



House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 008 • 1st SESSION • 38th PARLIAMENT

EVIDENCE

Thursday, October 28, 2004

—
Chair

Mr. Massimo Pacetti

All parliamentary publications are available on the
"Parliamentary Internet Parlementaire" at the following address:

<http://www.parl.gc.ca>

Standing Committee on Finance

Thursday, October 28, 2004

•(1535)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): I'd like to bring the meeting to order, and I would like to thank Minister McCallum for attending.

It was done on purpose that the Liberals are not here. It has nothing to do with you, Mr. McCallum. I think they've already spoken to you about the expenditure review, so in fairness to the opposition parties we're going to give them an opportunity.

In the discussion with the opposition parties we're going to have a first round of seven minutes, and it will be the Conservatives, Bloc, and NDP for seven minutes each. The second round will be Conservative five, Bloc five, Conservative five, and NDP five. That should run us from 41 to 45 minutes, and I think you have a five- to ten-minute presentation for us.

I would ask the members politely and kindly to stick to the subject at hand, which is the order of the day, which is, pursuant to Standing Order 108(2), study of the expenditure review.

Mr. McCallum, the floor is yours.

Hon. John McCallum (Minister of National Revenue): Thank you, Mr. Chair. I'm delighted to be here.

Let me begin by introducing Mr. Munir Sheikh, deputy secretary to the cabinet and secretary of the expenditure review committee.

I thought it would be a good idea to engage caucus on this issue, and as can be seen from the absence of chairs on the Liberal side, I've had many meetings with my own caucus. But I spoke to the chair a couple of days ago with the idea that this might be a good forum in which to engage parliamentarians more generally.

So thank you for the invitation.

As you well know, the government has decided to shift \$12 billion of expenditures from low-priority areas to high-priority areas over the next five years. That's the immediate task, but it might have escaped people's attention that my committee has a second mandate, which is to develop a permanent mechanism so every year, as a matter of the regular budgetary cycle, there will be a review of expenditures. I think this point is important because it means expenditure review is here to stay.

[Translation]

In other words, expenditure review is here to stay. It is not a one-time exercise like the program review of the 1990s. The idea is to achieve a permanent change in the way government goes about its

business, that is to say, a permanent shift in the culture of government. This is about responsible, modern management, year in and year out.

[English]

So I would say we are having a second cultural change in the way government does business. The first cultural change was when we moved from a culture of deficits to a culture of surpluses, and the second, which we are embarking upon now, is to move to a culture in which annual review of government expenditures will become a normal part of the budgetary process.

It's clear that the first fiscal revolution, if you will, has really taken hold in Ottawa. When I first came here as a member of Parliament, I was quite amazed to find that the aversion to deficits among my colleagues in the Liberal caucus was stronger than the aversion to deficits among my former colleagues in the banking community. The ultimate proof, I think, that the revolution in culture or in attitudes such that we would not go back to deficit had taken hold is that even the New Democratic Party in the last election campaigned on a platform of balanced budgets.

But the government has decided that this macro-level responsibility in terms of balanced budgets is no longer enough and that the time has come to embrace micro-level fiscal responsibility, which means a continuing process of reallocating government spending to areas that are most important to Canadians. So coming to that process, let me first deal with a question that might be on some of your minds. Why are we going through this difficult exercise when we've just announced a \$9-billion surplus? The answer is that we believe it is the right thing to do, that it is right to bring about this cultural change in the way we do business, whether the surplus is large or the surplus is small.

I'll give you just one example. We are likely to find some tens or even hundreds of millions of dollars of savings through better procurement practices, through government buying things at a lower price. Now, to say we should only embark on this if we have a deficit or a small surplus is like saying it's all right to throw taxpayers' money out of the window unless you have a deficit, and this is not the position of the government.

•(1540)

[Translation]

This is not to deny that it would be easier to find the \$12 billion in savings if there were an atmosphere of fiscal crisis as in the mid-1990s. The fact that the government is proceeding vigorously under today's much happier fiscal circumstances underscores its resolve to force a cultural shift.

[English]

I'm confident that this second fiscal revolution will succeed. First, the Prime Minister, who was the co-architect of Ottawa's first fiscal revolution, that is, the movement to a culture of surpluses, is firmly committed to seeing this project through to success. Second, I think the involvement of caucus, which I have done on the Liberal side and today am broadening, will also help to ensure the success of the process. And finally, it seems to me we will succeed because the cause is clearly right. It should be self-evident that the steward of taxpayers' money—that is to say, the government—has a duty to systematically root out waste and inefficiency and shift funds to areas that matter most to citizens. So I believe this will work.

Perhaps I'll stop there, Mr. Chair, to allow questions.

