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# **Standing Committee on Government Operations and Estimates**

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**EVIDENCE**

**Thursday, November 3, 2016**

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**Chair**

**Mr. Tom Lukiwski**



## Standing Committee on Government Operations and Estimates

Thursday, November 3, 2016

•(1000)

[English]

**The Chair (Mr. Tom Lukiwski (Moose Jaw—Lake Centre—Lanigan, CPC)):** Colleagues, we have quorum and it's 10 a.m., so I'd prefer to get going on time. We have a couple of members who are not here but may be listening to statements of remembrance in the House and may be joining us later. In any event, I don't want to delay the proceedings, particularly since our witnesses arrived on time, and so we will start on time.

Mr. Palecek, welcome once again to our committee. You know the procedure, sir, fairly well. We will ask you for an opening statement. That will be followed by questions from our committee members.

With that brief introduction, sir, welcome once again, and the floor is yours.

**Mr. Mike Palecek (National President, Canadian Union of Postal Workers):** Good morning, and thank you very much for having us back to conclude our remarks here today. As you know, my name is Mike Palecek. I'm a letter carrier from Vancouver and the national president of the Canadian Union of Postal Workers.

I have with me today our director of research, Geoff Bickerton. He has been with our union since 1977, and was intimately involved even in the formation of Canada Post as a crown corporation and in every single review afterwards. I would hope that between the two of us, we can come up with some answers for whatever you ask.

As you know from our letter to the committee chair, CUPW has done a critique of the task force's discussion paper, as promised. I believe last time we were here we said we would do that and submit it to you for consideration. This document outlines our concerns about financial matters and postal banking. I would like to highlight some of our concerns and also answer any questions you might have. Of course, I won't have time to be comprehensive in this.

First are the labour costs. In one place the discussion paper states that Canada Post's productive unit of labour costs are up to 41% more than those of comparable businesses in the private sector. In another place, it states the Canada Post productive labour rate is 45% more than its competitors'. Based on information that Canada Post provided to us, the difference is nowhere near 41% or 45%. You can see this on page 2 of our critique.

I'll move on to financial performance. The task force based much of its negative projections for the future on its analysis of the past five years, but they got it wrong by lumping the results together. In 2011, they didn't look at the impact of the one-time events, such as the pay equity payment estimated to cost \$250 million, or the one-

time increase of \$63 million in pension benefit costs. Without these one-time costs, Canada Post would have made a profit from operations, in spite of the rotating strikes and full-scale lockout in 2011, which have been estimated to have cost between \$50 million and \$70 million.

For 2012, the task force reported a loss, which is not true. Canada Post reported a \$94-million profit in 2012, but restated it in 2013 for comparative purposes only, when the corporation introduced new accounting standards. For 2013, the task force completely ignores the huge impact of the one-time accounting changes and instead cites the financial results as evidence of long-term unsustainability. The fact is that Canada Post would have reported a \$321-million net profit, had it not been for those accounting changes in 2013.

For 2014, the task force acknowledges a profit but attributes it largely to March price increases that generated \$214 million in revenue. They neglect to mention the impact of the increase in the benefit-cost discount rate, which reduced benefit costs by \$181 million. For 2015, the task force doesn't say much except that it was a profitable year. Canada Post, on the other hand, tried to attribute the profits in 2015 to the CMB conversion program, even though the conversions happened at the end of the year and the impact in reducing costs was minimal.

The 2015 profits were the result of an increase in parcel volumes, productivity gains, and Canada Post's ability to reduce staffing in response to lost volumes. It was also achieved despite a decrease in the benefit discount rate from 5% to 4%, which increased the benefit cost by \$189 million.

For 2016, the task force predicts a loss before taxes of \$63 million. They predict a loss in spite of the fact that all evidence points to another profitable year for Canada Post. Canada Post reported \$45 million in profits before tax in the first six months of 2016. This represents the highest profits for the same period, since 2010, when they started reporting profits quarterly. Plus, this was all achieved in spite of Canada Post instructing large-volume mailers not to mail during June of 2016, when they drove their business away threatening a labour dispute.

The corporation has a long track record of being wrong. I would ask that you review page 6 of our critique for this.

I have just a few more observations before we move to the questions.

The task force makes only one reference to our new collective agreement. They cite a clause in the urban contract requiring that there be 493 corporate retail outlets. They see this clause as negative. We do not.

They either fail to mention or were not told by Canada Post about two very positive developments. The task force does not mention the new rules that were negotiated that will allow Canada Post to significantly increase its market share in ad mail and the parcel market, particularly by delivering parcels on evenings and weekends. Similarly, there's no mention of a new activity values in the RSMC agreement that will increase productivity.

On postal banking, in addition to the financial issues, we have critiqued the task force's observations on postal banking. We hope you will read this section with interest.

I would like to highlight two major errors right now. The task force's report says, on page 82, that only 7% of Canadians who like the idea would actually use a postal bank. According to their own polling, it's not 7% of those who support the concept, but 7% of all Canadians. Furthermore, another 22% of Canadians say they would probably use a postal bank. In short, the task force's polls suggest postal banking has huge potential, and up to 29% of the country say they would probably use it.

The second error is found on page 86, where the discussion paper states "having a government entity competing in the financial sector would contravene Canada's trade agreements with other countries". This statement is also incorrect. A postal bank would be subject to trade agreements and would have to operate within those rules, but there is currently nothing in any trade agreement that would prevent a postal bank from actually operating.

In conclusion, we believe that the task force's paper should be disregarded, as it is biased, and based on errors, omissions, misrepresentations, and unsupported speculation.

Thank you for listening.

•(1005)

**The Chair:** Thank you very much.

We will now go to our seven-minute round of questioning.

We'll start with Monsieur Ayoub.

[Translation]

You have the floor for seven minutes.

**Mr. Ramez Ayoub (Thérèse-De Blainville, Lib.):** Thank you, Mr. Chair.

I'd like to thank our two witnesses for joining us today.

I'm happy to see you again. Since I received your brief this morning, I obviously haven't had time to review it carefully and understand all the nuances, so I won't get into a detailed discussion about your numbers.

I will say, however, that since the beginning—and I think this is still the case today—we've seen a big divide between how the facts are perceived and how they are understood, whether we are talking about the figures or studies in question. I would even say that, to some extent, it's a matter of how the reality is being perceived. I'd like to know your take on that.

Would you acknowledge that Canada Post needs to make changes in order to be viable, provide high-quality services, and ensure its future? What do you think those changes should be? If you disagree with the changes Canada Post's leadership made, what changes would you like to see brought in?

[English]

**Mr. Mike Palecek:** We would certainly recognize that the postal industry is a changing industry. We don't think it's a dying industry, but certainly some changes will have to be made. We think that Canada Post should do what other post offices around the world are doing, and have been doing for some time, which is diversifying. They should be looking at new services that they could provide that would bring in additional revenue. However, we completely reject the idea that there's a crisis at Canada Post right now. The truth is we have time to act. Canada Post has consistently been profitable. They're actually very well situated to adapt to these changes as they come.

Mr. Chopra said something yesterday that struck me as odd. He said that if the last letter were delivered without any changes to the structure now, that last letter would cost us \$3 billion to deliver. That's factually incorrect. The truth of the matter is that Canada Post can adjust their staffing levels right now as volumes fluctuate. That's evidenced by the fact that over the last 10 years, the number of letter carriers has fallen by exactly the same percentage as the letter mail has declined.

•(1010)

[Translation]

**Mr. Ramez Ayoub:** How would you describe the relationship between your union and senior management, as far as the next steps go?

The fact that you haven't been able to find common ground and that you have disputes is nothing new. As I told Mr. Chopra yesterday, it's as though each side's perception of the situation is the polar opposite of the other's. You are both working on your respective ends but not towards the same goal. That's worrisome. You haven't been able to find a way to work together and to get a synergy going to meet a common goal that should involve everyone. I don't think things are working; nor do I think they will get better in the near future. There seems to be a communication block.

[English]

**Mr. Mike Palecek:** By the very nature of an employer-union relationship, it's necessarily an adversarial relationship in some regards. That said, over the last year as we've gone through bargaining—

**Mr. Ramez Ayoub:** I don't agree. I can say right away that I don't agree with that, but it's okay. I understand.

I thought it would be better to work as a team. If it's confrontational every time, we have the perfect example right now.

**Mr. Mike Palecek:** Absolutely, through that we need to look for our common ground and for common goals that we can achieve, things that we can work on and so on, but there is necessarily some element of the back and forth between labour and employer.

**Mr. Ramez Ayoub:** Yes, there are negotiations.

**Mr. Mike Palecek:** That's all I was referring to. It's certainly been heightened over the past few years, when all the unions made clear that we had felt quite disrespected throughout this process. Certainly, there were increased tensions around our bargaining, but we continue to meet. I met with Mr. Chopra and senior management just a couple of weeks ago.

[*Translation*]

**Mr. Ramez Ayoub:** Would you agree that the two sides need to sit down together and work towards finding some common ground?

That's what has to happen if any real progress is to be made in the long term, not for one, two, or three years. We don't want to see the same problems in two or three years' time. The future of bargaining and the working relationship between the parties are on the line. That's where efforts are needed.

I need to feel that both management and the union are working towards that, as opposed to sticking to their guns without understanding the other side. My impression so far—and we'll see how this translates in the report—is that you are pitted against one another and not at all on the same side. I think that's a shame. Everyone loves Canada Post. That's the beauty of the situation. We witnessed that on our trip across the country.

[*English*]

**Mr. Mike Palecek:** Unfortunately, we've really seen a pattern of disrespect and misrepresentation by this management team at Canada Post. We're doing what we can to overcome some of these issues that have been raised quite sharply over the last couple of years, but we can't pretend this didn't happen.

[*Translation*]

**Mr. Ramez Ayoub:** Was the relationship between the union and senior management better before the new leadership came on the scene in 2011?

[*English*]

**Mr. Mike Palecek:** I personally wasn't in the national office of the union prior to that. The CUPW certainly had a rocky relationship with management. You should perhaps check with him.

**Mr. Ramez Ayoub:** Mr. Bickerton was there for a long time.

**The Chair:** A very brief answer, please.

**Mr. Geoff Bickerton (Director of Research, Canadian Union of Postal Workers):** Briefly, we've had good times. We've had hard times. The relationship has taken a very negative turn since 2011, to be frank.

•(1015)

**The Chair:** Thank you.

[*Translation*]

Mr. Clarke, you may go ahead for seven minutes.

**Mr. Alupa Clarke (Beauport—Limoilou, CPC):** Thank you, Mr. Chair.

Good morning everyone.

Mr. Palecek, you are the national president of the Canadian Union of Postal Workers, are you not?

It's a pleasure to meet you. We met a great many of your members on our trip, during the committee's 22 public hearings all over the country. Your members repeatedly told us—and I believe you expressed your opinion on the subject as well—that they had absolutely no confidence in the task force's report and that, in many cases, it relied on factually incorrect information. I'm glad we have the opportunity to meet, so you can confirm or deny the statements.

Your members pointed out more than once that the task force's report was based on accounting data from Ernst & Young, which, itself, relied on information from the Conference Board. On Monday, I asked an Ernst & Young representative who appeared before the committee whether his firm's figures were based on those of the Conference Board, and he told me that that was absolutely not the case. I can't understand why, then, your members continue to level that criticism when it hasn't turned out to be true.

What are your comments on that?

[*English*]

**Mr. Mike Palecek:** Well, I'm not sure what you're referring to, but I would agree. The task force report was based on Ernst & Young's numbers. We don't actually have access to all that information as to what they based it on. Certainly—

**Mr. Alupa Clarke:** Mr. Palecek, your members say that the \$700-million deficit is not accurate, because Ernst & Young based their accounting study on the Conference Board's findings. That's what all your members across Canada said. However, Ernst & Young confirmed here last Monday that their numbers are not based on the Conference Board's findings.

**Mr. Mike Palecek:** I would agree with you. I don't think they were based on the—

**Mr. Alupa Clarke:** Okay, that's interesting.

On the five-point plan, is there anything you agree with in this plan? Have you ever proposed another plan?

