tend to offer large dollar-value contracts, big items. My experience, and it's more anecdotal than anything, is governments tend to use more small-dollar, individual contracts. But we don't have a formal ratio.

If you did go back in time, I think as far back as probably even the mid-nineties when those large cuts took place, you would have seen a drop in personnel spending and a corresponding increase in professional and special services. Of those two things, one went down and one went up. In recent years we've seen spending and professional special services level off and start to drop. I have not yet looked at the 2012-13 numbers to see what the trend was there, but, really, departments are free to make use of whatever resources they think they best need to deliver programs. If that involves personnel dollars, that's fine. If from time to time they think they need some outside help, that's fine too. They have operating dollars to do that.

Hon. Laurie Hawn: In your view, that $20 million was money well spent?

Mr. Bill Matthews: It was through a competitive process. It was $20 million. We got some advice. The final decisions were decisions for ministers. There were certain issues the government was facing where it was useful to have an outside perspective, yes.

Hon. Laurie Hawn: I have just a couple of quick questions. The $120 million that we set aside for Foreign Affairs' responses to major international crises, do they normally use that every year?

Mr. Bill Matthews: They did not. They do not always use it; it's there as a safeguard, because if there is a crisis—let's be honest—to get supplementary estimates prepared and through Parliament takes some time. It's nice for them to have some quick funding that they can access if needed.

In the previous fiscal year, they lapsed a good portion of that money because it wasn't needed—which is a good news story.

● (1635)

Hon. Laurie Hawn: That's a good thing.

You talked about the increase in statutory spending because of OAS and so on—the increase was about $1.8 billion. I assume we're planning for that to accelerate, if anything, because of the aging population.

Mr. Bill Matthews: The projections that Finance uses are longer-term in nature, and yes, they're aware of the demographics of our population. From time to time, there are also increases in the amounts, and those would be factored in.

Hon. Laurie Hawn: And maybe I misunderstood, but when you mentioned supplementary estimates (C) you talked about...did you say needing a mechanism for departments to prove that they needed more? Do you have that mechanism?

Mr. Bill Matthews: That was more by way of advice to ourselves. If there's one thing we could do better, it's asking questions. Supplementary estimates (C) are typically very small. The reason for that is that they come late in the year. We need to do a really thorough job of challenging and making sure that the money can be spent in the fiscal year for which they need it.

Hon. Laurie Hawn: But do you have that mechanism?

Mr. Bill Matthews: We have the mechanism; it's okay.

Hon. Laurie Hawn: Talking about red tape, the departmental performance report said some nice things, of course—I'm talking about the “one for one” rule. The President of the Treasury Board said it could save Canadian businesses about $20 million in administrative costs, representing a 98,000-hour saving of time in dealing with regulatory red tape.

How do you measure the success of the red tape reduction plan? And what is the cost of the ongoing monitoring of it?

Mr. Bill Matthews: I'm going to take a small break and hopefully turn to my colleague to answer that question.

Ms. Christine Walker: The cost of the ongoing monitoring of the implementation of the regulatory reforms is about $425,000. In addition to the monitoring and the central oversight activities, it also includes TBS support services to the President's regulatory advisory committee, members of which serve on a pro bono, voluntary basis. So there is a fair amount of monitoring going on.

Hon. Laurie Hawn: We haven't had an annual scorecard yet, have we?

Ms. Christine Walker: No, not yet.

Hon. Laurie Hawn: How is that going to be published, so that the public can see what has been done?

Ms. Christine Walker: Annually. Each department's compliance with the requirements will be assessed and will be published in an annual scorecard starting in early 2014.

Hon. Laurie Hawn: Okay.

There must be other countries doing this around the world. Do we compare ourselves with them? Are we learning from their processes? How do we compare with them?

Mr. Bill Matthews: There are other countries doing this. I know that the “one for one” rule was implemented in some provinces. I'm going from memory here; it may have been in British Columbia. They have contemplated similar things in the U.K. as well. The red tape commission work itself was very much done, at least as a starting point, by consulting with other jurisdictions, because Canada is not the only country facing this issue.

Hon. Laurie Hawn: How do you ensure that the departments bring that in? Is there a mechanism for ensuring that they are actually following that reduction in regulations?