I haven't really gone into the details of the process involved in this exercise. I've preferred to emphasize the philosophical backing of this, that this is not just a one-time event; it's the beginning of a process designed to bring about a change in the way we do business in Ottawa in terms of managing taxpayers' money.

If the questions bear on the process of the current exercise, I will respond to those questions.

Thank you.

The Chair: Thank you, Mr. McCallum.

[Translation]

Mr. Lauzon.

Mr. Guy Lauzon (Stormont—Dundas—South Glengarry, CPC): Thank you, Mr. Chairman.

[English]

Thank you for being here, Mr. Minister.

The original announcement of this review stated that the Treasury Board would monitor expenditure patterns and expenditure growth. It is clear from the most perfunctory review of the estimates from the past few years that runaway program spending has been an area that needs to be addressed. Program spending growth has exceeded the growth rate of the Canadian economy by a factor of two or three.

The announcement of the spending review indicated that all program spending would be assessed against specific tests, and they were as follows. The public interest test: does the program continue to serve the public interest and its public policy objectives? The role of government test: is there a legitimate and necessary role for government in the program area? The federalism test: is the current role of the federal government in keeping with its jurisdiction and responsibility? The partnership test: what programs should be transferred in whole or in part to the private sector? The value for money test: are Canadians getting value for their tax dollars? The efficiency test: if the program continues, how could its efficiency be improved? And last, the affordability test: is the resultant package of programs affordable; if not, which should be abandoned?

Mr. Minister, you used to be the defence minister. It is your view that the defence department is wasting 5% of the current budget or \$700 million through inefficiency. It is self-evident that National Defence passes the public interest test, the role of government test,

the federalism test, and the partnership test. Next we come to the value for money test. As defence minister you abandoned a convention that major procurement decisions should be made on a strict value for money basis and instead decided to purchase maritime helicopters from the lowest-cost compliant bidder. Which procurement process will your report advocate for large procurements like this, especially for equipment whose performance is a matter of life and death for our military personnel?

• (1545)

Hon. John McCallum: Well, I don't accept the premise regarding the helicopters. I won't speak in detail about that, because I'm no longer the defence minister, but I think that contract was carried out appropriately and we got the right helicopter.

But in terms of the rest of your question, yes, the criteria you mentioned were outlined in letters the Clerk of the Privy Council sent to every deputy minister. All departments have been asked to provide to the expenditure review committee the 5% lowest-priority expenditures in their budget, and we will then review those as a committee. In addition, however, we are going to find savings in central government functions such as procurement, property management, and service delivery. Our objective is not to have across-the-board cuts so the savings offered by departments and the savings obtained in other areas will exceed the amount we need. It will be like a menu of choice, and the committee can then make its recommendations.

All the departments have been asked to base their submissions on these criteria you yourself listed, so I'm in agreement with you on that.

Are you asking me whether defence should be favoured? Is that the question?

Mr. Guy Lauzon: No, what I'm saying, with all due respect, Mr. Minister, is when you purchase large procurements like the helicopter procurement for the military, for our military personnel, we're talking about life and death issues, and I want to know what your policy is going to be.

What I'm asking is which procurement...are you going to get value for money? What is your approach going to be?

Hon. John McCallum: My role at this time as chair of the expenditure review committee is not to determine the particular defence procurements. So I—

Mr. Guy Lauzon: We're talking about a procurement process. Which type of procurement process will your report advocate when it comes to life and death?

Hon. John McCallum: My report will not advocate a particular procurement process. The purpose of my committee is to come up with recommendations of \$12 billion in savings over a period of five years to recommend to the Prime Minister as a one-time expenditure review exercise. What you're talking about is an entirely different matter and it is not under the purview of my committee.

Mr. Guy Lauzon: Again, would you not be making a recommendation? For example, if there's a major procurement, you're not going to have recommendations in your report?

Hon. John McCallum: No.

Mr. Guy Lauzon: So they could go to the lowest bidder regardless of whether it's going to involve human life?

Hon. John McCallum: What they do will be determined by the Minister of Defence, and possibly Treasury Board, and the cabinet, and the Prime Minister in an appropriate way, but it does not have anything to do with the expenditure review committee.

Mr. Guy Lauzon: So we could equip our troops with the least expensive piece of equipment?

Hon. John McCallum: I believe this is not a useful subject to pursue, because it has nothing to do with my committee.

Mr. Guy Lauzon: I wonder if our troops would find it useful?