**Mr. Mike Palecek:** Absolutely, yes. We came up with a number of plans that we've actually put forward to Canada Post, around service expansion, around greening Canada Post, around a whole number of issues.

I believe Mr. Chopra actually pointed out yesterday that every bit of innovation they've done over the last number of years has come from us.

**Mr. Alupa Clarke:** Okay, but when the five-point plan was released, did your side release another route, another avenue to take? Have you officially released a document with a plan? It could have been a good thing.

**Mr. Mike Palecek:** Yes, we released a seven-point plan in response to Canada Post's plan, but that's going back to early 2014. Since then, we've certainly put forward a number of documents advocating directions in which Canada Post could go and options it can take.

**Mr. Alupa Clarke:** How was this plan received by the management?

**Mr. Mike Palecek:** I don't believe they ever commented on it.

**Mr. Alupa Clarke:** Finally, sir, I would like you to share with us all the different efforts that were put forward by your group, your members, in the last few years. What exactly have your members been ready to do, or to change, to help Canada Post in the 21st century, with all the different aspects of the new world in terms of delivery and everything?

**Mr. Mike Palecek:** I think we put forward very comprehensive documents to the task force itself and submitted them to this committee a few months ago, explaining the various avenues in which we think Canada Post can go. Of course, we've also had our members participating in the Save Canada Post campaign, discussing with communities, and pushing for options such as postal banking, which has now been supported by over 600 municipalities across this country. We've spent the last two and a half years really reaching out to the public that we serve and talking about the services that they'd like to receive from their public post office.

[Translation]

**Mr. Alupa Clarke:** What actual changes were made to your working conditions in the past few years?

[English]

**Mr. Mike Palecek:** As you know, we've just ratified a new collective agreement. Prior to that, as a result of the 2011 back-to-work legislation, we saw a major reduction in the starting wage for new hires at Canada Post. We saw the elimination of our sick leave plan in favour of a short-term disability plan. There were hundreds of millions of dollars in labour cost savings that came from our members.

•(1020)

[Translation]

**Mr. Alupa Clarke:** I often get the sense that your union fails to recognize the financial trouble Canada Post has been in for a few years now. You have, however, agreed to new collective agreements in recent years, and those agreements do somewhat attest to your recognition of the precarious situation Canada Post is in.

How do you explain that, on the one hand, you disagree that Canada Post is in financial trouble and that, on the other hand, you accepted changes to your collective agreement? Was that forced on you? I'm not sure whether you get my meaning.

[English]

**Mr. Mike Palecek:** With the 2011 contract, we would certainly say that was imposed on us. We did come to a negotiated agreement in the end, but it was very much under the threat of the unconstitutional legislation imposed by the last government.

That said, we recognize Canada Post is in a situation where it's changing. It's a changing industry. We reject the idea that it's in a

crisis. We think their own numbers and their consistent profitability outside of a couple of one-time events demonstrate that.

[Translation]

**Mr. Alupa Clarke:** Thank you.

[English]

**The Chair:** Thank you very much.

[Translation]

Ms. Trudel, you may go ahead for seven minutes.

**Ms. Karine Trudel (Jonquière, NDP):** Thank you, Mr. Chair. I'm pleased to see the witnesses again this morning.

Yesterday, the committee had a chance to hear from Mr. Chopra. I know you attended the meeting and heard what he had to say.

Is there anything you would add to his remarks? Is there any new information, or any information that you heard, that conflicts with your claims?

[English]

**Mr. Mike Palecek:** I thought a number of things mentioned by Mr. Chopra yesterday were surprising. I'm going from memory.

I remember his saying that they lost \$300 million in revenue in 2009 and talking about what a bad situation Canada Post was in in 2009. He neglected to mention that in 2009, they actually reported their largest profit in corporate history. I thought that was a little funny.

I thought it was strange that he would talk about the role of management and CUPW in innovation, and frankly, he was heaping a lot of praise on us that we've never heard before outside of a room like this.

Again, he completely neglected to mention that we have our appendix "T" committee, and our urban collective agreement, which is the service expansion in innovation and change committee. This is actually a joint committee with two management representatives and two union representatives.

He also failed to mention that they spent the last year demanding that this be cut out of our collective agreement. It was actually one of the last issues left on the table before we were able to settle.

I think we met a very different Deepak Chopra yesterday than we are used to, to be honest.

[Translation]

**Ms. Karine Trudel:** Thank you.

We have heard from many stakeholders, including Mr. Chopra.

Do you see the Canada Post Corporation as a public service provider that has a duty, first and foremost, to serve the public, or conversely, do you think that it should be run more like a private company?

[English]

**Mr. Mike Palecek:** I think Canada Post is mandated by legislation. The aim of it is to provide a public service and to be self-sufficient in doing so. We don't see a reason to change that.

The one point that our union has historically differed from is that we don't believe that the profits of Canada Post should be going back to the government, but actually should be reinvested in Canada Post.

[Translation]

**Ms. Karine Trudel:** Can you give us any examples of reinvestments that Canada Post could make?

[English]

**Mr. Mike Palecek:** Certainly over the last decades Canada Post has made billions of dollars in profit that have been returned to the public purse in the form of taxes, dividends, and other things.

We think it would make a lot more sense to reinvest that into the service. That could be something like expanding services into postal banking, but it could also easily be expanding the services that it provides to Canadians. Even expanding door-to-door delivery is in the cards when it's as profitable as it has been.

• (1025)

[Translation]

**Ms. Karine Trudel:** Earlier, further to a question from my colleague, the discussion focused on common goals. I'd like you to elaborate on that.

What might pave the way to agreement between the Canadian Union of Postal Workers and Canada Post on a common goal, in order to make some headway and foster a positive working relationship? What common goals might you suggest?

[English]

**Mr. Mike Palecek:** I would suggest the common ground we should be looking for is actually how to expand services and how to serve the public.

We've consistently been putting this forward with the employer. We haven't found a lot of willingness to be receptive around that. Certainly, I know it's been mentioned that the unions at Canada Post have felt quite disrespected by not being consulted on these things, by being given only minutes' notice of announcements of major changes.

I don't think that is conducive to any co-operative relationship.

[Translation]

**Ms. Karine Trudel:** Since I still have a bit of time left, I'm going to use it.

In your report, you compare Canada Post's wages with those of private sector competitors, and much of the focus is placed on the workers' wages. Yesterday, I asked about payroll as it relates to Canada Post's administration and management.

My sense is that the corporation's payroll is being blamed for the financial losses, but I wonder whether any measures can be taken on the administration side. Do you feel Canada Post is willing to consider a reorganization as far as its administration, governance structure, and vice-presidents go?

[English]

**Mr. Mike Palecek:** Sometimes I think, why don't you just let us run the post office? We'd do a better job of it.

In all seriousness, I don't think Canada Post needs nearly the governance and management structure it has. It's very top heavy—you're right. Most of the burden has been placed onto the workforce in order to make cuts.

Although one point I would maybe disagree on is that you said that losses have been placed on the workers to combat losses. In fact, there haven't been losses. Canada Post hasn't taken a penny of taxpayers' money in decades and, frankly, doesn't need to. The couple of losses we have seen have been from one-time events, as we've explained previously, and we fully expect them to make a profit again this year.

**The Chair:** Madam Shanahan.

**Mrs. Brenda Shanahan (Châteauguay—Lacolle, Lib.):** Thank you very much for being here this morning, panel.

I'm interested in reflecting back to you some of the things we've heard on the road because we've heard management—in their case, yesterday—and from the unions, and Canadians, your customers across the country.

There are really two types of customers, are there not? There are the individual Canadians receiving delivery, who are concerned about how that happens and the services they get at the post office. And there are the commercial customers. That's where the business is growing, in parcel delivery. I'm intrigued by what we heard from small sellers, from the e-commerce people, from people working through eBay and Shopify, and so on. That's where it's happening.

We also heard there's a need for flexibility in delivery options, whatever they be, because the sellers need to be sure their customers are receiving the goods. There needs to be a flexibility in the services that are provided through the post office. With that, comes a need for flexibility in making sure that Canada Post is able to provide a competitive offer.

That's why I would first like to ask you some questions about the financial performance. When we talk about the difference in the labour costs, why do you think there is such a wide discrepancy between management's calculations and yours?

• (1030)

**Mr. Mike Palecek:** To start with, I don't think there is a discrepancy. We're relying on management's numbers when we talk about labour costs.

In the table we presented in our critique, those are Canada Post's numbers. They are not ours. We didn't come up with them. I believe the 41% and 45% numbers that have been thrown around came from Ernst & Young. I'm not sure why their numbers would be so different from Canada Post's.

**Mrs. Brenda Shanahan:** Is it possible they are folding in that insolvency deficit into the costs?

**Mr. Geoff Bickerton:** No. The numbers we're looking at here are actually taken from Canada Post's document, which they provided to us in bargaining. It includes total compensation, including all the cost of pensions, all the cost of future benefits, based on productive hours, which includes vacation time, rest periods, you name it.

What you should know is that every number we have provided here is from Canada Post, unless we say otherwise. We have provided some numbers from the Conference Board, but everything else in our document is from Canada Post.

We have no disagreement with the numbers they produced. However, their predictions and how they portray the situation is often wildly inaccurate.

**Mrs. Brenda Shanahan:** I do agree with you that the numbers can vary greatly. We heard that yesterday as well from Mr. Cheeseman. Plus or minus \$50 million, it can go either way on a \$6-billion *chiffre d'affaires* revenue number. I have certainly seen in my career that those numbers can change, based on accounting adjustments, and so on.

What I really want to ask is the following. Going forward, since we need to drive those revenue numbers, is the union open to being flexible on things such as pension benefits, if there were an option to decouple the pensions from Canada Post and operate them separately but with joint governance? Are you open to the sharing of risk that it would entail?

**Mr. Mike Palecek:** As we've informed both this committee and Canada Post, we're willing to discuss any of the options put forward that don't entail cuts to our members' benefits and retirees' benefits.

That said, I think the task force has put forward a number of options that would accomplish that, and we would like to discuss them for sure.

**Mrs. Brenda Shanahan:** So you are open to the kind of flexibility that would be needed to negotiate more competitive labour costs going forward?

**Mr. Mike Palecek:** I think we already have negotiated more competitive labour costs. Let's be clear: Canada Post is perfectly capable of competing right now in the parcel market, and that's evidenced by the fact that they deliver two out of three parcels in this country right now. Canada Post has no problems competing.

**Mrs. Brenda Shanahan:** I have another minute. Going to what we discussed about opening up the services, if we looked at Canada Post's core competency, it really is in the delivery of letter mail, first, and parcel mail, second.

Do you see a way forward? You've talked a lot about postal banking, and there are a lot of pros and cons with that. Do you see a way forward in just concentrating on the core competencies, or do you see Canada Post as absolutely needing to have postal banking to survive?

•(1035)

**Mr. Mike Palecek:** Canada Post absolutely needs to be looking at service expansion of some sort, and we believe postal banking is probably the best way to do that.

I wouldn't agree that Canada Post's core competencies are only in delivery. We have thousands of members who never deliver anything. They focus on retail and already do passport checks and money transfers and other financial operations, so I think we do have competencies in those areas as well.

**The Chair:** Mr. McCauley, for five minutes, please.

**Mr. Kelly McCauley (Edmonton West, CPC):** Welcome back, gentlemen.

We talked a lot about past performance, about Canada Post making this amount of money in the past. I can't help but be reminded of the line from mutual funds that past performance is not indicative of future returns. We don't address the longer term when we talk about Canada Post making \$50 million last year, or \$80 million the year before, when 10 years out we see the massive decline in the transaction mail or addressed mail.

Do you accept that a huge financial gap is coming from the drop in door-to-door mail volume, and do you see value in some of the switches that have been made under the five-point plan, such as the community mailboxes? Do you think there's a way forward or a further need to convert mailboxes, recognizing that the door-to-door mail volume is dropping fast?