Ms. Christine Walker: That's part of the monitoring program headed by Michael Presley in our organization.

[*Translation*]

The Chair: Thank you.

Mr. Blanchette, your turn for five minutes.

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

My first question is about VIA Rail. When the main estimates came out, I rose in the House because there was a huge gap between last year's estimates and this year's.

With these adjustments, the estimates are really similar to last year's. I'd like to know the reason why there's such a big difference between the initial amount and the amount we have now. Of all the federal agencies, VIA Rail might take the cake in that respect.

Were there problems as far as the drafting process was concerned? Do you have an idea of what happened?

A brief answer would be appreciated. Thank you.

[*English*]

Mr. Bill Matthews: To get a really good understanding of the spending at VIA Rail over the last several years—and I will eventually turn to my colleague for some additional information—let me say, Mr. Chair, that VIA has had some additional cashflow from the federal government over the last few years, from time to time, because of shortfalls in their pension. There was a need, from a statutory perspective, to provide additional funding for their pensions. That was part of the story.

Some intensive capital injections have also occurred in the past—not one-time funding, but certainly higher in some years than was planned for on an ongoing basis. It is actually okay to say that there's a one-time investment of this amount, and the ongoing investment will be less, so you saw a spike in the capital investment.

Those are the two things, off the top of my head. I will turn to my colleague to see whether there is anything else.

● (1640)

Ms. Marcia Santiago: I'll just add that if you are comparing main estimates from 2012-13 to main estimates of 2013-14, the biggest difference is simply that the budget 2013 funding hadn't been announced or approved through Treasury Board yet. If you look at the summary of estimates on page 17 in English and page 20 in French, you'll see that from the actual expenditures for VIA Rail in 2011-12 to their estimates to date for last year and their estimates to date for this year, it's actually not that much of a difference anymore. Total estimates in 2012-13 were about $478 million, and including supplementary estimates (B) they will be at $440 million. So it's comparable.

[*Translation*]

Mr. Denis Blanchette: That's actually what I'm saying. It comes down to the same thing.

I'd like to switch topics and talk about the gas tax. You said that two provinces and one territory had not spent their funding. Could you tell me which ones?

[*English*]

Mr. Bill Matthews: Yes, I can, Mr. Chair.

[*Translation*]

The two provinces were New Brunswick and Nova Scotia, I believe. And the Yukon was the territory I was referring to.

Mr. Denis Blanchette: Very good.

How much does the gas tax bring in annually?

Mr. Bill Matthews: I don't know.

Mr. Denis Blanchette: Very well. In that case, I'll ask Ms. Walker a question.

In terms of the Elgin Street redevelopment project, I'd like to know whether it's a new building or an existing one. The expenditures for Shared Services Canada, in particular, strike me as high. Could you explain the circumstances around the project? What does it involve? My understanding is that you're moving public servants from nine different locations all there. What will be the outcome of doing that?

[*English*]

Ms. Christine Walker: On the workplace renewal initiative, first of all, the bulk of our employees currently are actually in L'Esplanade Laurier, and it's a building that does need significant renovations, so we have to move out of that building. We will be moving to the building on 90 Elgin Street, which is the old art gallery, which is right across from the National Arts Centre, along with the Department of Finance. That will house about 60% to 65% of our staff. The second building is yet to be decided.

So why does Shared Services Canada need $3 million? That money goes towards all of the IT infrastructure. Today, Shared Services Canada, for instance, will provide all of the cabling for the Wi-Fi. Rather than going in networking, we're going to go Wi-Fi, where they will provide all of the cabling. We have a secret network for information; they will provide all of that. They also provide all of the telecommunications infrastructure in the building. That means all of the communications closets on every floor, that is all Shared Services Canada. In the past it wasn't Shared Services Canada, but now it is. So they need the money to be able to procure the equipment that is required for the IT infrastructure in the new building, at 90 Elgin Street. There will be about 1,600 employees in that building.

[*Translation*]

The Chair: Thank you, Mr. Blanchette.

Ms. Ablonczy, you have five minutes.

[*English*]

Hon. Diane Ablonczy (Calgary—Nose Hill, CPC): Thank you, Mr. Chairman.

