

**Opening Statement of Mr. Kevin Page, Parliamentary Budget Officer
House Standing Committee on Government Operations and Estimates
February 29, 2012**

Thank you Chair and Committee members for the opportunity to appear before you today. I applaud all members of the House of Commons Committee on Government Operations and Estimates for undertaking a study on the state of Canada's Estimates and Supply process. Let me assure you that you will have the full support of the Office of the Parliamentary Budget Officer in this important work.

The time is right for substantive change. The context for change is both institutional and fiscal.

From an institutional vantage point, I agree with Senator Murray who recently described the Estimates and Supply process as an "empty ritual". From a fiscal vantage point, as you know, it is anticipated that the Government's 2012 budget plan will call for significant and sustained spending restraint. This is an important time to better engage the watchful eye of the legislature to ensure that spending restraint implementation is carried out by the Government and public service in a way that effectively manages fiscal and service related challenges.

One of the key principles underlying responsible parliamentary government is that the House of Commons holds the "power of the purse". The House must be able to satisfy itself, as the confidence Chamber, that all spending and taxation is consistent with legislation, Parliament's intentions, and the principles of parliamentary control. When this is accomplished, Parliament is serving Canadians.

In my view, this is rarely accomplished. Parliament is at best giving only perfunctory examination of spending. Are members comfortable to vote on some \$104 billion in annual discretionary expenditures, examining \$267 billion in total program spending, with about 90 hours of collective effort among parliamentarians, and where some departments and agencies see no scrutiny whatsoever, as was the case in 2010-11?

Too often, almost as a matter of convention, Parliament is starved of information necessary to perform its fiduciary responsibilities. How often does Parliament see real decision-supporting financial analysis prepared by public servants on new legislation or procurement? The answer is almost never. Is it possible to hold the Government to account without access to decision-support financial analysis?

As the Parliamentary Budget Officer, I was very disappointed, as I am sure many of you were, to learn that departments and agencies have been instructed by the Treasury Board Secretariat not to provide Parliament with information on the Government's spending and operating review in the upcoming departmental Reports on Plans and Priorities. This is a 180-degree change in direction from last November. It is a significant development. It undermines Parliament. How can Parliament provide spending authority without details by department and agency? Should Parliament ever vote on supply without financial information and analysis?

The time has likely come to ask whether we have designed an Estimates and Supply process to serve the "power of the purse" role of the House of Commons or have we allowed it to be re-worked over many years so that it primarily serves only the Government.

What have we done? Have we created a system that is so complex -- with different accounting between Budget and Estimates; with a mixture of information on program activities and outcomes, yet a voting system based on inputs like operating and capital -- that only a handful of people know how the whole system hangs together? Is it not time to say that so much of the information we put in our estimates books represents simulated transparency at best. Transparency whose purpose is to obfuscate and confuse -- not to support accountability? Have we created a system where the budget is so disconnected with the Estimates that officials from the Treasury Board Secretariat think it is "normal" to inform members of Parliament they will not see the details of 2012 Budget in the 2012 Reports on Plans and Priorities?

Do we want the House of Commons to have the "power of the purse"? If we did, and we thought it was truly important to be respectful to our Westminster roots, our Constitution, and the Financial Administration Act, we would build accountability and the Estimates and Supply process around this principle.

What happens when we repeat things like the "power of the purse" belongs to the House of Commons but we behave in a totally different way? Could it be that our respect for our institution is diminished?

Public servants like me are asked to be caretakers of these institutions -- their underlying principles and values. We get paid by taxpayers to do this. We do not have the necessary tools to do it well.

William Ewart Gladstone, a former Chancellor of the Exchequer and four-time Prime Minister of the United Kingdom said in 1891 "If the House of Commons by any possibility loses the power of the control of the grants of public money, depend on it, your very liberty will be worth very little in comparison". When it comes to principles that underpin institutions, if it was important one hundred years ago, it is just as important today. The stakes are high.

I think the system needs to be examined on three levels -- process; structure and support.

On process and support, we need to ask ourselves why parliamentarians are not incentivized to scrutinize departmental spending before they give their consent.

- Are committees even required to review the Estimates? The answer is no -- thanks to a long-standing order famously known as the "deemed rule". Could there be a more symbolic and symptomatic testament than the "deemed rule" to the state of dysfunction and disuse of the Estimates and Supply process?
- Is it not a problem that there is no regular review process for the more than \$100 billion of tax expenditure programs which are very much like other spending programs but also carry forward each year with scant attention?
- Are committees tasked with reviewing the Estimates able to dissent? The answer again is no. They are unable to increase spending. Minority reports or reduction of Estimates are rare.
- Are committees encouraged to make substantive recommendations? According to a 1979 ruling by the Speaker of the House of Commons, the Estimates and Supply process was not the time. When is the time?
- Do committees have specialized support to review the Estimates? Yes, but the extent of the resources available to you and your colleagues would not likely fill most of the chairs around this table.

Surely the time has come to design a process that incents scrutiny before consent and provides Members of Parliament with the tools and capacity to recommend improvements on how we spend taxpayer money.

On structure, it makes little sense in a 21st century world for parliamentarians to be voting on inputs like operations and capital, and grants and contributions that cut across a department spending many billions of dollars for a

diverse set of program activities. Given the recent experiences with border infrastructure funds and aboriginal housing and education, would it not make more sense to consider program activities (5, 10 or 15 per department) or their associated outputs as more relevant control gates? Why should ministers and their accountability officers be able to move monies from one activity to another without scrutiny or consent? Would voting on program activities not encourage more meaningful scrutiny on service level impacts as we move forward with spending restraint? Would this not help simplify our Estimates system which collects financial and non-financial performance data on program activities?

Clearly, any changes to our Estimates and Supply process need to be home based and home grown. But can we learn from other responsible parliamentary government systems? I think we can and I encourage this Committee to explore lessons learned in other countries. Sweden, for example, includes performance frameworks for proposed programs in its budget. Committees debate these performance frameworks. New Zealand has proactive disclosure of decision-support financial analysis in memorandum to Cabinets and votes supply on a program activity basis as does South Africa. There are academic scholars such as Professor Joachim Wehner at the London School of Economics and Professor Allen Schick at the University of Maryland that have travelled the world and studied different budget and appropriations systems and could be of great service to members of this Committee, if there is interest.

Finally, I close with a repeat of yet another question. Do you want the “power of the purse” role to rest with the House Commons? If so, there is work to do. As George Bernard Shaw said “progress is impossible without change”.

Thank you very much. We would be honoured to address your questions.