**Mr. Mike Palecek:** We believe Canada Post is very well situated to adapt to declining mail volume. As I said earlier, we can see that in the fact that they have been able to adjust their staffing levels in direct accordance with the decline in letter mail already.

We don't need to actually cut services and stick these boxes onto people's front lawns to achieve that. I would argue that there are an awful lot of hidden costs to those boxes, costs that we're not seeing. Just this week, Canada Post—

**Mr. Kelly McCauley:** You're saying, going forward, there should be absolutely no more community mailboxes.

**Mr. Mike Palecek:** That would be our position, absolutely.

**Mr. Kelly McCauley:** Okay, that answered my question.

With no changes, status quo, do you accept that we will have financial issues in the future, five or ten years out?

Ernst & Young is a very reputable company. They don't just pull numbers out of the air. These are audited numbers. They don't make up numbers to suit a client. They are painting a very bleak future. Do you accept these numbers?

**Mr. Geoff Bickerton:** Your colleague mentioned that some of our members think Ernst & Young and the Conference Board—

**Mr. Kelly McCauley:** I'm not talking about the Conference Board, just Ernst & Young—the audited numbers.

**Mr. Geoff Bickerton:** Okay. You want to know about the audited numbers from Ernst & Young.

What's going to happen this year? What do you think?

In the first six months, there was \$45 million in profits. You heard Mr. Cheeseman yesterday—

**Mr. Kelly McCauley:** I'm talking about five years from now, 10 years from now—

**Mr. Geoff Bickerton:** I just want to start with this year, and we'll go forward.

**Mr. Kelly McCauley:** Sure. We're short on time, though.

**Mr. Geoff Bickerton:** He was talking about probably another \$45 million in the third-quarter. For the fourth quarter, every year, we're talking about another \$120 million.

So, this year, instead of Ernst & Young's \$63-million loss, we're going to start with a profit of over \$200 million.

Going forward, we will see. But in the first six months of this year, for the first time, additional revenues from parcels are now outstripping the loss of revenues from transaction mail. Plus, you have the changes that we made in our collective agreement around delivery—

**Mr. Kelly McCauley:** My understanding—

**Mr. Geoff Bickerton:** —and around ad mail, and I would just ask

**Mr. Kelly McCauley:** Mr. Bickerton, I believe we're running out of time.

I can read the revenues, but my understanding is that the cost to deliver parcels is a lot higher than for transaction mail, so the revenues may be the same. That's what the numbers in Ernst & Young show going forward. Revenues are growing, but the costs are outstripping....

**Mr. Geoff Bickerton:** I would only ask you to go to our website and take a look at the changes that we have made to parcel delivery that will have an impact on labour costs.

**Mr. Kelly McCauley:** Let me ask again, just briefly because we're probably out of time.

I think in 2026, it will be a \$700-million loss. Do you accept that?

**The Chair:** Sorry, Mr. McCauley. I'm not going to be charging you any time on this, but I think it's worth trying to allow the witness to give you a fulsome response. I'm going to try to moderate that as best I can. I know we're short on time, but if Mr. Bickerton has salient information, I think we should allow him to present it.

• (1040)

**Mr. Kelly McCauley:** We get a quick overtime. Let's go.

**Mr. Geoff Bickerton:** The Conference Board estimated a \$600-million loss this year. This year, we're going to have a \$200-million profit, and probably more than that. Ernst & Young estimates a \$700-million loss. There will probably be a significant profit in the year that they're identifying.

**Mr. Kelly McCauley:** In 2026?

**Mr. Geoff Bickerton:** Absolutely.

Now, as a result of this negotiation on direct mail—and it's very important to understand this—as of the beginning of 2018, we are shifting the sizes. That will allow Canada Post, so they've told us, to considerably increase their market share. There's a huge market in direct mail.

On parcels, as Mr. Chopra mentioned yesterday, we have negotiated some very significant changes that will come into effect soon.

As Mr. Palecek said, we are now delivering two out of three parcels in this country. Very soon, that rate will be even higher.

**Mr. Kelly McCauley:** It will probably be higher.

I have just a very quick question, then. Under the status quo, no more CMBs have been suggested. Do you believe that in 2026 there will be a profit and not a \$700-million loss?

**Mr. Geoff Bickerton:** We have never urged the status quo. We came out with our paper in 2010 called “The Future of Canada Post” in which we advocated entering into several new services including postal banking. We are not advocating the status quo. We want Canada Post to expand into new revenue-generating services like the French post office has, and—

**Mr. Kelly McCauley:** So, you don't accept Ernst & Young's numbers?

**Mr. Geoff Bickerton:** No.

**The Chair:** Thank you very much.

Mr. Grewal, you have five minutes, please.

**Mr. Raj Grewal (Brampton East, Lib.):** Thank you, Mr. Chair, and thank you to the witnesses for coming.

I had a Canada Post town hall in my riding, and it was basically dominated by postal workers. I would say that you are very passionate about Canada Post, which I admire. You guys provide a very good service. My cousin just got hired as a mail deliverer in Surrey, B.C. He's super excited. He enjoys his work. But that doesn't solve the current problem that Canada Post has. At a very macro level, I sum it up in these few points.

Transactional mail is on the decline, but you have more addresses to deliver to.

Your parcel business is increasing, right? But that doesn't offset the fact that there are more addresses to deliver to and there's less revenue coming in from transactional mail.

Then, there all these different proposals out there such as advertizing on your fleet, doing postal banking, reducing your workforce, ending community mailboxes, and doing alternate day deliver to get to a future of sustainability for the organization.

A lot of your recommendations today are based on Canada Post being profitable if you look at the numbers in a particular way versus the international accounting standards way, and we could debate that. We're not going to talk about the numbers per se, since I'm going to give a lot of deference to the fact that you do this job on a regular basis, and I don't. I'm looking at the numbers from an objective point of view, given my past skill set. I don't believe they're sustainable, but let me give you deference and say, "Okay, Canada Post is sustainable." You're always looking to grow your revenue and reduce your costs, right?

What are the three things that you think Deepak Chopra should do to save Canada Post's future?

**Mr. Mike Palecek:** I think one is opening up to innovation in a real way. Postal banking is probably our best road to go on that. If you look around the world, there are whole other areas that post offices have been involved in. In France, for example, *La Poste* is now a cellphone carrier. You can go and get a wireless plan and buy your cellphone at the post office, as well as do your banking there. I think expanding services is one, and there are a number that we've proposed. I wouldn't want to pick three at random—

**Mr. Raj Grewal:** Sorry, let me rephrase the question.

Again, even in your ranks, at the postal worker level, they keep on talking about postal banking. It's not as simple as saying, "Oh, Canada Post should do postal banking", right? There's a financial element to this, to say, "Okay, if Canada Post adopts postal banking, it will provide x dollars of revenue", right? The assumption amongst your workforce, with all due respect, is that postal banking is the golden egg that's going to save Canada Post and provide hundreds of millions of dollars of revenue. The fact of the matter is that's not going to happen. The reason is that banking needs are already well served in Canada. Not all over the country, but, generally, where most of the population live, people's banking needs are served. That happens to be due to the strength of our banking sector. Wireless? Again, nobody's going to open up the CRTC to provide Canada Post with access, because Bell, Rogers, and Telus control that gambit. That's a discussion for another time.

From an every-day perspective, where do you see inefficiencies in your organization that can be improved upon that will help the financial sustainability of this organization?

•(1045)

**Mr. Mike Palecek:** Before I get to that, to hit your point on potential revenues at Canada Post, I would say that with 29% of the population saying they would definitely or probably switch their banking to a postal bank, and with the big six banks making \$35 billion in profit last year, I'd say there's a lot of revenue there. I think this government is going to have to answer the question of whether they would rather defend public services or the profits of the big banks.

**Mr. Raj Grewal:** That's a great political argument, and I congratulate you for making it. The big banks are an easy target, right? But 29% of the Canadian population using postal banking is a massive assumption, in my humble opinion, that doesn't carry much weight. Having said that, we're not here to debate that, right? The question is simple.

On an every-day basis, what inefficiencies do you see at Canada Post that can reduce your expenditures, and where else do you see revenue? Please just put aside postal banking for a second.

**Mr. Mike Palecek:** As I mentioned before, Canada Post is rather top-heavy. I don't understand why they need 22 vice-presidents or a CEO that makes twice the wage of the Prime Minister. I think there's a lot of fat to be trimmed at the top, to be honest.

**Mr. Raj Grewal:** Thank you very much.

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

Mr. Palecek and Mr. Bickerton, thank you once again for your appearance here today. As you know, we've just about concluded our testimony. We have a few more hours of witnesses to hear from, and then we'll begin our deliberations. For your benefit and for your interest, I would anticipate that we will be tabling a report in Parliament probably towards the latter part of November. Should you have any information you wish to share with us prior to that, please feel free to contact our clerk directly.

Once again, thank you for your appearance. We are suspended until our next witnesses approach the table.

•(1045)

\_\_\_\_\_ (Pause) \_\_\_\_\_

•(1055)

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

To our witnesses, once again, thank you for being here today. I know you've probably travelled from distant places to get here. I think you know the process fairly well by now. We will ask for an opening statement.

Madame Bertrand, I understand that you have about a 10-minute opening statement. That will be followed by questions from our committee members. Thank you again for your appearance. Madame Bertrand. The floor is yours.

**Ms. Françoise Bertrand (President, Task Force on Canada Post Corporation):** Good morning.

[Translation]

Good morning everyone.

•(1100)

[English]

It's our pleasure to be back to meet the parliamentary committee that has been working very hard, from what we've heard. We're quite pleased to hear that, because it means that you'll come up with good recommendations.

On my right is Marena McLaughlin, who you know already; and Mr. Mr. Jim Hopson, who you very well know and has travelled a long way from home. Unfortunately, Krystyna Hoeg could not be with us because she had previous commitments that she could not refuse.

Thank you again for having us.

We are here in front of you to remind you of what you may have forgotten, or what you already know very well. We thought it was important to revisit first, of course, our mandate.

[*Translation*]

Our mandate wasn't to make recommendations. Our job was to draw attention to considerations that were based not on our perceptions or impressions but, rather, on facts, and that was key. We were also bound by the limits of our mandate. We obviously had to disregard any form of subsidization, and we had to explore options for privatization, among other things. So those were our lines in the sand, if you will.

[*English*]

It was pretty clear and definite, and we've respected every term of our mandate.

You've met some of the people we worked with, Ernst & Young and Oliver Wyman. They are very rigorous and have done excellent work, and we're very pleased with the collaboration we got from them. But maybe you know more about that rigour than the one we've had for other dimensions of our work.

We were rigorous in making sure that what we were to consider and to assess was not strictly the opinion of a few people. We reached out, not to do consultations as you've been doing, but to meet with stakeholders to make sure that we were really understanding the different dimensions, the different aspects, of a very complex and long history of an important institution. It was not only for the people in government or the people working in Canada Post; all Canadians are concerned and are touched by the future of Canada Post.

Let me remind you about what we've done. We have met multiple stakeholders, and every time we met one it was not one person. The stakeholders were representing their members, whether I am thinking here about the Federation of Canadian Municipalities or the association of bankers. We met the Canadian Association of Retired Persons. We met, of course, with the different unions working in Canada Post. We met with postal experts, including, of course, Robert Campbell, who had done the first study some years ago.

We were very thorough in understanding the points of view of Canada Post's clients as well as its competitors. We met with UPS and we met with the Retail Council of Canada. We felt that it was important not to hear complaints—that was not the objective of our meetings. The objective was to hear what their view of the future was. Did they have ideas of what could constitute the future of Canada Post?

But our mandate was important, also. We were asked to understand Canadian views. In order to really understand Canadian views, we had a website on which we were posting a question every week. But there was also the necessity of understanding Canadians' views scientifically. We've done an extensive survey among Canadians in all provinces, all generations, and we kind of outnumbered the younger population, the older population, handicapped people, and even native people. Altogether we surveyed 2,400 people.

We also surveyed business people separately. There, again, it was an extensive number. There were 1,200 businesses consulted. They were small and large, and from all sectors of activities.

It's important to revisit that. In the discussions you may have had, we may not have stressed those aspects of our work as importantly.