Hon. John McCallum: Mr. Chair, I think this is a bit of a red herring. I'm happy to answer questions about defence in the context of expenditure review, but it's not the function of my committee to get into the details of the procurement process—

The Chair: If I can interject and maybe help, if you're asking the minister if he should cut defence—

Mr. Guy Lauzon: No, I asked a very specific question. I asked the minister which procurement process... I'll repeat it. Will your report advocate for large procurements like this, especially for equipment whose performance is a matter of life and death for our military personnel?

• (1550)

The Chair: I may be able to help.

Minister McCallum, is there anything in your mandate to determine procurement or is it simply expenditure review?

Hon. John McCallum: We are looking at, under the leadership of Scott Brison, ways in which to obtain savings through procurement processes much more generally, not related to defence. There's absolutely nothing in my mandate relating to the kind of issue that the honourable member is raising.

The Chair: All right, thank you.

Monsieur Bouchard.

[*Translation*]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Mr. McCallum, I want to broach the subject of a fiscal imbalance with you. Are you prepared to admit that federal government revenues are too high, when we compare its overall areas of responsibility with those of Quebec and the other provinces?

Hon. John McCallum: Again, this does not fall within my committee's mandate. As the Minister of Finance pointed out, all governments face budgetary pressures. It was my understanding that we were here to discuss the expenditure review process, not questions raised by the member.

Mr. Robert Bouchard: Are you prepared to concede, Mr. Minister, that the federal government has lost control of its spending?

Hon. John McCallum: No, I am not.

Mr. Robert Bouchard: Federal government operating expenses increased by 39 per cent, that is by 7.8 per cent per year on average from 1997-1998 to 2002-2003. The average annual inflation rate during this same period was 1.9 per cent.

Are you prepared to concede that federal government spending is out of control?

Hon. John McCallum: No, making this kind of determination was not part of the mandate assigned to my committee. I don't have these figures in front of me. I can't say whether these numbers are accurate or not, but my committee was not mandated to engage in discussions of this nature.

Mr. Robert Bouchard: Let me share some figures with you. For example, the number of public servants has increased by 21 per cent, still over a five-year period. We're talking about an additional 46,000 public servants. The Public Service in Ottawa grew by 11 per cent, whereas it shrunk by 1 per cent elsewhere across all regions of Canada.

While we're on the subject of reform, can you tell us what the future holds in terms of implementing changes and cutting expenditures? Will there be job cuts here in the National Capital Region? What's in store for the regions?

Hon. John McCallum: Let me just say two things on the subject. Firstly, the plan is not to reduce the government's overall expenditures, but rather to reallocate spending. The government will be spending \$12 million less in some areas, and \$12 million more in others. The overall size of the government will not change.

Therefore, this is a totally different scenario than the one that played out during the program review in the 1990s. Some jobs may be affected by these measures, but the overall number of public service jobs won't necessarily change, since the aim here is to reallocate, not reduce, spending.

As to your second comment, you're correct up to a point. A significant number of public service jobs were indeed cut during the program review in the 1990s. Subsequently, more public service jobs were created in Ottawa than in the regions. I agree with you on that score. I've discussed this issue at considerable length with my Liberal caucus colleagues. We agreed on the importance of striking a fair balance, in so far as the regions are concerned. This objective represents a major component of this reallocation exercise.

• (1555)

Mr. Robert Bouchard: Minister, you talk about eliminating waste.

Hon. John McCallum: Yes, wherever possible.

Mr. Robert Bouchard: Are you aware of cases of duplication and overlap between the federal government and the provinces? Will your reform initiatives target the well-known incursions by the federal government into areas that come under Quebec's and the provinces' jurisdiction? There are savings to be had and improvements to be made. There are numerous examples of duplication that can be cited. These incursions by the federal government have become more apparent, particularly in the last ten years.

Hon. John McCallum: I once worked in a bank and I've also worked at several universities. Now I work in government. When there is a leadership void, large organizations, whether governments, universities or businesses, will have a tendency to be wasteful and inefficient. Large organizations may be slow to bring in the changes that the general public, shareholders and students require. Therefore, in my opinion, it is critically important that we make a sustained effort to seek out waste, to increase efficiency and to reallocate resources to areas that are truly important to the public. That is the purpose of the exercise that my committee has undertaken.

Mr. Robert Bouchard: You'll agree with me, Minister, that when overlap occurs between the federal and provincial governments, including the Quebec government, that costs money. Federal government incursion into provincial fields of jurisdiction is tantamount to waste. It's a fact that the provinces have primary responsibility for education, health and municipalities. When the federal government moves into these areas and duplicates the actions of the provinces, what would you call that, Minister?

[English]

The Chair: Thirty seconds, Mr. McCallum.

[Translation]

Hon. John McCallum: A review of joint provincial and federal government spending is not part of my committee's mandate. My mandate is limited to reviewing federal government spending.