I thank all of you for your assistance in following this.

I noticed that there seems to be a concern on the part of the opposition that government is not spending enough. I would point out that it's a pretty unique and positive problem to have in any country, considering the huge debt load of many of our peers in the developed world.

You mentioned, Mr. Matthews, the concept of value for spending, which is important because you can spend a lot of money but that doesn't mean you're getting a lot of value for it, or maximum value. So my question is, what process is in place to have a value-for-spending determination?

● (1645)

Mr. Bill Matthews: I would say a couple of things. The first is that there is a Treasury Board policy. It's called MRRS, but for today's purposes it's around performance reporting. It requires each department to outline the performance objectives and how they will measure those for each program they have. That's point one: to get Treasury Board approval of a program, you have to be able to explain what the objectives are and how they will be measured.

Point two is that there is also a requirement that all programs be evaluated every five years. An evaluation will look objectively at the results of the program and offer up some analysis of whether the results are being achieved. Those evaluations are made public. When each department finishes its evaluations, the results are posted on the departmental website.

The final piece of the puzzle would be in each department's report on plans and priorities and follow-up departmental performance reports. In those you will get a sense of what the program has actually done. The really key question for me, when there is an evaluation, is, what does it say?

That's the policy framework to make sure that there's value for money. If you look at the fairly recent expenditure reduction exercises, going back a few years we had strategic reviews. They were very much focused—and the government was in surplus when they started—on the question of whether we were getting value for money for the programs. The reductions that were made were for cases in which there was no federal role or in which we were not getting good value for money or something along those lines.

We borrowed those concepts when we did the strategic and operating review, but we brought in operations as well.

Those are the key things we do to look at programs.

Hon. Diane Ablonczy: We're spending some time this afternoon as a committee examining supplementary estimates spending, but obviously this isn't the only oversight of spending that government exercises. Could you outline for Canadians, as well as for the committee, what oversight steps are put in place to monitor spending and make sure that it's appropriate?

Mr. Bill Matthews: This is one of the final stops of the train, the parliamentary approval of spending plans or an appropriation act.

Before it gets here, there needs to be a case made in the budget: someone has to convince the Minister of Finance and other cabinet ministers that a program is worth pursuing. That's step one.

Step two is the work of the Treasury Board itself. Before money can be spent, there are some detailed questions asked about how much is needed, what the objectives of the program are, how the department will achieve them, whether you could reallocate from within the department to fund the request. That's the Treasury Board piece.

It then comes here.

Then there's ongoing oversight of actual spending. I would point to deputy ministers as the accounting officer for each department. They are supported by such things as departmental audit committees, an internal audit function, and an evaluation function, which I have already mentioned.

Lastly, when the government's financial statements are prepared, there is an independent audit done to make sure that the departments are accurately reflecting their results in the way they were accounted for.

That's a kind of complete picture in 30 seconds.

Hon. Diane Ablonczy: Oh, that was very good.

How much time do I have?

The Chair: You have 30 seconds.

Hon. Diane Ablonczy: I think we'll wrap it up there, then. Thank you very much.

[*Translation*]

The Chair: Thank you.

We now move on to Mr. Byrne for five minutes.

[*English*]

Hon. Gerry Byrne: I want to talk a little bit about what supplementary estimates should normally contain—what your normal expectation would be. You have the main estimates, which are done before the budget; then of course the supplementary estimates would take in things that the budget might provide for. But you also have things that are outside the budget.

For example, if there were a new program expenditure in regional economic development agencies that wasn't included in estimates and wasn't a budgetary measure, is it the expectation of Treasury Board that departments would try to stay within the discipline of the budget process, or is it simply that as cabinet approves things, they are eligible to be included in the supplementary estimates?

● (1650)

Mr. Bill Matthews: The budget is the most normal way that you'll see funding. The budget is once a year. So if you've got cabinet approval of something and there is a need to spend in the current year and you've missed the budget, is there a way around that? Yes there is. Departments can make a case to the Minister of Finance and the Prime Minister to get effectively an off-budget cycle funding approval. That means they have the blessing of the minister responsible for the fiscal results to go ahead and they have what we call funding approval.

That would still require them to come to Treasury Board and if there's money needed to be added to their votes they would still have to come through the estimates process.