It is with all of that knowledge and suggestions that we have done our work of analysis. First, there was the analysis of assessing the financial situation of Canada Post now and in the future by making some hypotheses and forecasting the future for the next 10 years. We had to bring you the views on this despite the fact that you are doing your own consultation. Of course, you don't have time to do the kinds of numbers we had with the surveys, to give you the opinions of Canadians, the uses they have for Canada Post, and how they project they will be using Canada Post in the future.

The third dimension was that if there was a discrepancy between the financial assessment and the forecast we have and Canadians' views, what could be the options that could ensure sustainability for Canada Post?

We worked with Oliver Wyman and Ernst & Young. These are consultants who have vast and international expertise, and who even have expertise in postal services. When we worked with Oliver Wyman, there was a first bundle, I might say, of options. There were more than 40 that were, at first glance, interesting, but when we dug into them, we retained only the ones that could fit our criteria. I say this because criteria were not what could be done in a very kind of hypothetical approach, but it was a matter of having the three criteria. Considering the market dynamics, is the option viable? Considering the fit with the competencies of CPC, is it viable? Finally, is there a real potential upside? Of course, if the financial situation does not really have a pinkish tint, you want something that will bring possibilities. That's how we have reduced our options through a rigorous process and analysis.

Our conclusion, you know by now, is that the situation at Canada Post already is one in which one size doesn't fit all. That's already the case when you see how the mail is delivered across the country.

However, in the options that have been considered, there is no silver bullet. The financial situation is not about a tragedy. Rather, it's about being conscious and aware that the past cannot be prolonged. Change has to occur. Realignment has to occur. Transformation has to occur.

What we have described the interesting options. For some, if you do one, you may not be able to the other. However, they are not about solving all the issues. It's about allowing a bridge between today, the future realignment, and the transformation that we say is needed in our conclusion.

● (1105)

It's clear to us that there is no single recommendation that can be done strictly by one of the parties or stakeholders involved. The transformation and then thinking along the transformation and the realignment, even the kind of short-term or mid-term options, all require collaboration of all stakeholders. That will definitely be a real challenge.

We have worked every day for four months, very seriously, including travelling—not through the whole country, but from our home to Ottawa to work together—to make sure there is a future for Canada Post. It is clear to everybody, from the surveys we've done and the meetings we've had, that the future of Canada Post is important.

It's not strictly about history and the past; it's about working together to make sure there is a future.

**The Chair:** Thank you very much, Madame Bertrand.

We will now go into our seven-minute round of questions.

Mr. Whalen, the floor is yours.

**Mr. Nick Whalen (St. John's East, Lib.):** Thank you to the task force for returning to speak with us. Thank you for your report. It provided an excellent guide to start a conversation.

I found that the discussion paper was highly focused on costs rather than opportunities for revenue and the desire of Canadians for higher service. When I was listening to Canadians, I heard that they prioritized the service requirements they needed for what they wanted to expect from Canada Post, as well as opportunities for revenue growth, and that they didn't necessarily see that the cost battle was quite as dire.

We heard, over and over, from the unions that mechanisms exist in the collective agreement to help manage costs with declining mail volumes, so the corporation already has the tools it needs in its existing collective agreement to manage those costs. Yet, we didn't see, in the financial analysis presented in the discussion paper, a reflection of the fact that those labour costs would be reduced with the mail volumes. Maybe they were baked in.

My first question would be for whichever one of you worked most closely on that aspect of the financial modelling. Did you take into account the fact that labour force reductions would be allowed to be undertaken in association with the decline of mail volumes and build that into your financial analysis?

• (1110)

**Ms. Françoise Bertrand:** I'll let my friend Marena answer, because she is our expert in HR issues.

If you are referring to the latest terms that were negotiated, they were negotiated towards the end of our work.

What we think is more central to the analysis we've done is the average age of all the workers and the possibility to work the transformation with the decline of workers going on retirement —

**Mr. Nick Whalen:** Ms. McLaughlin, was it not taken into account because the deal wasn't done? This is helpful to know.

**Ms. Marena McLaughlin (Member, Task Force on Canada Post Corporation):** If you look strictly at the last negotiation, as Madam Bertrand said, we were almost done when that was agreed.

In the review, though, we did consider the opportunity that exists with the financial—

[*Translation*]

situation of Canada Post, the composition of the union membership and see how we could harmonize the two.

There is a large number of retirement possibilities, since the average age of employees is 49 and 70% of Canadian Union of Postal Workers members are aged 45 and older. It's the ideal situation to avoid cutting positions. The workforce can be reduced through voluntary departures. We can accommodate employees without making cuts.

[*English*]

**Mr. Nick Whalen:** That's very good to hear.

With respect to other revenue sources, in the pricing-based strategy, you did focus on the domestic part of the market, and that is obviously the lion's share. Did you get the opportunity to examine international postal union rates, and how those are expected to change in the next couple of years? Were those baked into the financial modelling you did?

When I asked Ernst & Young that question last week, they said that they did not take changes to the universal postal union rates into account.

**Ms. Françoise Bertrand:** Definitely, we worked with Oliver Wyman, who have international expertise, especially in pricing. I don't know what you've heard in your consultations, but I know what we read from our surveys.

From the surveys we have read that maybe Canadians are prepared to have a smaller increase, according to inflation. They are not prepared to go for an increase in pricing like the one they had recently, in 2014.

**Mr. Nick Whalen:** I'm sorry, Mrs. Bertrand. The increases in prices I am referring to are for international post paid, so that, when someone orders something from China, China will get a weight-based rate for delivery of small packages within Canada. We heard from businesses that they felt that was anti-competitive. There will be some correction to that in 2018, with the rise in rates. Did your financial analysis include those—

**Ms. Françoise Bertrand:** We heard that.

**Mr. Nick Whalen:** Did your financial analysis include those rising rates, or were you relying strictly...?

**Ms. Françoise Bertrand:** No.

**Mr. Nick Whalen:** Okay. Thank you very much.

**Ms. Françoise Bertrand:** No, it belongs to government to raise those, because when you consider this, it has a negative impact on other considerations, and we didn't feel we had the liberty to really entertain that idea.

**Mr. Nick Whalen:** Okay, that's fair.

**Ms. Françoise Bertrand:** But we stated it in our report.

**Mr. Nick Whalen:** Thank you very much.

With respect to the regulator, the focus that the task force report puts on the regulator really seems about driving the possibility of private entrants into the marketplace. How do you feel—and this is a more broadly open question—about a regulator that exists primarily to ensure that the competitive parcel market appropriately subsidizes last-mile mail and parcel delivery?

•(1115)

**Ms. Françoise Bertrand:** Absolutely. As you know, I used to be the chair of CRTC. Those are the lines we were discussing in our task force, saying that it could be not strictly to regulate the pricing of stamps, but to regulate all the players in the parcel business. Rather than having a price cap or a ceiling cap, you can have a floor cap. You can also consider creating a fund in order to subsidize the ones who don't have an alternative and still need the last mile.

**Mr. Nick Whalen:** Speaking of alternative, what we heard from the union, from businesses that use parcel services, and from the corporation is that they want to expand the number of days on which mail could be delivered, but your report provided an option for reduction in the alternative-day solution. There is a bit of a gap there, and we've heard a lot on that, but it speaks to the question of whether, by reducing services, Canada Post is abandoning a part of the market. I feel that—and I hear it from Canadians—there is a market need, that there is a service they want to receive and pay for, and if Canada Post abandons that part of the market, isn't that encouraging further reduction in the overall revenue line that will encourage competition where they don't need to help their competitors?

**The Chair:** Please give a very brief answer, Madam Bertrand.

**Ms. Françoise Bertrand:** We didn't push as far as how it can be realigned, but definitely those analyses and studies have to be done in terms of, if you do this, what does it impair? It has to be pushed and—

**Ms. Marena McLaughlin:** When we proposed the alternate-day delivery, we were talking about the mail delivery, not the parcel delivery, because we understand that Canadians want parcels every day. That, we heard loud and clear. What they don't necessarily want is the mail, because they don't necessarily expect a letter every day. It's junk mail, or it's bills. But they want the parcels right away, so the alternate-day delivery was never for parcels.

**The Chair:** Mr. McCauley, go ahead.

**Mr. Kelly McCauley:** Welcome back. It's great to have you with us again. We almost started with you, and we are almost finishing with you, so that's great.

You surveyed Canadians quite extensively about stamp prices and options of paying higher taxes for assisting Canada Post. Was I reading correctly that Canadians are quite opposed to the idea of paying higher stamp prices and taxes to subsidize?

**Mr. Jim Hopson (Member, Task Force on Canada Post Corporation):** We heard that, particularly from businesses. They felt that the last increase had quite an impact on them and on the amount of transactional mail there was. Business was very concerned about price increases. I think it's fair to say, though, that within the general public, there was an appetite for some reasonable increases over a period of time, but people were much opposed to big jumps where you would see the cost of transactional mail doubling and so on. They made the latter very clear.

**Mr. Kelly McCauley:** From everyone you've spoken to and all the research you've done, what do you think are the top three items that have to be accomplished to keep Canada Post sustainable?

**Ms. Françoise Bertrand:** We came to an early conclusion that we've come into the digital age, so, first, we have to recognize the

fact that it has changed—not strictly for postal services. It has changed for many other areas of our lives, not only business. That recognition is very important, because then we can, as we are bringing for consideration, do some gestures in the short and mid-term such as pursuit of community mailboxes—excluding, of course, people with mobility problems and dense downtown populations—but even that will not really ensure the future. In order to ensure the future, it is very important to consider deeper transformation.

**Mr. Jim Hopson:** I could add to that. What we heard was that with parcels, Canada Post has to be competitive cost-wise and also has to be convenient for the private sector. There has to be transformational work done with the unions so they are full partners and part of the process to determine the future working together, but it also has to serve all Canadians wherever they are in Canada at a reasonable cost.

Canada Post is very important to Canada and to Canadians, and they want that service to continue, but they understand there are changes coming with the digital age.

•(1120)

**Mr. Kelly McCauley:** What do you think are the biggest risks facing Canada Post right now with the business disrupter coming in for parcel delivery, more competition with parcel delivery, and the pension issue?

What do you think are the biggest risks we're facing right now with Canada Post?

**Ms. Françoise Bertrand:** All of the above, sir. Definitely the pension issue is an important one because the amount involved is very substantial. However, it's also understanding that what seems to be the saviour, namely parcel delivery, is subject to increasing costs because we are changing our way of buying now. It is not in line with the costs. Until you are capable of really aligning costs and revenues—

**Mr. Kelly McCauley:** When you say not in line with the cost, do you mean with competitors, or do you mean with previous business costs?

**Ms. Françoise Bertrand:** No. From what they bring in as revenues, they don't contribute as much as the transactional mail was contributing. The mail is really in decline, and it has in the last few years, and it will keep on declining. With the parcel business, which has kept up with the marketplace, you cannot play with it in a way where you would lose market space, because then you will have a problem of not having a real equilibrium between the two.

**Mr. Kelly McCauley:** Great. Thanks.

We have heard a lot over the last couple of months about postal banking. We heard it earlier today again. We only have about two minutes. Could you give us your thoughts, a final wrap-up on postal banking—

**Ms. Françoise Bertrand:** Definitely.

**Mr. Kelly McCauley:** —and its viability?

**Ms. Françoise Bertrand:** We've heard it, we questioned it, and we investigated it. It's not something that we had a preconceived idea about. We really dug on that one.

We heard the Canadian Bankers Associations, callers, and stakeholders. We spoke also with organizations from France and from Great Britain that have those postal banking services. We've been told if they were to start today, they couldn't do it because there have been so many conformity obligations put on banking that they cannot conceive you could start it today.

In Canada, yes, you have only five chartered banks, but you also have credit unions, you have Desjardins, you have FINTRAC, and all the other types of financial institutions that constitute access. From the World Bank survey, 99% of Canadians are covered with the services of banking.

From the point of view of our criteria that we spoke about earlier, is there a space in the market? We didn't see space in the market.