[English]

The Chair: Thank you, Mr. McCallum.

Miss Wasylcia-Leis.

Ms. Judy Wasylcia-Leis (Winnipeg North, NDP): Thank you, Mr. Chairperson, and thank you, Minister.

Following up on my Conservative colleague's question, are you saying this whole review is value free?

Hon. John McCallum: Value free? I think you will have to define your terms a little bit.

Ms. Judy Wasylcia-Leis: If you're not taking into account certain criteria to judge the areas for cutbacks, it runs the risk—exactly as my colleague has suggested—of policies that may put Canadians at risk. I'm wondering what criteria are in place? Is there anything in your exercise that would in fact protect against decisions that would harm the health and well-being of Canadians? Is there anything in your criteria that would actually ensure that a decision taken does not contribute further to the fiscal imbalance? Is there anything in your criteria that suggests we should be looking at cost-effective decisions? Is there anything in your criteria that says there should not be a disproportionate impact on women? Is there anything in your criteria that says this should be done in collaboration with the trade union movement? Those are indications of values that you inject into this process.

Hon. John McCallum: First of all, in terms of criteria, the list that our colleague over there presented was indeed accompanying the letters sent to the departments.

The departments really know more about their own activities than I do or than people at the centre do, and so initially the bulk of the information comes from the departments. We ask them to make their decisions based on those criteria, and then they have the best

information on what they regard as the priorities within their own departments.

So to begin the process we take information submitted by the departments, which have their own rules and regulations, and safety issues, and concerns, and in addition are guided by the principles described. We then have on the table a number of suggestions, which add up to more money than is needed. So at this point we have discussion in my committee, and Mr. Sheikh will talk, if there are issues, with the deputy ministers in the departments. I'm engaging my caucus colleagues, and I'm trying to engage the opposition initially through this meeting. So I think we will all have a better outcome if we have a broad-ranging discussion on these matters so that a number of different points of view from different perspectives, different regions of the country, can be brought to bear before we make our recommendations to the government.

• (1600)

Ms. Judy Wasylcia-Leis: Fair enough. I think, though, it would probably be useful to this exercise if you provided some leadership to all departments, giving some broad criteria to be checked against. Departments may be doing it now, but it wouldn't hurt to reinforce it. For example, in the area of gender impact analysis, we know departments are now not doing that. It would be very helpful, and I'd offer this as a constructive suggestion, that you put out a directive asking departments to do that kind of approach to decision-making, that is, through the lens of the impact on women.

You've picked what I would say is an arbitrary figure, \$12 billion. That's a lot of money. That's \$2.5 billion every year of the five-year program. That's like half the child care program being promised. That's like half the revenue from the 5¢ of the gas tax going to municipalities. That's a lot of money. That could have serious ramifications.

No one is against a program review for cost savings, but we are a little concerned about arbitrary figures in the context of a seven-year running surplus, to the tune of, I might say, \$69 billion, and with the concern that this exercise could very well become ideologically based and not serve the public good. So I would ask you, where did you get the figure and how do you ensure that the public good is served?

Hon. John McCallum: I have two points on that.

First of all, there are two sides to this coin. If it's a lot of money in terms of savings we will have to generate, it's equally a lot of money available to fund the government's priorities. We have set out our priorities in health care, child care, and the cities and communities agenda to the extent that we can find \$12 billion over five years in relatively low-priority areas or areas where we can get those funds through improving efficiency. As you've just said, it's a lot of money. And that's a good thing, because it's a lot of money that we can devote to the priorities of Canadians, like child care, health care, and cities and communities.

My second point is that it is not an arbitrary number. We set out our program in our election platform, and when you take account of the moneys we thought would be available from other sources in order to fund our program, \$12 billion over five years is the amount that was judged to be required. So this is not arbitrary; it's integrally linked to our program.

What we as a government are doing in a systematic way is implementing our program. We've already had the health accord. We're working hard on the cities and communities agenda, and on the child care. Those things cost money, and my efforts to find the \$12 billion are an integral part of that, because it is part of the funding for the priorities that the government enunciated to the people of Canada during the election.

Ms. Judy Wasylycia-Leis: I understand what you're saying. Let's just put this all in context. You started your remarks by saying this is the second cultural change, the second fiscal revolution. The old one was going from deficit to surplus, and this one is an annual review.

Well, an annual review, one would think, is something that is part of government, something you would be doing anyway. The fact that you haven't and you're now going to do it doesn't constitute a cultural change or a fiscal transformation. You take that kind of thinking with the fact that you have this huge number of \$12 billion, and of course we're worried, of course we're anxious, because in fact it would appear to be something that is budget driven, election driven, or whatever, but it certainly doesn't appear to be service driven.