You did mention that the main estimates are the bulk of the spending but there is more in supplementary estimates. You would also see things that are old programs. Oftentimes our programs have a five-year lifespan and they get renewed frequently but sometimes they don't get renewed to make it into the main estimates. So you may find the odd program that's been around for a while missed the main estimates but comes back through the supplementary estimates. The budget announcement there could have been quite some time ago.

I'll give you a good example from, I believe it was two estimates ago, the contract policing for the RCMP. If you looked at the main estimates you would have seen a massive drop in RCMP spending. It was because the contract renewal for that function with the provinces had been missed for the mains. It was, I believe, in supplementary estimates (A) so there was a big amount in the supplementary estimates that effectively brought the RCMP back to its normal levels. So you will see that from time to time as well.

Hon. Gerry Byrne: One item that caught my attention was a one-off request for authorization for $4 million for Veterans Affairs targeting advertising. So what we should take from this is that the $4 million was indeed a one-off, it was meant as a one-time payment for a one-time advertising media buy or advertising activity. Would that be fair to say?

Mr. Bill Matthews: It's for the current year. The advertising is a horizontal item because there are multiple departments that do advertising. Veterans Affairs is the only department with money for advertising in these estimates.

You are quite correct, it is a specialized event in that it is to commemorate the 60th anniversary of the Korean War. Veterans Affairs is planning something specific to commemorate the veterans from that war so that's why you're seeing that in supplementary estimates.

Hon. Gerry Byrne: So in terms of the central agency's process, since that is a one-off item with a sunset, it's for this year and this year only. It didn't necessarily appear in the budget, or would that have been a budget item? I can't recall.

Mr. Bill Matthews: I don't recall if that was a budget item or not. My colleagues may.

Ms. Marcia Santiago: This was an example of an off-cycle decision.

Hon. Gerry Byrne: So this actually does represent a...what did you call it?

Ms. Marcia Santiago: An off-the-budget cycle....

Hon. Gerry Byrne: Looking at the estimates from an examination as a parliamentary committee, how can we ensure that it actually does get used for its stated intention for the rightful celebration of the anniversary of the Korean War? How do we know for sure that it's actually spent on that? Is there any safeguard that you can alert us to?

Mr. Bill Matthews: In this case specifically there are two answers. One is advertising, so you will see or hear something. That's a very easy answer. But more importantly Public Works and Government Services Canada does produce an annual report on advertising and you will actually see the contracts let. I believe they disclose by department and dollar amount. So you will get a sense of what was actually spent.

[*Translation*]

The Chair: Thank you.

Mr. Van Kesteren, you have five minutes, as well.

[*English*]

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair.

Thank you all for being here. I'm new to this committee and this is a fascinating education for me. I'm beginning to get a picture.

One of the pictures that I've gotten is you mentioned that traditionally this stems from the days of the feudal times when the king was trying to get more money and tax the people. The shift is definitely that the king was trying to get the money and spend the money and now the people are spending the money and getting the king to agree to that money being spent.

The one thing that I'm finding is key to this whole thing is predictability, isn't it? You have rightly pointed out that the main estimates are budgetary items that we know we're going to spend. Then during the course of the year we find these unpredictable things that cause us to have to go back to the king, the crown, and say we need a little more money. Have I got that right so far?

● (1655)

Mr. Bill Matthews: I'd say partially right.

There are unpredictable things. The flooding is a great example of an unpredictable thing. There are also things that simply were planned in the announced budget but the spending plan of the department wasn't ready in time to make it into main estimates.

Mr. Dave Van Kesteren: But it's still unpredictability. The predictability side would be to have all those things in the main estimates.

One of the things that you mentioned—and I caught this myself, too—was pensions. A pension would be a predictability but it's not when the actuaries come in and say there's not enough money here, we need to plunk down another chunk of change. You mentioned the rail but I also noticed that—and I was just paging through this thing quickly, on page 45— “The increase in total actual expenses in 2012-2013 is $329 million as compared with the 2011-2012 actuals and the increase of $203 million over 2012-2013 planned results are both mainly due to an increase in payments to fund actuarial deficits in the Public Service Pension Plan.”