**Mr. Kelly McCauley:** Thank you very much for your commentary.

**The Chair:** Mademoiselle Trudel, *sept minutes, s'il vous plaît.*

[Translation]

**Ms. Karine Trudel:** Thank you, Mr. Chair.

Ms. Bertrand, once again, welcome to the committee.

It's been a long road. I know this has been a lot of work for both you and all the committee members. For us, it has meant many long hours listening to stakeholders across the country and gathering valuable input. Retired people and those with mobility issues shared with the committee their fears and concerns about the disappearance of this public service. This is an issue we all care deeply about. Canada Post is a public service that is part of our everyday lives in our communities

As I have already told you, I was disappointed by the report. I was expecting more. I realize you were bound by a specific framework. I also realize that the committee could build on your suggestions to produce a more thorough and perhaps more in-depth report.

From everything I have heard and read, I can't seem to get the image of a pyramid out of my mind. You have Canada Post, the postal workers, and the public being served, a public that has a certain expectation of public service. Everyone has to do their part to make sure that Canada Post has a future. I'll come back to the service issue in a moment.

Given the information in your report and the input you gathered from the stakeholders you questioned, it is clear that the numbers don't match. What's more, they are based on data from 2011, when Canada Post went through a lockout and had to pay out huge sums for pay equity reasons. As far as the deficit goes, you came up with an average estimate and some forecasts, but, as we speak, the numbers we have show that Canada Post is profitable.

Earlier, you said that it wasn't possible to hypothesize too much on new solutions or ways of doing business, particularly as regards postal banking. Conversely, the report contains hypothetical figures

for the future, specifically, for the next 10 years. The stakeholders we have met with have told us that those figures do not add up.

I'd like to hear your take on that. I appreciate that the firm did its job and that it was possible to make changes afterwards. I can't get into the nitty-gritty since I'm not an accountant like Ms. Ratansi, but why the difference in the data? Why are there different sets of numbers? Furthermore, and this question bears repeating, why were the financial results of 2011 taken into account despite the fact that it was an unusual year expenditure-wise?

• (1125)

**Ms. Françoise Bertrand:** Thank you for the question.

We worked very rigorously in a number of respects. First, basic figures come from Canada Post and its data. We also have figures that have been checked by an extremely responsible and recognized firm, KPMG. Ernst & Young, with whom we worked, analyzed those figures. It did not redo the audit, but it worked with the figures.

Forecasts are just that, but as we said in our report, we did decide to go with the most conservative hypotheses. It can be said that 2011 was an exceptional year because of costs related to pay equity, but 2014 was also exceptional. In fact, the price of the stamp went from 62¢ to \$1. That generated an influx of about \$200 million, and it inevitably helped Canada Post somewhat catch its breath.

Moreover, I want to remind you of the issue of the pension plan's solvency. Some may say that it's only a matter of \$6 billion or \$8 billion, depending on the assessment. According to the latest assessment, the amount was \$8 billion. In addition, solvency payments have been suspended for the time being. When a \$6-billion company makes a profit of \$100 million, it's not huge. In the private sector, that kind of a profit would not be considered extraordinary, quite the contrary. Moreover, that profit will quickly be lost once solvency payments resume.

There is also the obligation to continue to invest in the company. It needs modernization and must move toward new niches and new technologies. That is what our forecasts are based on. It's rather conservative—and we won't argue over \$50 million or \$100 million—but when we establish the medium to long-term trend, we see that the situation is very delicate. We have to remember what is at the basis of all this. In other words, we are no longer receiving or sending the letters to which we are so attached. In addition, we are receiving and paying our bills online. Sixty-nine percent of Canadians feel that this trend will continue to grow.

Moreover, we will be less and less favourable to marketing initiatives and advertising distributed through the mail, as we are increasingly aware that, in many ways, that is a waste of paper and we could just as well use the Internet.

Finally, when it comes to package delivery, which is experiencing considerable growth, the prices cannot be raised at will, as there are constraints, not in terms of legislation, but in terms of market forces. That is why the only worthwhile possibility to consider would probably be for a regulatory organization to set a floor price that would be applied to our competitors. That would give Canada Post some breathing room.

• (1130)

[English]

**Mr. Jim Hopson:** Is there time for me to respond to that?

**The Chair:** Yes, please.

**Mr. Jim Hopson:** I just want to add to that, using my business experience. When you are looking at the past, there is always a tendency for some to want to remove the good years and others to remove the bad years. That's why you have to look at the longer term. In my last five years in the business I was in, 2011 was a very bad year for us, but 2013 was a tremendous year. However, we have to leave them in. So you look at that five-year period. And then as you go forward, you are trying to do your best analysis of a realistic forecast, a conservative forecast. So I don't think it's fair to say, well, one year was this and we should exclude it. You have to take everything in totality, and I think, long term, the numbers indicate that there are going to be challenges as we go forward. Thank you.

**The Chair:** Madame Ratansi.

**Ms. Yasmin Ratansi (Don Valley East, Lib.):** Thank you for reiterating what your mandate was. Yours was a discussion paper. You didn't draw any conclusion. You just helped us to go forward and ask questions. Sometimes it was very hard to say whether the remarks you made were valid or invalid. We heard a lot of contradictory information to what you heard. What I'd like to do is read something that some of the witnesses said, and it was not the union.

One said that the task force paper on the Canada Post Corporation review is fundamentally flawed and ill serves the residents of Canada because it misses opportunities to take advantage of Canada Post's unique strengths. This is where the confusion comes for us. We're looking at it and saying, were you looking at it from an insolvency perspective, because you mentioned it, or were you looking from an ongoing concern that can't capitalize on opportunities?

I'll make a few statements, and please makes notes, because you'll answer the questions.

One of the things they also said, and you quoted it just now, was that 60% of Canadians do banking online. The person who was looking at the source said that the source you cited was Yahoo Canada, but readers of Yahoo Finance are in no way representative of the population of Canada. You can answer that question, as well.

In your analysis, Mr. Hopson, you said you do not look at one anomaly, but that for 19 out of 20 years that Canada Post has been in business, it has been profitable. If it has been profitable, then you and I know that when we project into the future, then you can project two years for accuracy. Even Ernst & Young told us that their projections are not that accurate.

You can see the confusion people are facing with viability, non-viability, and sustainability. What are some of the creative solutions?

We had Oliver Wyman here as well. You said you looked at the U. K. and France. Those are two densely populated countries. Even when we asked the question of Oliver Wyman, they didn't even look at Australia. If you don't look at Australia, which is really parallel population-wise and size-wise, how do you come up with conclusions that postal banking is not viable? We've had so many presentations that state that in certain instances postal banking has been viable, that you have to look outside the box, and there was no integrated thinking by Canada Post.

The reason I'm telling you this is that you're going to respond, and I'll be quiet afterwards.

One of the other things they said that you didn't look at was Canada Post shooting itself in the foot because it was creating competition for itself by opening up franchise stores while it had corporate stores. We learned from businesses that your analysis is flawed that ad mail will decrease because of technology. So here I am asking, who is right, who is wrong, and what do I do?

The floor is yours.

• (1135)

**The Chair:** You had about a four-minute question or statement, so you have about three minutes left.

**Ms. Françoise Bertrand:** Let me remind you that in this analysis and this mandate, we had no interests. We're an independent committee. We worked really hard to understand the business and to really try to pull on everything we could in order to describe to you the facts. We were not trying to push any idea. As I said, we had some parameters that we had to respect.

For the 69% you referred to with the survey, this was a scientific survey. This is what we got. It was 69% of the people who told us they were getting their bills and paying their bills through the Internet. Now it could be—

**Ms. Yasmin Ratansi:** You did it yourself?

**Ms. Françoise Bertrand:** No, it was—

**Ms. Marena McLaughlin:** Yes.

**Ms. Françoise Bertrand:** Well, with—

**Ms. Marena McLaughlin:** EKOS. It wasn't the Yahoo site.

**Ms. Françoise Bertrand:** Yes, it wasn't that site. I think it's very important that we understand that e-commerce is rising. It's not reached it's potential.

Regarding the solvency problem of the pension, it is not in our hands to present a solution. What we've presented are the options that you have to consider, but it is a big weight that you can for now forget. Of course, that's what the corporation has been able to do, given the holiday they were given, but it's there, and unless you change either the legislation, as they did in Quebec last year or in New Brunswick, you're caught with that. It has to be considered.

I'll let my friend talk about Australia.

Regarding the corporate stores versus franchises, we have considered the possibility that the moratorium that was once appropriate, because the areas were rural and had very little population, is not longer so because it is a different story today. Here we think of Brampton, Moncton, Halifax even. We thought, if we try to be imaginative, isn't there a possibility to use the corporate stores that remain in the rural and more remote regions as hubs? Canada Post could offer the possibility of partnering with banks, offering municipal, provincial and even federal services, and maybe even some private sector services, and to be the meeting place but also to provide

[*Translation*]

a single-desk system, as it is commonly referred to,

[*English*]

for all kinds of services. So we've tried to really balance the interests of Canadians with the possibilities.

Maybe you want to talk about Australia.

**The Chair:** We'd like to hear Mr. Hopson talk about Australia. It's a big country, but we have no time, unless Mr. Clarke wishes to allow you the time to give your analysis of the Australian postal banking service.

[*Translation*]

Mr. Clarke, you have the floor for five minutes.

**Mr. Alupa Clarke:** Thank you, Mr. Chair.

Mrs. Bertrand, I was not here the first time you came to testify before the committee. So I'm very happy to meet you.

My first question is about the solvency break instituted by the previous government. Canada Post's financial situation is precarious. Since our report may be made public in November, Canada Post will not have enough time to receive our recommendations and apply changes that would help its situation improve by 2017.

Do you think the government will have any other choice but to extend that solvency break?

**Ms. Françoise Bertrand:** It is not up to us to decide for the government.

We already said in our report that it could be the 2017-2018 fiscal year. We have established a number of hypotheses. A Morneau Shepell document resumed the entire table. The document talks about completely forgetting the issue of solvency in favour of overcapitalization, as we have seen in some regimes, and to move toward other solutions we have brought up.

However, the government will definitely have a decision to make on that. We have talked about all the possibilities.

• (1140)

**Mr. Alupa Clarke:** Okay.

We have often discussed the issue of the moratorium on post office closures in rural regions. I think that also applies to suburban post offices. We have also often heard the perception that the end of that moratorium would inevitably lead to the crumbling of Canada Post's pan-Canadian infrastructure.

Do you think the moratorium is essential to the maintenance of Canada Post's pan-Canadian structure? Should that moratorium perhaps be reviewed?

**Ms. Françoise Bertrand:** We present that option in our report. The idea is that, in the absence of alternatives in rural and remote areas, the post office remains important for the people living there.

As I mentioned, in densely populated areas—be it in Halifax or in Moncton—people told us in the survey that the advantage of a franchise is that the hours of operation are longer. In addition, people can stop not only for the mail, but also for other things at the same time.

We felt that the idea of a community hub was still very worthwhile. The value of the post office remains high for some regions rather than others.

**Mr. Alupa Clarke:** My colleague and I think that post offices in rural regions are very important. By ending the moratorium, we could save rural post offices and close post offices in the suburbs, where there are many franchises. In our opinion, that's really what should be done.

We are somewhat concerned by what we have heard, to the effect that the end of the moratorium would lead to the crumbling of pan-Canadian infrastructure.

**Ms. Françoise Bertrand:** The option proposed here is not to put an end to the moratorium, but rather to review it.

[*English*]

Maybe you want to talk about it, Jim, because you know those areas better than I do.

**Mr. Jim Hopson:** That's the key. We did not say that the moratoriums should just be abolished and to move on, but rather to revisit the issue. It goes back to 1994. We're talking about two decades or more. There's been a lot of change in Canada. I've lived in rural Saskatchewan for much of that time. I've seen a great transformation. So I think it's time to revisit it. There still need to be some controls in place and so on, but I can tell you from personal experience that the post offices that are in community stores and so on are also meeting places and the flag is there for Canada Post. It's time that we looked at it and came up with a better plan as we go forward.