I guess I'd like some guarantees that you're going to make this service driven, not a cut in areas that will be harmful to people who have suffered a great deal from the cutbacks of your government over the last 10 years. Even if you're attempting to meet your election commitments, you can do a heck of a lot of damage in other areas by hacking and slashing across the board, as appears to be the case.

•(1605)

Hon. John McCallum: We're not hacking and slashing. I'm delighted to hear that the NDP appears to be signing on to our second fiscal revolution. You joined the first one. In the last election your platform called for a balanced budget, and I think usually the NDP is the last to join such initiatives. So if you're already signing on today, speaking for your party, to a process where every year we will have a review of our expenditures and, as stewards of the taxpayers' money, deliberately cancel wasteful expenditures or stop doing activities that are lower priorities to shift to higher priorities....

Governments around the world aren't really doing that very much, and what we want to do is engineer a process that will lead this to be an annual process. If I hear you saying you support that, then maybe it will be easier to do than I had anticipated.

The Chair: Your time is up. You'll have a second round.

Ms. Judy Wasylycia-Leis: Mr. Chair, I'm wondering if I could just have two minutes now, because I have to leave.

The Chair: No, definitely not.

Ms. Judy Wasylycia-Leis: I have to go to the budget debate. Could I have just two minutes, and I won't come back, if that's acceptable?

The Chair: Two minutes, and she won't be back. How's that?

Ms. Judy Wasylycia-Leis: I have to go to speak on the opposition's motion.

Mr. Michel Guimond (Montmorency—Charlevoix—Haute-Côte-Nord, BQ): You promise you will not be back?

Ms. Judy Wasylycia-Leis: I promise.

The Chair: Two minutes.

Ms. Judy Wasylycia-Leis: In some of your commentary to the Canadian Press reporter, you indicated that you're looking at decentralization and moving jobs outside of Ottawa, something we don't necessarily disagree with, but we wonder what kind of criteria you're using to make that a reality. Are you looking at it beyond political criteria, or are we running the danger of this becoming another Liberal sponsorship fiasco?

Hon. John McCallum: It's certainly not that.

And I don't know if I used the word "decentralization". I don't think I did. What I said was that when we had program review, there was a strong sense out in the regions that after the jobs had been cut, when the jobs came back in the late 1990s and early years of this decade, they came back disproportionately to Ottawa. And there's some truth in that perception.

This time we're not cutting government, as I've said several times. We're rearranging government. But you cannot reallocate \$12 billion without some effect on some jobs. What I said was that in discussion with my colleagues, out of a sense of regional balance or regional fairness, it seems to me that has to be one of the factors we take into account. It's too early to know exactly what this implies, but what I said is that I've asked Mr. Sheikh to work on options regarding possible regional offsets, possible jobs that might be located in regions. We don't know if this will happen for sure, but I want to be prepared, because it is very important to have a sense of regional balance.

I would add one last point. I think in terms of efficiency, in some kinds of jobs there are some benefits to being in the regions. It's not true in every case that it's more efficient for every job to be in Ottawa.

•(1610)

Ms. Judy Wasylycia-Leis: That's fair enough. I appreciate that.

The Chair: Mr. Pallister.

Mr. Brian Pallister (Portage—Lisgar, CPC): Mr. Minister, you might recall the words of the brilliant philosopher John Lennon when he said, "You say you want a revolution...we all want to change your head".

The NDP, based on those questions, has a fear of this process that we don't share. In fact, we would have a fear of an absence of such a process. However, we think this process is less a revolution and more a *Rocky* sequel. We've seen this before, many times. We've heard these bold pronouncements about achieving great things, yet they haven't come to fruition.

I hate to be pessimistic about the process, because the process itself is one we believe is necessary. It's necessary in any home, it's necessary in any private business operation, and it's certainly necessary in government. But in a nutshell, probably in large part the reason this cultural transformation that you pursue hasn't been achieved is that too often the goals have been macro goals—broad-based cuts and very symbolic gestures about monumental achievement—but they haven't achieved a cultural change at all internally.

Our concerns are more about how you achieve those cultural changes within government. You're asking arbitrarily, I gather... unless you'd like to elaborate on how you came up with the \$12 billion. You've come up with a broad number, a big number, a nice big goal. It's good to have a goal, but the ongoing changes you are committed to achieving, that you've said you are, won't occur without a cultural adaptation on the part of those who incur the expenses and make the decisions around those expenses. You know that and I know that.

So let's talk about how you're going to achieve this cultural change inside the organization, away from a silo mentality of spend it or lose it, and toward a mentality where we all are in this to achieve these goals on an ongoing basis, rather than through these periodic symbolic exercises.