That's another reason, I suppose, why there's a danger in defined benefits as opposed to defined payments.

How often does this happen? How often do we have discrepancies?

Mr. Bill Matthews: I'd say a couple of things.

Pension accounting is complex and so you will see some cash from time to time—and I will turn to my CFO colleague here in a moment—where the actuary makes a recommendation to flow additional cash.

From a fiscal perspective, accounting perspective, and a budget perspective, pensions are a long-term game. These are defined benefit plans, as you have mentioned. What you will see over the course of an employee's career are swings in investments, returns, that will actually cause it to go up and down, and predicting what those will be.... The accounting standards allow some flexibility, so the finance department can manage those quite well. That does not mean, from a cash perspective.... From time to time there's a need for an injection.

I'll see if Christine wants to—

Mr. Dave Van Kesteren: Maybe you can answer this question.

In the last five years, how often have we had to have an infusion in our pension plan?

Ms. Christine Walker: For the public service pension plan, which is the largest pension plan, this was the first one they've had. What happens is the office of the chief actuary, which actually resides in OSFI, does a tri-annual report. This time, after the tri-annual report, they said that we had to inject $443 million per year over the next 13 years into the pension plan.

Mr. Dave Van Kesteren: I don't need any more. That's wild, that's sizeable.

I suppose another one would be interest rates. That's why we watch interest rates too much.

Currently, what is the national debt and how much would be affected directly by interest rates, as opposed to bonds that are tied into interest rates?

Mr. Bill Matthews: I can tell you the interest expense for 2012-13 is about $29 billion, so that's just interest on debt in total. I have it in my head—if you give me two minutes I can probably find the number, I think I have Public Accounts here with me.

If you have another question you want to ask while I bring this up, go for it.

Mr. Dave Van Kesteren: Sure.

Tied to that, historically—and I think we can go back in history a long way—governments have, I would suspect, many times been in debt. We've seen a prolonged period in the western world. Traditionally, tied to GDP, what is a comfortable level of debt? I think we're at about 36% to GDP right now. Is there something that the Treasury Board feels we should strive for?

Mr. Bill Matthews: That's more a question for the Department of Finance. They do have a target. My recollection is that we're at 33% to 34% debt to GDP, but you probably have more up-to-date information than I do. I know Finance has a lower target. If you compared the federal government to other countries, we'd be doing quite well. That doesn't mean that's the right thing, but it's quite positive.

There are reports done that compare countries. The challenge in comparing countries is, outside Australia.... Canada and Australia are about the only two that put all their liabilities on the books.

● (1700)

Mr. Dave Van Kesteren: I think that we're the only countries that don't tie in all of our three levels of government.

Mr. Bill Matthews: We do, in other reports.

If you looked at France, for instance, France doesn't put their pension liabilities in the books. So you can't really do a comparison between France and Canada because they haven't got the whole picture. But, if you look at Canada and Australia, both are financially healthy and both complete liabilities.

To get back to your last question, the total interest-bearing debt of the Government of Canada is about $892 billion. Of that, total public sector pension liability—if I can read across this line—it looks like it's $67 billion. Is that correct? Sorry, $151 billion. You'll find that in the Public Accounts of Canada, which are the financial statements of the Government of Canada.

It's not in your book.

Mr. Dave Van Kesteren: Oh, so that's not in our briefing?

Mr. Bill Matthews: It's not in your book.

Mr. Dave Van Kesteren: Can you give me that one more time? What is that total?

Mr. Bill Matthews: The total interest-bearing debt for the Government of Canada is $892 billion. Then if I go across on that line, public sector pensions are $151 billion of the $892 billion.

Mr. Dave Van Kesteren: I don't quite understand it. Maybe I could get an explanation for that.

[*Translation*]

The Chair: Thirty seconds left.

[*English*]

Mr. Bill Matthews: Thirty seconds? Okay.

The total debt of the government is $892 billion and, of that $892 billion, the pension liability, which is a form of debt, is $151 billion.

[*Translation*]

The Chair: Ms. Day, go ahead.

Mrs. Anne-Marie Day: Thank you, Mr. Chair.

When a department does its budget forecasting, it looks at the next few years, sometimes one, two or three years ahead, and it determines what it will spend or how much it will ask for in the estimates. Either it uses the funds or it doesn't. Obviously, departments can carry amounts forward.