[*Translation*]

**Mr. Alupa Clarke:** In one study, the Conference Board anticipates a deficit of \$1 billion and, three years later, Ernst & Young anticipates a deficit of \$700 million. Is that reduction attributable to Canada Post's five-point action plan, to a different context or different accounting? The deficit is less than \$300 million. Here is the question I am asking myself. Does this mean that the five-point action plan has worked?

[English]

**The Chair:** We are out of time. We will have a few extra minutes left at the end of this last intervention, and I'll allow the committee to answer any other unanswered questions in about five or six minutes.

Our final intervention, formally, comes from Monsieur Ayoub.

Five minutes, please.

[Translation]

**Mr. Ramez Ayoub:** Thank you, Mr. Chair.

I want to thank the witnesses for joining us today. I am very happy to see them again.

As you said, your appearance gives us an opportunity to further our understanding and to complement the report you have presented to us.

I don't want to come back to all the findings of the report, as there are many of them and they overlap. However, I would like you to tell me how you feel about the situation. A written report often draws conclusions and makes recommendations. However, in a given situation, something emerges that a member of a committee undertaking a study cannot find in a report.

I know that Canada Post is at a crossroads. What would you have wanted to add in the report concerning future labour relations at Canada Post? I have been insisting on this for a long time. What is your take on that? Do we have the same view of things? Do you also see such a gap?

• (1145)

**Ms. Françoise Bertrand:** That is a delicate question.

Our committee is independent. We could not cover everything under the sun in four months. So we stayed within our sandbox and did not uncover the Caramilk secret.

In our latest considerations, you can see what we profoundly believe. We were saying that there is no magic formula and that a realignment is needed, but no recommendation you will make could be followed without collaboration from all the parties. Yet that collaboration begins with the following question: do we all recognize that some things need to be improved? It will be impossible to find solutions together if everyone does not agree on what needs to be improved.

**Mr. Ramez Ayoub:** To work together well, there must be willingness and mutual trust. I have noted that the union, be it local or national, no longer has confidence in the Canada Post management. I have the same feeling when it comes to the senior officials and opportunities to make progress. That does not concern anyone in particular; it's generalized. There is a flagrant lack of trust.

How can we move forward in a context where two groups are questioning the figures and labour relations, don't have the same goals and do not agree on how to do things? Once again, those people are on opposite sides.

**Ms. Marena McLaughlin:** As Mrs. Bertrand said, we worked within a framework, but we also echoed the recommendation made by Mr. Campbell in 2008. The recommendation is to take things further, to bring together all those people, not only those from the

union and the Canada Post management, but also government representatives, stakeholders, as well as individuals who buy those services or benefit from them.

We can criticize the financial data to within a few dollars or each other's comments, but the fact remains that, today, in the digital era, the use of postal services is dropping off around the world. Canada Post has a monopoly in terms of mail, but that is all. That activity has been dropping off. It is not viable and will not be viable in the future. So unless everyone gets to work, this situation will continue.

**Mr. Ramez Ayoub:** It is said that Canada Post must be profitable and must not have a deficit. Yet whether the government is providing subsidies or the price of the stamp increases, those situations are impossible. The increase in the price of the stamp would be over 30%, which is huge. Canada Post has a monopoly, at least when it comes to mail. No company from the private sector could increase prices like that without suffering the consequences.

[English]

**Ms. Françoise Bertrand:** Jim will answer pursuant to our answers.

**Mr. Jim Hopson:** Really, what's happening is not much different from what we see in many industries and so on: it's change. In times of change, two things happen. You either pull together and come to common solutions, or you begin to attack and point fingers, and we've seen some of that, of course.

I think the status quo is just not an option. There is going to be change because of digital and because of parcels and so on. We need the stakeholder—the federal government—and the senior management and unions to work together to find solutions that will be good for all.

Canada Post is very important to Canada. It needs to continue to exist and be a strong entity, but existing as it is now is not an option. I would agree with you that we need to come to a point where, instead of saying one or the other is at fault, we find ways to work together. We've seen it happen in the auto industry, when crisis brought about significant change. We now see them sitting down together to hammer out solutions that will work.

It can't be done on the backs of the workers, and it can't be done by saying that management is bad and that they don't have all the solutions. I think that's really the answer.

• (1150)

**The Chair:** As I mentioned earlier, we have a couple of extra minutes, but there are at least two unanswered questions that were posed, one by Madam Ratansi and one by Mr. Clarke. I'll give you five minutes to wrap up if you care to comment on those two questions that you didn't have a chance to answer.

**Ms. Françoise Bertrand:** There's the one on Australia.

**Mr. Jim Hopson:** I'll take the one on the difference between the \$1 billion and the \$700 million. I think a lot of it is just the result of the work that was done by Canada Post and by the unions in that five-point plan.

There were some conversions that made a difference. The price increase was very significant in terms of transactional mail. There were some efficiencies. There was work done through the collective bargaining. There has been a reduction in staff numbers, but there has not been a reduction in the cost overall. It has stayed fairly stagnant, but at least it was contained. Also, we've seen the growth of parcels and the revenue generated from that.

That would point to some of the discrepancy, but even with the things that happened, there is still going to be a deficit at the end of the day.

Françoise?

**Ms. Marena McLaughlin:** On Australia—and also on Switzerland maybe—there are consortia in Australia that were created maybe over a hundred years ago, but we're talking about entering a market today for postal banking.

There's a reason why Canada and the United States got out of that in 1968-69. It was because nobody was using the service. We're saying that to enter that today, with the legislation in place, with the regulations, with OSFI, and with the international trade.... Plus, the fact is that in Canada, 99% of people have a banking account and only 7% of the population that we interviewed through EKOS surveys said they would change. There's that percentage of the population that says that maybe they would.

We can all ask ourselves the question, would I change tomorrow? Will you change? It means a lot of investment in technology, with risks from money laundering and risks from cyber-attacks, and it means retraining and having the right people in the right place. For all of that, we said that we did not favour that option.

**The Chair:** Thank you very much.

Once again, Madame Bertrand, Mr. Hopson, and Madame McLaughlin, thank you very much for all the work you've put in and the sacrifices you've made for the four months that you spent on this issue. You've identified quite correctly that it is a very important issue to Canadians.

I think the one constant theme that we've heard throughout our travels, and which you've underscored yourselves, is that no one wants to see Canada Post vanish. Everyone wants to see a healthy and prosperous Canada Post. I'm sure your work is going to be able to contribute to that. Once again, thank you very much.

We will suspend for a couple of minutes until our next witnesses approach the table.

• (1150) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1155)

**The Chair:** We'll commence.

First I want to thank Minister Brison for once again appearing before our committee on the subject of estimates and the budget and the alignment between the two.

I understand, Minister, that you have a brief opening statement. Yours will be the only statement from our witness table, after which we'll commence with a round of questions from our committee members.

Minister Brison, once again, thank you for being here. The floor is yours.

[*Translation*]

**Hon. Scott Brison (President of the Treasury Board):** Mr. Chair, thank you for inviting me to return to your committee to discuss estimates reform.

[*English*]

I'm pleased to have with me today from my department, Yaprak Baltacioglu, the secretary of the Treasury Board; and Brian Pagan, the assistant secretary of the expenditure management sector of Treasury Board. Nick Leswick, the assistant deputy minister of economic and fiscal policy at the Department of Finance; and Siobhan Harty, assistant secretary to the cabinet for parliamentary affairs from the Privy Council Office, have joined us as well.

[*Translation*]

As I said last time I was here, I know estimates reform is a very important issue for this committee. I value your committee's input as we move forward on it.

[*English*]

I think this is either my 13th or 14th parliamentary committee appearance between the House and the Senate over the last year. I take working with committees very seriously as a parliamentarian. As I mentioned last time, June 2 will be my 20th anniversary, after some seven elections, of having the opportunity to represent the people of Kings–Hants. For sixteen and a half of those years I will have been an opposition member of Parliament, and for three and a half, a member of government.

As such, my views on these issues in terms of parliamentary engagement are shaped by having spent a lot of time as a member of Parliament who recognizes fully the importance of Parliament and the role that parliamentarians play—a fundamental role in terms of holding government to account. The ability to exercise oversight is the most important role that we as parliamentarians can play on behalf of those we represent.

I would like to address some of the key items that were raised by committee members last time and in subsequent meetings, and sometimes in individual discussions and smaller groups.

First is their desire for the important requirement that ministers appear before committee to explain their estimates. On behalf of the government, I want to assure you on the record that our government is committed to ministers appearing before committee when invited to defend their estimates. We firmly believe that parliamentary oversight and accountability are absolutely crucial to our democratic system.

Having ministers before committee, when invited to discuss and defend their estimates, is a key part of holding government to account. You have my personal commitment, but also the commitment of our government, to make sure that is the case. That was laid out also in our mandate letters by the Prime Minister who said that he wanted “meaningful engagement with...Parliamentary Committees”.

We take that very seriously in our government.

Second, I heard the concern about changing the Standing Orders to allow the main estimates to be tabled no later than April 30. There was a concern that this would weaken parliamentary oversight, because it would shorten the number of days parliamentarians and their committees would have to study the main estimates.

To alleviate that concern, I propose April 30 for the first two budgetary and estimates cycles. This is important operationally because we are asking a lot of Treasury Board, Finance, and all departments and agencies who work together. This is a significant, substantial change, and it will take time to operationalize it. We are saying that for the first two budgetary and estimates cycles, the deadline would be April 30. Having an April 30 deadline for the main estimates for the first two years would allow our departments to make the necessary adjustments and give them time to ensure that substantial portions of the budget are reflected in the main estimates, strengthening the importance of the main estimates and their relevance.

This approach will ensure that the main estimates, starting this coming year, will be a more useful and relevant document, because they will reflect this year's budget priorities and prevent the situation we now have, in which the main estimates are effectively debated for several weeks and rendered basically irrelevant when the actual budget is tabled.

● (1200)

In year three, a permanent change would happen, allowing the tabling of main estimates on March 31. I've discussed this with the former parliamentary budget officer, Kevin Page, who believes this is a reasonable approach. He said the following, which he agreed I could share with you:

While I believe Parliament and Canadians should see main estimates before the start of the fiscal year, I support your recommendation that this adjustment may take two years to implement.

He is somebody who has worked as a parliamentary budget officer and also within the public service broadly. He understands that these types of significant changes do take time to put into operation to ensure that we're getting them right.

I understand the concerns I've heard about any potential reduction in the time available for parliamentary study. I assure you that reducing parliamentarians' ability to study the main estimates is something we want to avoid. It's not our intention; it's quite the opposite. We want parliamentarians to be able to study documents that will be substantially more meaningful than those they are provided with today. This is an approach that will provide the best balance between parliamentary study of the mains and making the mains a vastly more useful and pertinent document.

A third concern was raised about committee of the whole. Tabling the main estimates by April 30 would require some form of consequential amendment. Under the current rules, it's up to the opposition to identify the departments whose main estimates will be referred to the committee of the whole. The current Standing Orders give the leader of the opposition until May 1 to identify these departments. That deadline would obviously need to be moved until after that in order to give the opposition time to make an informed decision. We recognize the need to change that deadline to give the opposition time to make that determination. Moving this deadline

would have the effect of limiting the government's flexibility in scheduling these appearances before the committee of the whole.

As a fourth concern, the last time I appeared here there were also some concerns that our proposal would somehow reduce the number of supply dates. I want to be crystal clear that is not the case. Adjusting the tabling of the main estimates would have no impact on the number of allotted opposition days or other aspects of the supply cycle, including planned supplementary estimates for the supply periods ending December 20 and March 26. Committees would be able to examine estimates documents and call on officials and ministers throughout the supply cycle.

A fifth concern was around the current Standing Orders requiring committees to report back on the mains by May 31. There was a concern that a month might not be enough time to fully scrutinize the mains. We are open to your ideas on how to address this. This could be a discussion with the House leaders to allow some reasonable extension of this. That's a discussion we ought to have between House leaders, but we recognize the need to address this and the potential to move that forward.