Hon. John McCallum: I think, Mr. Chairman, that's a very good question. As a minor point, I don't accept that the number is arbitrary. It's required to finance our campaign commitments. The size of it is less important than the desire to bring about this cultural shift.

Whenever you have a revolution, there are doubters before you achieve the revolution. I think that in 1993 or in 1994 and 1995, there were many who doubted that we would ever get rid of the deficit—and we did. Today there are very few who want to return to deficit. So there's an example of a major cultural shift in how people think and behave, which was achieved over a period of some three, four, or five years. What we want to do is the same.

There's no guarantee of success ever when you try to bring about a cultural shift, and cultural shifts are not easy. But in my view, we do have a very good chance that we will, first of all, succeed in this exercise and, second of all, do so by putting in a permanent mechanism so that this happens every year as part of the budget cycle, making it part of regular life in Ottawa, just as we've made it part of regular life in Ottawa not to have a deficit.

Why am I confident in this success? Well, one reason is the leadership of our Prime Minister. He was a co-architect the first time around, and he's entirely committed to seeing this through this time around. The other reason I believe we have a great chance of success is that the idea is self-evidently correct. I think the idea of a balanced budget was self-evidently correct once it happened and people came to accept it. I think it will be the same with this one. It is self-evidently correct to me that the steward of taxpayers' money—that is to say, the government, that is to say, us—have a duty to continuously and systematically work to root out waste, to improve efficiency, and to transfer funds from other areas to places where Canadians really care about things.

You really need support from the top in such an exercise. We have the support of the Prime Minister and the Clerk of the Privy Council

at the bureaucratic level driving this. We have caucus engaged, and I think it will be supportive, subject to this regional fairness. We have an idea whose rightness or correctness is almost self-evident. So to me, our determination to do it combined with the correctness of the idea gives us a good chance that we will succeed in this venture.

● (1615)

Mr. Brian Pallister: I would remind the minister that what he attributes the balancing of the budget to may well have been only in some small part a cultural shift in the internal mechanisms of government, and perhaps to a considerably larger degree it was a question of an increased revenue stream. I'm telling the revenue minister this: the GST, free trade, and lower interest rates are major contributors to the fiscal situation this government has found itself in. But that being said, the minister hasn't addressed my question.

My question was about the internal dynamics. You can talk about your leader and your colleagues being supportive—and of course the things you've said concerning the need for balanced budgets are widely accepted as truisms in this current societal climate. But are they accepted as truisms within the operation of the civil service and within the realms of the decision-making authority that exists beyond and beneath—though I don't like to use that word, because I certainly don't see it that way—or within the social services operations and the various government operations of our country? That is the question.

You have to have mechanisms for achieving that goal or cultural change within your operations. It's not enough to say the political will is there and it's just going to happen. It certainly will not just happen, or it would have happened under Pierre Trudeau decades ago when this same initiative, or a very similar one, was undertaken at that point. It didn't happen then, and those who have written and thought about that process will say that it was not because the culture at the top wasn't correct in some respects, but because the culture within the operations of the civil service was not willing to accept the changes proposed.

Again, this is what I'd like you to address. How are we really going to achieve the changes with our partners within the bureaucracy of the country?

And as a supplementary question, because I know my time will elapse, sir, or as a point of clarification, are the several billion dollars in grants and contributions on the table as well in this process, or is that money outside the purview of this process?

Hon. John McCallum: Okay.

The Chair: Perhaps you could just keep the answer to within a minute, please.

Hon. John McCallum: How much?

The Chair: A minute.

Hon. John McCallum: That's quite a lot to answer in a minute.

To try to get to the essence of it, certainly within the bureaucracy there are doubters, just as there were doubters in 1994 or 1995 when we launched the process of moving from deficit to surplus. We have leadership at the top of the civil service, from the clerk and his committee of deputy ministers. I think the single answer to your question is that it's largely a matter of leadership, as it was in the deficit elimination process. I don't accept that it was just because of GST or whatever, because we are the only country of the G-7 that's balancing its budget this year, let alone for seven years. The climate of opinion on deficits versus surpluses is totally different today, as I explained in my earlier remarks, from what it was 10 years ago. There was a shift in mentalities that has permeated through the system, but when we began not everybody believed it. The same is true today; not everyone believes that permanent expenditure review is the right thing.

So I do think it's a question of leadership both from the top of the civil service and from the top of political leadership. Given the strength of that political leadership and the rightness of the cause, I am confident we will succeed.

Mr. Brian Pallister: And the grants and contributions aspect?

Hon. John McCallum: The base on which the 5% is imposed is all non-statutory departmental expenditures.

Munir, how do grants and contributions fit in?