An argument could be made that asking a department to carry forward unspent amounts or not to spend as much as it should would result in savings that could be put towards the debt. That's a simplistic way to look at things. It's completely irresponsible. If a bridge needs repairing, the money to fix it needs to be spent, because if the bridge isn't repaired, as in the case of the Champlain Bridge, it could do damage. If an accident occurred, it could cost more than the savings intended to go towards the debt.

The same applies to railroads. Last summer, I travelled across Canada, and I can tell you they were in poor condition. When it comes to railroads, it's as though we're stuck in the 1960s. It's actually shocking that there aren't more accidents.

Then there's the matter of employment insurance. In order to increase revenue, program expenditures are slashed and access to the program is reduced. That way, the government is able to transfer more money. Is that responsible behaviour? It's not your job to answer that question, but the minister's, one day or another.

That brings me to another question. On the subject of the $955 million for the payment of accumulated severance pay benefits, you said that 70% of people had decided to cash out their benefits and that the other 30% had chosen to wait, with their benefits being set aside. Was a cash flow budget done with the entire $955 million going into this year's budget? If not, was a forecast done in terms of those retiring in one year's, two years' or three years' time? Was the amount payable spread out over a number of years so as not to include it in the budget right away?

Mr. Bill Matthews: You asked two questions.

The first has to do with capital. If the government were to review its spending, most of the cuts would be to operating expenditures.

[*English*]

If you look at the planned spending on capital, you will not see a drastic difference between current years and previous years. It's a very good thing to keep an eye on, because there is always the question when one is reducing spending whether you are reducing in the short term and will incur some costs later on. Keeping a close eye on capital spending is a good thing to do.

The second question was on the severance. The actual fiscal liability for the severance has already been booked, because the Department of Finance and accounting standards would dictate that we have to recognize the benefits employees earned. They were entitled to it, so it was already reflected in the books. The liability exists on the books already.

What we're seeing now is simply cash going out the door that will reduce the liability. The $955 million is the estimate that has been made for the current fiscal year in terms of how many employees will request cash. It's an estimate and is based on past practice.

Our first estimates when we first did this were based on the experience of Canada Post, because they did a similar program. I think their experience was that 75% of employees took the money up front. Our experience to date is a little bit less, but really, this is a matter of cashflow, and not a matter of something affecting the bottom line of the government.

● (1705)

[*Translation*]

Mrs. Anne-Marie Day: More than $2 billion went to help with the flood situation in Alberta. I believe it was around $3 billion. And yet the amount allocated to the Lac-Mégantic accident in Quebec was $156 million. Both were major disasters. We're disappointed for the victims of the Lac-Mégantic tragedy.

Alberta doesn't have 35 million people. We're not talking about California or Tokyo. It has a small population, and so does Lac-Mégantic. It's an area with a small number of residents. Why is there such a huge difference?

The estimates set out funding for Alberta to help with recovery costs following the floods. Could you define “recovery”? Do you mean economic recovery?

[*English*]

Mr. Bill Matthews: There are two things. The actual disaster financial assistance program is a specific program that was originally designed for natural disasters. It's a program that is formula-driven. The funding for the Alberta floods, which did hit a very densely populated area of Alberta, Calgary, etc.... The formula that is agreed upon with the province is that the federal government reimburses the provinces for a percentage of what they spend. It's also based on what they spend on a per person basis, so per capita. There's a very formulaic approach for that program, and historically, it was based on natural disasters.

It's not around economic recovery. The money for Alberta is around the actual recovery from the event itself from a cleanup perspective.

On Lac-Mégantic, the money that's been committed so far is twofold. One is around the actual cleanup, but there are also some funds for economic redevelopment recovery and things like that, and that's the second piece. So there's a different mix at play there.

[*Translation*]

The Chair: Thank you, Ms. Day. You're out of time.

We now move on to Mr. O'Connor.

[*English*]

Hon. Gordon O'Connor: First, just back to the debt, my understanding of debt is that you have the federal debt and you have provincial debts, because we as taxpayers have to pay it all anyway. When a country calculates its debt, it has to calculate both of them together. Other countries are like unitary states, like Britain or whatever. Their provinces are inside their bills, so they have debt also.