Finally, some members of the committee have expressed the view that the budget date should be fixed. Mr. Chair, as you know, there's currently no requirement to table a budget. It's not part of the Standing Orders, and the timing of the budget falls within the jurisdiction of the ministry or Minister of Finance. The normal practice is to table budgets between mid-February and mid-March. Extreme situations do arise where governments need to avail themselves of more flexible approaches.

I want to say to the committee that we are open to hearing this committee's advice on the subject. We're open to suggestions from the committee, and we will take those suggestions seriously.

● (1205)

Mr. Chair, a lot of what we're doing now is based on the good work of this committee going back to 2012. This is important work in strengthening the accountability of government to Parliament and strengthening the role of Parliament.

We're committed to doing a better job of aligning the budget and estimates processes. I look forward to continuing our active engagement with this committee, but also across Parliament, on this and many other issues. I would be pleased now to answer any questions you or committee members may have. Also, our officials would be pleased to answer any questions.

**The Chair:** Thank you very much, Minister.

Monsieur Drouin, please, for seven minutes.

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** Thank you, Minister, and thank you everyone for being here to discuss this important topic.

Minister, I'm glad you put it on the record that you have been a member of Parliament for almost two-thirds of my life—

**Hon. Scott Brison:** That's just mean.

**Voices:** Oh, oh!

**Mr. Francis Drouin:** I want to understand why you're so interested in providing more transparency and effectively making the opposition's job to hold government to account easier. Can you elaborate on why you're so interested in this?

• (1210)

**Hon. Scott Brison:** To be honest, I actually think that members of Parliament, even members of the governing party, have the same responsibility to hold their government to account. It's not just opposition members who have a responsibility to do this. All members of Parliament, even members of the governing party, whoever the governing party may be at one time or another, have a responsibility to do this.

Committees, by nature, ought to be less partisan in the work they do. I believe that Parliament itself, many times—except for one hour a day where it's pretty hard to change that—broadly should be less partisan in the work we do. But committees, I think, should be held to a higher standard in terms of the work they do and in terms of not being partisan.

The responsibility of Parliament and of parliamentary committees to hold government to account for government spending is essential. The current system is not designed to be understood. In fact, if you were to try to design a system to be difficult to understand and to be opaque, you would not be able to do a much better job than what has happened over decades. As a member of Parliament, I can tell you that there are people who have been members of Parliament for years who don't understand the budget and estimates process, and these are smart people, engaged people, and good members of Parliament, who have difficulty understanding what is a ridiculously opaque and unnecessarily complex and illogical system.

The answer is that at some point we should in fact have a system that not just members of Parliament—and all parliamentarians, as I include senators in that—but the general public can understand. That should be the objective. I view this as an evergreening process. These are changes we want to make now, but as we move forward, I want this to be something that, on an ongoing basis, we work on to strengthen accountability of government for spending to Parliament.

**Mr. Francis Drouin:** I have one more question with regard to the timeline. There were some issues raised with the April 30 timeline, and now I see that you're willing to make some changes for two years. Maybe to help this committee understand that, what's the transition period that you must go through over the two years? Why two years and not one year or three years?

**Hon. Scott Brison:** I've been reminded by Yaprak that it's actually a transition over a year and four or five months, given that the budget is only a few months away. I've had this discussion. As ministers, we work closely with our departments and officials. We have very good officials, and I've pushed very hard on this. I am completely satisfied with the response, so I'm going to ask Yaprak to speak to this.

These are very significant changes in the operations of government. In changing something that has evolved over decades,

if we're going to succeed and get a good result from this, we need to take the time to get it right.

I'd ask Yaprak to speak to that.

**Ms. Yaprak Baltacioglu (Secretary of the Treasury Board Secretariat, Treasury Board Secretariat):** The programs and initiatives that are in the budget versus others that make it into the main estimates require a different level of detail and a different level of preparation. For anything that is in the main estimates, or any of the estimates, we make sure that the program design is there. We make sure that Treasury Board has gone through all of the program details and departments are ready to implement those programs the moment Parliament gives them the money.

Right now the next budget is sometime in the spring. Depending on when it's going to be, we basically have four to five months. Departments are working on their budget proposals, but they're working at what they have been doing all these years, at higher levels for Finance's consideration.

The first budget will be trying to catch up to what is happening. Hopefully, we'll get a quite a lot of them in the main estimates. The year after will be our first and only year to get the whole system aligned and work the kinks out of it so that the year after we will go into an April deadline for the main estimates. You basically have one full year and the remaining months of this year for transition.

**Mr. Francis Drouin:** How much time do I have?

• (1215)

**The Chair:** About a minute.

**Mr. Francis Drouin:** When Finance prepares the budget, and the departments ask for proposals, is there going to be a culture shock? Finance is usually very secretive internally with their budget. Is that going to require departments to share more information in order to get the main estimates ready in time?

**Ms. Yaprak Baltacioglu:** My colleague from Finance Canada can also talk about this.

Over the last two or three years we actually have made quite a lot of progress in terms of working together. Of course we're committed to budget secrecy. Of course we should allow the government to make the proper decisions, but there has been very close co-operation between Finance and Treasury Board.

We have to involve the whole of the ministry, all of those departments, to actually do the detailed work. That's the part we're going to have to work a little harder on over the next year and a half.

Mr. Leswick can elaborate.

**The Chair:** If you can do it in about 45 seconds, I would appreciate it.

**Mr. Nicholas Leswick (Assistant Deputy Minister, Economic and Fiscal Policy Branch, Department of Finance):** Absolutely, Mr. Chair.

I really don't have a lot substantive to add, just that the nexus between the Treasury Board Secretariat, Treasury Board ministers, and our Minister of Finance in terms of budget decision-making, and departments as well in terms of submitting proposals that are well costed, that ecosystem needs to be well oiled and well functioning for us to meet our objectives as the president speaks to today. Absolutely.

**Mr. Francis Drouin:** Thank you.

**The Chair:** Mr. McCauley, you have seven minutes, please.

**Mr. Kelly McCauley:** Thanks for joining us again.

If it makes you feel better, Minister, I'll let you know that, unlike that of my young cohort over there, your time in Parliament doesn't even scratch half my life.

I think we all agree on the need to promote transparency of the budget process and the need for alignment between the estimates and the budget.

I have to say, though, that I am still a bit apprehensive about modifying the Standing Orders before we adjust the corresponding behaviour when it comes to creating the budget and presenting the main estimates. Your predecessor, Tony Clement, noted several times in the discussions of the 2012 budget that reforms didn't require a change in the rules necessarily, but rather a change in the coordination of the budgetary process. I think that's the path I'm going down.

Changing the Standing Orders is quite an exceptional issue, and I think you've now recommended changing a second one to allow time to study the documents. We're now changing two Standing Orders. These rules governing the House are, obviously, very important. They supersede the government of the day. Changing them is monumental and substantial. We just want to underscore the scale of the proposal. Changing the Standing Orders is not something that we should just throw out, that "Oh, we have one day to meet the committee of the whole. We'll just do another change of the Standing Orders." I think that sets a very bad precedent.

Is it the most proper way to change the Standing Orders so that the budget and estimates can be aligned, when there's nothing that says we can't change the alignment right now?

**Hon. Scott Brison:** There are a couple of things I wanted to address in what you said to Mr. McCauley. We think the changes we're proposing are very important—and this is not about one government. We really believe this is about the long term, in looking not only at the 2012 report by this committee, but also at other examples. The Australian example is one of the ones we've looked at closely. This is more than a change that ought to be subject to the whims and the power of one government. This is something that we're engaging Parliament with. We believe that it warrants a change in the Standing Orders, and having the flexibility, whereby we're being totally transparent about the operational challenge for the first two budgetary and estimates cycles over the next year and four or five months, from April 30 going to the following March 31. This reflects both the operational challenges in doing what is a very significant change within the government, but it also adheres completely to the principle that's guiding us, namely a better

engagement of Parliament around the spending of government and the budget and estimates process.

I've talked to Tony Clement about this. The broad changes we're proposing are consistent with his views of the direction we're going. I think this is something that we all ought to understand: the importance of strengthening the accountability of government to Parliament in the fundamental area of government spending.

● (1220)

**Mr. Kelly McCauley:** Thank you for that. I think we all agree about the need for transparency and a better understanding of the estimates. There are people around this table who are accountants and say that it's difficult to understand.

You've mentioned that there is no need to table a budget in any year. I think it was 2002-03 when we didn't table a budget. We seem to be putting the cart before the horse. We want the main estimates to align with the budget, but we don't address what happens when you don't have a budget. What I'm also getting at is, why not just move up the alignment? We can make the change without changing doing the Standing Order, if it's that important to do.

**Hon. Scott Brison:** There are a couple of things here. One is that the budget is not subject to the Standing Orders. What we're proposing here, which I think you'd recognize, is that any government needs to maintain a certain level of flexibility to introduce a budget if there's an external shock to the economy.

Over time, as we make these changes and as we have an opportunity to understand fully the impact of these changes, I think this will drive a much closer—as there has been in recent years—ongoing working relationship between Finance and Treasury Board on these issues. It will also drive and institutionalize a much closer alignment between the budget and the estimates.

I would be open to Brian or Nick adding something to that.

**Mr. Nicholas Leswick:** From a Department of Finance perspective, I think there is clear merit in having a budget in that February to March time period, outlining the spending plans for the Government of Canada, and then an appropriation act or main estimates that follow, reflecting the cash requirements for those spending plans. Without a doubt, that's the paradigm and the objective.

In 12 of the last 15 budgets we've been on that cycle. I think the proposed changes to the Standing Orders buy a little bit more time to meet that goal, to give us some more time, so that those spending plans that are reflected in the budget are incorporated.

**Mr. Kelly McCauley:** If I could interrupt, because I only have about 30 seconds, can this not just be done by changing the alignment? I don't want to say by "speeding up" your process, but keeping March 30 and changing the alignment time. Instead of moving it back, we could hopefully move it forward again. I'm not advocating a fixed budget date.

**Mr. Brian Pagan (Assistant Secretary, Expenditure Management, Treasury Board Secretariat):** Mr. McCauley, let's use last year as an example, when the budget came out on March 23. Under current rules, we had to table the main estimates on March 1. We were presenting the certainty of the estimates in advance of the budget, and then we followed up with supplementary estimates (A), which we tabled on May 10. That shows that we can work very closely with Finance to bring budget items to Parliament very quickly. We had almost 70% of the budget in those supplementary estimates (A).

In this proposal, by tabling on April 30 or May 1, we're bringing the main estimates, which will have the advantage of those budget items, and it's simplifying the process by removing those supplementary estimates (A) in the spring, so that you're focusing on one document and not two.

**Hon. Scott Brison:** The other thing, Mr. McCauley, is that for items to be in the main estimates in terms of the current timing of those estimates, they really have to go through Treasury Board approval sometime in January. A budget would have to be sometime in December or something like that. There are timing issues that are addressed by what we're proposing.

Again, you suggested that you would rather see the date be the fiscal year-end. You were more comfortable with that than April 30.

**Mr. Kelly McCauley:** Currently, I'm comfortable with where it is.

**Hon. Scott Brison:** Why would you want to keep it where it is?

**Mr. Kelly McCauley:** If you'll allow me.

**Hon. Scott Brison:** I just want to understand why you want to spend so many weeks of your life as a Parliamentarian doing busywork that isn't pertinent to the lives of Canadians.

•(1225)

**The Chair:** It was a rhetorical question, so we won't get into a debate.

We were quite a bit over time.

Mr. Blaikie, I'll give you extra time, as I will everyone on the government side as well.

**Mr. Daniel Blaikie (Elmwood—Transcona, NDP):** Thank you very much.

I'll start by saying that we in the NDP do think that it's a good idea to try to better align the budget documents and the estimates documents. There's value in doing that.

Thank you for making it a priority to try to do that, but there are concerns around the amount of time that parliamentarians have to study that document, however better it may be in terms of information. There are concerns around actually ensuring that those documents remain coordinated to the extent that there isn't either a fixed budget date or a fixed budget period in which that budget would be brought in. You can't coordinate two things if you don't know where one of them is. To the extent that the Standing Orders remain silent on the budget, it's hard to feel that this limited change to the Standing Orders will actually ensure any kind of coordination.