Mr. Munir Sheikh (Deputy Secretary to the Cabinet, Expenditure Review Secretariat, Privy Council Office, Privy Council Office): To the extent that these grants and contributions are not statutory, they are on the table.

Mr. Brian Pallister: Thank you.

[Translation]

The Chair: You have five minutes, Mr. Guimond.

Mr. Michel Guimond: Thank you, Mr. Chairman.

Minister, I'll begin with a comment that you probably won't appreciate. In any case, I'm not here to please you. I want to start by saying that you have often alluded to presentations that you made to caucus. I just want to remind you that you are the Minister. You are no longer the Vice-President of the Bank of Montreal reporting to your shareholders. You're an administrator, a person in charge of managing taxpayers' dollars.

You stated that you had reported to caucus. It is for that very reason that we have an all-party committee. We'll try to ask you some questions that are a little harder-edged. That's my first comment.

Secondly, I want you to tell me if I've understood correctly the role of your committee. Your committee must set "standards for every department to ensure spending remains under control and is aligned with the evolving priorities...".

Is that an accurate statement?

• (1620)

Hon. John McCallum: Yes.

Mr. Michel Guimond: Fine then.

Hon. John McCallum: Could you repeat that?

Mr. Michel Guimond: Do you agree with the following statement?

The Committee will set [...] standards for every department to ensure spending remains under control and is aligned with the evolving priorities...

Hon. John McCallum: Not exactly. I'm not sure where that is stated.

Mr. Michel Guimond: The source is the 2004 federal budget.

Hon. John McCallum: That's a reasonable objective, but that is not specifically the mandate of my committee.

Mr. Michel Guimond: In any case, I take this as your committee's mandate, which means that it must strive to keep spending under control. At present, your committee is reviewing certain expenditures to determine whether or not they are reasonable. Correct?

Has your review identified those departments that are the biggest spenders of all?

Hon. John McCallum: The biggest spenders?

Mr. Michel Guimond: The most profligate departments.

Hon. John McCallum: Do you mean the largest departments?

Mr. Michel Guimond: No, I mean the departments that waste the most money. Have you identified these departments?

Hon. John McCallum: Do you want me to answer that question right now?

Mr. Michel Guimond: Yes, please. I have other questions along similar lines. Do you know which departments are the most profligate spenders, that is the departments that registered the largest increases in operating expenses during the five-year period from 1998 to 2003? Which departments are the top five spenders? In this case, topping the list is not something to be proud of. Do you know which departments have made the list?

Hon. John McCallum: You mentioned two things. First of all, when I spoke about my caucus, I was doing so in a positive way. Because I'm a Liberal Party member, I spoke first to my caucus colleagues. However, I did want to meet with you because, in light of the minority government situation, I felt it would be a good idea to initiate discussions with other parties. However, if you like, I would be open to meeting with you at another time and in another forum to discuss these matters. I'm open to that idea.

As for the second point you raised, we don't have the exact details as to operating expenditures and waste. However, we are doing certain things. Treasury Board and certain departmental studies show that some operations are efficient, while others are not. These studies also provide us with data on growth rates and on operating expenditures. We take all of these facts into account. We rely on a wide range of indicators and information sources to make our findings.

Mr. Michel Guimond: I want to give you some specific examples. Did you know that spending on office furniture increased by \$131 million over a period of five years? That's an increase of 215 per cent.

Did you also know that the number of public opinion polls conducted by the federal government—by your so-called spin doctors—has increased by 334 per cent since 1994, or by 66 per cent per year on average?

Did you know that Justice Department spending rose by 90 per cent between 1998 and 2003?

Spending by the Office of the Governor General, a completely useless institution, increased by 82 per cent. The average taxpayer is the one who pays for trips by the Governor General, for the hors d'oeuvres and caviar enjoyed on her travels to Finland and Russia.

I could give you numerous examples. During the time your good friend George Radwanski, who was appointed by former Prime Minister Jean Chrétien, was serving as Privacy Commissioner, spending by his office increased by 175 per cent between 1998 and 2003.

Are such increases the norm? Are they acceptable? Let me draw a brief comparison for you. The National Film Board in Montreal produces extraordinary films for the general public and for children. Its spending increased by 9.5 per cent over the same five-year period, compared to the 175 per cent increase in spending by Mr. Radwanski's office.

Does this mean that when you take out your axe, you're going to chop spending at the NFB just as you're planning to target spending at other departments that qualify as big spenders?

I know that I'm probably running out of time, but I could give you other examples. I'll end with a small comment. I suggest you read the Léonard report drafted by the Bloc Québécois which details how spending under the Martin government has spiralled out of control. All of my questions were taken from this report, and the accuracy of the figures quoted has been verified. We'll send you a copy, Mr. Sheikh, to assist the committee in its work.