Is it difficult to compare a country's debt against another country's debts?

Mr. Bill Matthews: It is difficult for two reasons. Number one, the accounting standards that Canada, Australia, and a few other countries use are far more strict. For instance, if you were to look at the financial statements of Greece, they're not very pretty, but they also don't include a lot of liabilities that should be on the books—pensions, benefits, things like that. So you have to understand what accounting standards are in play.

On the second piece, you're quite right, you do need that understanding of total government. So when you look at the public accounts of Canada, you're only seeing the federal portion, but there are also provincial and municipal. Not all countries are the same. China has five levels of government. I think the U.K. has two, if I recall correctly.

Statistics Canada and its similar organizations in other countries do make an attempt to publish whole-of-government debt information, so they consolidate the three. You can actually look at a comparison among Canada and other countries. From a Statistics Canada perspective, you'll get all the levels of government together, but you're still hamstrung by the differing accounting standards at play, so you do have to understand if they've included all of the liabilities on their books. For instance, OECD produced a report comparing countries, and in the fine print you'll notice that they say, well, not all the accounting standards are the same, and so it is very difficult to compare.

I always look to Australia because their accounting standards are solid. They get a clean audit opinion, so you know you have good numbers there. If you look to the U.K., they've only recently been able to produce their first consolidated financial statement. The U.S. produces one, but they don't get a clean audit opinion, so you have to take the numbers with a grain of salt.

● (1710)

Hon. Gordon O'Connor: In Canadian terms, our debt is 80% or 82%, or something like that, isn't it?

Mr. Bill Matthews: If you go whole of government for all three levels, you're up in that range, yes. I heard it was 87%.

Hon. Gordon O'Connor: A different topic...health. It says on first nations and Inuit health, we want $285.5 million on the supplemental estimates. My understanding is we pretty well know how many natives there are and where they are. etc. Why can't we budget better than having a situation where we have to throw $285 million on their health plan?

Mr. Bill Matthews: This is another one of those examples of something that was committed to in a budget and it has now been through the process of going to Treasury Board and getting all the questions asked and properly developed spending. So the money for first nations and Inuit health was a budget 2013 commitment, so it was in the budget, $1.8 billion over three years. So this is one chunk of that, but the $1.8 billion over three years, if it's evenly split, is about $600 million. This obviously is not that much.

The program itself is targeted at supplemental health benefits, addiction centres, primary care health, so it's very much focused program spending. It lines up with the budget. This is not a surprise. It was just a matter of waiting for the program to get through the proper approval processes, to line them up and get the spending going.

Hon. Gordon O'Connor: My final comment is, I don't mind if you save money. I'm for saving money; I'm not for spending. I like saving, so congratulations. Thanks.

[*Translation*]

The Chair: Thank you.

On that positive note, I want to thank the witnesses for coming here today to meet with us. It was a productive meeting.

[*English*]

Mr. Pat Martin: Am I not on the list?

[*Translation*]

The Chair: No, you aren't.

[*English*]

Mr. Pat Martin: I did ask for a spot after Madame Day. Do we have a few minutes before the bells ring?

[*Translation*]

The Chair: We have a few minutes left if you'd like to ask a quick question.

[*English*]

Mr. Pat Martin: Okay, thank you. I'll try to be brief.

[*Translation*]

The Chair: We'll keep an eye on the clock.

[*English*]

Mr. Pat Martin: Some of it is to comment on things that we've heard throughout this very useful exercise. I do want to compliment both the officials from Treasury Board for coming to us with a very clear, concise presentation. It's very helpful as we as a committee struggle to do a more robust and thorough job of examining the estimates.

One comment Diane made, though—and again, she was perhaps joking—was that we're calling for government to reduce spending. I think that was the comment she made.

In actual fact—and you say you were complying—isn't it true that in 2006 the total expenditures were $205 billion of government, and in 2013-14 it's $275 billion? So even with the budgetary restraint and the cutbacks, the budget of Canada has exploded. The $892 billion is the total debt, but the accumulated deficit, just the accumulated deficit, is $602 billion. Does that sound accurate to the Public Accounts?