•(1625)

The Chair: Minister, if you have no objections, perhaps you could identify for our benefit those departments where, in your opinion, there should be cutbacks. After all, that is the reason why you're here today.

Hon. John McCallum: That's a very good idea. I was just about to say that we would like a copy of that report. Furthermore, if you have any concrete suggestions to make, I would welcome them.

I can't say if I agree with the specific points raised, but we will review them. Generally speaking, marked increases in spending highlight the need for a permanent expenditure review mechanism to rein in wasteful spending. For example, in the case of the Governor General, we've received some suggestions from her office, but generally speaking, our studies will focus on the kinds of examples that you have given.

Mr. Michel Guimond: One fact remains, however, Mr. Chairman, and that is our firm belief in a fiscal imbalance. That's why the questions put earlier by my colleague, the Member for Chicoutimi—LeFjord, focused on federal overspending and excess revenues, at a time when the provinces are literally running on empty. That is the crux of the problem.

The Chair: You have three minutes, Mr. Lauzon.

[English]

We started a bit late, so if you don't mind, Mr. McCallum, we'll keep it to just three minutes. Thank you.

[Translation]

Mr. Guy Lauzon: Thank you, Mr. Chairman.

Minister, I'm very impressed by your command of the French language. I'm also impressed by the fact that you're open to suggestions.

[English]

I would like to speak about the gun registry. You mentioned that you are interested in saving some money.

When the long gun registry was originally established—we are going over history here—it was supposed to cost taxpayers \$2 million. It has actually cost about 500 times that amount. It's 50,000% over budget.

The government has capped the annual budget for the registry portion of the Canada Firearms Centre at \$25 million per year. The total annual budget of the Firearms Centre, which also includes licensing and education programs, is expected to fall to \$85 million from \$103 million.

In light of its incredible cost overruns, I am sure that your review is looking at the gun registry in great depth. How does this program fare when you apply the public interest test and the value for money test? These are supposed to be applied to all programs, of course, under your review. Have you unearthed any empirical evidence that the public interest is actually served by this program or that the program has delivered value for the money that Canadians have sunk into it?

•(1630)

Hon. John McCallum: Well, I know my colleague has invested a lot of effort into this matter and that steps have been taken in this area.

The forecast was clearly off base. It's too early, however, to know exactly the role my committee will play in this area, because we are just currently receiving and analyzing the submissions from all the departments. It is clear that the gun registry situation is something that has received a lot of attention and will continue to receive attention, but it's too early in our process to be more detailed than that in my response.

Mr. Guy Lauzon: My concern, Mr. Minister, is that, as you might know, I come from a riding where the average family income is considerably lower than in the rest of the country. I have a hard time rationalizing to these taxpayers, many of whom are working at minimum wage, how we can afford to spend billions of dollars on the gun registry and we can't help them with their health care and other necessities. How do I answer them? Can you help me here?

Hon. John McCallum: Yes, I can help you, because I think, given what you have just said, you should be supporting the process that I am undertaking.

The whole purpose of what I am doing is to shift taxpayers' money out of things that are low priority, or wasteful, or inefficient, and into things that people, including your constituents, really care about, like health care, child care, and so on. So we are going to carry out this exercise right now—we are doing it—and we are going to put in place a mechanism so that it becomes a regular annual event.

You asked me for my advice on what to tell your constituents. Tell them that help is on the way. That is paraphrasing a certain gentleman to the south, which I didn't mean to do on purpose, but in the sense that we are setting up a process right now and into the future in which we will be able to evaluate government spending more closely to put the taxpayers' money where the people really want it to be.

Mr. Guy Lauzon: As a follow-up, can I offer them any hope that it's possible that the gun registry will be cancelled? Is that possible under your review?

Hon. John McCallum: I am not going to comment on the gun registry. That's not in my domain. I'm telling you that my function is to shift resources into areas that people, including your constituents, really care about and out of areas that are either inefficient or lower priority.

The Chair: Thank you.

Thank you to all the members. I also want to thank my Liberal colleagues for attending and not having a chance to speak and being here to support me and the minister. I'd also like to thank Mr. Sheikh for coming along.

Again, thank you, Minister McCallum.

I don't want to extend an invitation, but if some of the members have more information to submit to you, should they be submitting it to your office?

Hon. John McCallum: Yes, definitely.

The Chair: Is that fair enough?

Hon. John McCallum: Thank you very much.

The Chair: Thank you for your time.

The meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliamentary Internet Parlementaire at the following address:
Aussi disponible sur le réseau électronique « Parliamentary Internet Parlementaire » à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.