Mr. Bill Matthews: I'm just thumbing through. So if you go to Public Accounts, they have a lovely...and this is not on a cash basis, but there is a 10-year spending profile, revenues and spending. So I'll go back the full 10 years. In 2004 you would have seen total expenses of about $191 billion.

I believe, Mr. Chair, the member quoted 2006. Spending, again on an accrual basis, not on a cash basis, was $211 billion, and in the year just ended it was $275 billion.

Mr. Pat Martin: It was $275 billion. That's the point I was making.

Mr. Bill Matthews: You were asking about the actual accumulated deficit itself, which sits at $602 billion, you're quite correct.

Mr. Pat Martin: I'm sorry, how much? It's $602 billion.

Mr. Bill Matthews: Yes, at the end of the fiscal year 2013.

Mr. Pat Martin: That's helpful.

Mr. Bill Matthews: And again, this is an accrual accounting basis...Public Accounts of Canada.

Mr. Pat Martin: Thank you.

I have a concluding comment, perhaps, on this what I think is an excessive use of outside management consultants, an amount of $459 million in the last fiscal year. It's down from the previous year, which was $509 million, so kudos for saving $50 million, but that's a staggering amount of money to go to outside third parties to tell government what they should be doing. There's a disingenuous aspect to that.

I'd also like your comment on this. The Office of Infrastructure Canada left $1.56 billion on the table; 29.4% of its available funds are lapsed. Now, is it my understanding from another example I brought to you that this money can simply be re-announced in the next year? So the next Building Canada fund, when they announce it, will include, I presume, the $1.56 billion that they left on the table the year previous?

● (1715)

Mr. Bill Matthews: Mr. Chair, I can't speak to how things will be announced, but if the money is reprofiled and is to be included in a future year's estimates, you will see it mentioned in here for sure, because we need Parliament's approval.

Mr. Pat Martin: “Reprofiled”, that's the term.

Well, that's what begs the question. We're going to outside contractors to tell us how to run government like a business, presumably. Deloitte Touche is becoming to the government what Arthur Andersen was to Enron, yet we have this inconsistency here.

If you want to use the running government like a private business analogy, who would invest in a company if you couldn't trust the financial statements? If somebody pulled a stunt like that in a private sector, publicly traded company, they'd be exposed for misleading people. There's going to be a big announcement, Building Canada; let's build more stuff, and all the municipalities will sing and cheer. But 50% of it is going to be money that was held back in a miserly fashion from the previous spending year. Am I reading this right? Am I finally starting to be able to figure out these estimates?

Mr. Bill Matthews: I'd say two things.

One is the estimates are planned spending, and because you cannot exceed...it is an up-to amount—

Mr. Pat Martin: But the public accounts are.

Mr. Bill Matthews: If the question is whether departments are overly optimistic in terms of what they are hoping to spend, history would tell you that National Defence and Infrastructure Canada are some of larger lapsers year after year because they're in a more complicated business.

Mr. Pat Martin: They're also a juicy place to find savings.

If there's a directive from on high to every cabinet minister around the table saying, “Never mind the 5%, if you want to stay in cabinet, I want you to find 10%, 15% efficiency...”.

Mr. Bill Matthews: I think where there are reductions, Mr. Chair, you will not see the amounts coming back as being requested for spending again. They don't come back. When there are reductions, they're taken from the estimates and you will not see them again.

You did mention financial reporting, and the Public Accounts of Canada are a key document in terms of accountability. You will notice that the Auditor General does sign off on the financial statements, and that's the actual results achieved in terms of spending and revenues, assets and liabilities.

For the year ending 2012-13, the government did receive a clean opinion on its financial statements. Those documents have been audited by the Auditor General.

[*Translation*]

The Chair: Thank you, Mr. Martin. That's all the time we have.

Again, thank you all for being here. The bell is ringing, so it's time to vote.

Before we leave, I would remind members that voting on budget allocations will take place at the end of our supplementary estimates study, which is slated for Tuesday, December 3. That's just for your information.

And on that, we'll meet again on Thursday, same time.

[*English*]

Mr. Pat Martin: Mr. Chairman, are the bells in fact ringing?

[*Translation*]

The Chair: Yes.

Meeting adjourned.