Then of course access to government is also requisite for a good study of the estimates. I think those are represented in the six concerns that you identified.

We've had your assurances and the assurances of your colleagues—or you've assured us on behalf of them—that they're prepared to appear before committee. But we know that governments don't last forever, and as much as the latest infrastructure plan projects your government sticking around past 2023, Canadians may well change their minds. With a different government, those assurances may not amount to much.

Would you be prepared to consider changes to the Standing Orders that would require ministers to appear before committee to ensure that parliamentarians have the access they need in a restricted time frame to be able to get the answers they need with respect to the estimates?

**Hon. Scott Brison:** I'd say two things.

The appearance of ministers before standing committees to defend their estimates is not a new thing. Your dad would tell you that this was something that was fundamental. Ministers always appeared before parliamentary committees to defend their estimates. Any movement away from that long-standing tradition in recent years was fairly new.

What we're doing as a government is making sure we can speak on behalf of our government, that we will, as ministers, appear before parliamentary committees when asked to defend our estimates. It is expected.

**Mr. Daniel Blaikie:** Indeed.

**Hon. Scott Brison:** This is not something that is new. There may have been a time, and I'm not being partisan here—

**Mr. Daniel Blaikie:** And I'm not trying to suggest that it's—

**Hon. Scott Brison:** In the previous government it may have been difficult to get ministers sometimes.

**Mr. Daniel Blaikie:** I'm not trying to suggest that's new—

**Hon. Scott Brison:** This is something that's pretty fundamental.

**Mr. Daniel Blaikie:**—but we have an example of a departure from that practice.

As we talk about the reforming process and the reforms of those processes, assuming they'll most likely persist beyond the life of this government, if the appearance of ministers is an integral part of that improvement, we would also want that improvement to persist.

Granted, there was a long tradition of ministers appearing, but other governments have shown that the tradition needn't have been maintained and that it's at the pleasure of the government that it's done.

Are you open to the idea of creating, as part of your proposal, a situation in which there's an obligation for ministers beyond convention and tradition, a standing order obligation for ministers to be accessible to committees for a study of the estimates?

**Hon. Scott Brison:** Again, I can commit on behalf of our government, and there is an absolute commitment for us to appear. Also, our House leaders can have further discussions and are always open to suggestions, but again, on the issue, governments of different stripes over time have consistently adhered to that principle and convention.

This is something that I can commit to on behalf of our government. Our ministers are expected to defend their estimates before parliamentary committees.

**Mr. Daniel Blaikie:** We'll see if that's adequate, ultimately, because we do have a situation whereby, objectively, the amount of time that parliamentarians have to study the estimates is being reduced—

**Hon. Scott Brison:** Yes.

**Mr. Daniel Blaikie:** —and on the other hand, we have the word of your government that ministers will appear. One will carry into the scenario of a future government and the other won't, because you can't commit on behalf of ministers of a future government that they will appear.

On the question of a fixed budget date, I know that you've talked a lot about the Australian model. Can you confirm for the committee that in Australia there is a fixed budget date in their Standing Orders?

• (1230)

**Hon. Scott Brison:** As you're aware, we've had that discussion. I really do view the Australian model as one that informs my thinking on this and provides a good model. Over time, I think, we get better alignment and more logical sequencing between budgets and estimates, and that model, over time, may be the direction, but I want to try these changes. I want to try these changes first, and I want us to go through this. We will have a better idea, Mr. Blaikie, in a year and a half, after having gone through two budget/estimates cycles.

Again, I view this as an evergreening process. We make these changes, we successfully implement these changes, and we may actually see new approaches that would make sense in two years, but I really do want to see these two budget/estimates cycles, so—

**Mr. Daniel Blaikie:** With respect to—

**Hon. Scott Brison:** —I'm saying that in a year and about four months, we will have a much better idea as to other ideas or other approaches that could make sense.

**Mr. Daniel Blaikie:** In the context not of your own government but in some future government where there is still a shortened amount of time for parliamentarians to be studying the estimates, do you think it would make sense to deem those estimates to have been passed by May 31 if the minister has not appeared before the committee?

**Hon. Scott Brison:** I think we can have a discussion. I can speak on behalf of our government in terms of the commitment of ministers to appear before committee and defend their estimates.

Beyond that, one of the things I want to be clear about is that the nature of the study that parliamentarians will be doing around main estimates will be more meaningful now. When ministers appear before you, you'll be able to have a more meaningful discussion

about the estimates because they will actually be pertinent. The work you do, the work we do collectively, government and parliamentarians together, will be more meaningful to the work we do on behalf of Canadians.

On this idea, in the first two years, there are some things we can do to change dates in a way that would provide a little more flexibility. In many of those challenges, and I'm talking about in a year and four or five months when we would go to a main estimates tabled before the end of the fiscal year, the concern you raise about a reduction or a perceived reduction in the days for scrutinizing estimates would be addressed. During that period of time, we would do everything we can to ensure....

Brian, do you have that information?

**Mr. Brian Pagan:** Yes. Quickly, on the use of committee time, we have looked at committees over the last three parliaments. Some 17 of the 24 held a single meeting on the estimates. The majority of those meetings were held in May. Even in this committee, OGGO, 13 of the 19 meetings were after April 25. We do take the point that we are focusing effort here in the May period, but we believe that we're alleviating a problem by focusing that effort on the main estimates and not the main estimates and a supplementary estimates (A) at the same time.

**Mr. Daniel Blaikie:** Don't you anticipate that with a better estimates time—

**The Chair:** Mr. Blaikie, I was extremely generous with you, as I had been with the previous speaker.

Therefore, Madam Shanahan, you'll have seven-ish minutes.

**Mrs. Brenda Shanahan:** Thank you very much, Mr. Chair.

Thank you very much to you, Mr. Brison, for being here with us, and to all the members of the panel. I will not make any reference to my age or anybody else's age, thank you very much. As I am also a member of the public accounts committee, let me just say I commend you on this initiative. We're already seeing in public accounts how important it is to have the program base control structure in place so that we can make good assessments on the performance of departments, agencies, and crown corporations. That's definitely going to help us in our work in the future, but here of course it all starts when we are actually doling out the money, and we need to know why we're doling it out. I'm interested in exploring further this incremental approach you've taken to aligning the estimates in the budget cycle.

Maybe some of the members of the panel can talk a little bit about what's involved, why you have chosen this approach, and what challenges you face. The last thing we want is for this to not be done properly.

• (1235)

**Hon. Scott Brison:** Thanks, Brenda.

There are a couple of things. One is, you reminded me, that this is actually one of the four pillars of reform that we believe are important. There are estimates and budget timing, which is what we're focusing on here today. There's also this accounting approach with regard to the methods and cash and accrual reconciliation for parliamentarians. There's a vote structure or a program-based expenditure approval, and then reportage to Parliament and to Canadians. Departmental reporting is changing, such that departmental plans and departmental results are simpler. There are four areas broadly.

There's need for some flexibility initially. All things being equal, if we could deliver the kind of result that I would like to within the fiscal year immediately, I think we would all agree to that. This will take time. Within the departments, it's a very significant undertaking, and changing practices have evolved over decades. I want us to be successful in and among other things in seeing the main estimates rendered more relevant and meaningful by having more of the budget items in the main estimates. That requires a lot of work in advance between Treasury Board and Finance and other departments and agencies. It's a fundamental shift. This committee raised concerns about this in the beginning, and we believe that the proposal we're making, to have a year and five months, whereby there would be two budget cycles, and an additional period going up to April 30, will provide us with the operational flexibility for our public servants and our officials to deliver a good result. I think at the end of that, going to the budget estimates before the end of the fiscal year, will deliver a good result that we'll be able to achieve at that point. We're being totally transparent about the direction of this and about the ability to get this right in the first year and a half.

**Mrs. Brenda Shanahan:** Thank you, Minister. I'm sorry I missed the earlier presentation a couple of weeks ago, at which an issue came out. That was that in the voting structure, disaggregating control by program rather than nature of expenditure could reduce departmental flexibility and increase lapses of appropriations. Of course that's something that greatly concerns us. On the performance side, the money is there, the needs are there, and we want those programs delivered. How would we be able to deal with these lapsed appropriations?

**Hon. Scott Brison:** There are a couple of things on that. Transport Canada has done a pilot about going to program-based expenditure approval, which has worked quite well. Something that could be done is to transfer say 10% for the program to another program within the department. There can be some flexibility, which can reduce the lapses. The other thing to keep in mind is that we have changed the reportage of lapses to Parliament. We're being more transparent on that, and the PBO has recognized that. We are actually identifying lapses. The important thing is transparency. I think program-based expenditures are good for good governance and good in terms of transparency to Parliament. You don't want someone, hypothetically speaking, taking money out of a border infrastructure program and using it to build gazebos or something.

• (1240)

**Mrs. Brenda Shanahan:** Yes, that would be worrisome. Thank you.

Mr. Chair, how much time do I have?

**The Chair:** I'm wondering if that just popped into your head.

You have about a minute and a half.

**Mrs. Brenda Shanahan:** That's all I can share of my time?

**Mr. Nick Whalen:** Thanks, Mr. Brison, for coming, and thanks, Mr. McCauley, for extending everyone's time.

When we talk about the budget cycle, there's been some discussion that the current process is ineffective or not worthwhile, but I disagree. We had the opportunity to have the committee of the whole last year talk about what we currently refer to as the "main estimates". It was really what the next year would look like if we kept the budget the way it was.

It is a valuable opportunity to test, over the course of the budget cycle, whether the government is achieving its goals. I would like to see, as part of the proposal, at least during the interim period, an opportunity for parliamentarians to have the committee of the whole in respect of the interim supply. It would allow us to test the changes the government will be bringing forward in the new budget.

I would like your thoughts on that.

**Hon. Scott Brison:** As for the committee of the whole, we've proposed some changes in terms of flexibility so that opposition parties have the opportunity to choose ministers for that.

I think I understand, Nick, what you're saying about the benefit of committee of the whole. I think committee of the whole would actually be more beneficial when we're talking about estimates, which reflect more broadly the direction—

**Mr. Nick Whalen:** I'm talking about both interim supply, and then, when the main estimates are actually tabled, giving parliamentarians a chance to test the assumptions of the most recent budget year against future performance and seeing how those changes measure up. I think it's good oversight.

**Hon. Scott Brison:** Beyond that, this will not eliminate supplementary estimates either. Over time there will be less of a reliance on supplementary estimates as main estimates become more comprehensive.

Yaprak, you may have some thoughts on this, because you've actually done committee of the whole with me. Do you have any thoughts on Nick's point?

**The Chair:** Only brief thoughts.

**Ms. Yaprak Baltacioglu:** I think what the minister offered were some solutions. We're open to solutions from the committee and the House. It's the House's Standing Orders.

I agree. Committee of the whole actually is quite an amazing process. It's actually good for transparency.

**Hon. Scott Brison:** I must say that I was subject to committee of the whole in my second week on the job, and I really enjoyed it, actually. It was great. I like committee of the whole.

**The Chair:** We'll note your acceptance of the committee of the whole process.

We'll now go to five-minute interventions, and we will be strict on the five minutes.

[*Translation*]

Mr. Clarke, you have the floor for five minutes.

**Mr. Alupa Clarke:** Thank you, Mr. Chair.

Good afternoon, minister. Thank you for joining us this morning.

First, Her Majesty's official opposition wants to strongly reiterate that any change that may bring more transparency and align main estimates and supplementary estimates is in itself laudable.

Second, in theory, we are clearly talking about a reform of budgetary appropriations and of the process related to budgetary appropriations. However, it would also appear that, behind the facade, we are talking about a fundamental reform of Canada's parliamentary democracy, and I will tell you why. I believe that there are currently two opposing philosophies. There are two fundamental premises that you have indirectly addressed.

First is the premise where parliamentarians can better understand the budgetary processes—in other words, supplementary estimates and main estimates. That is the first premise. No one can be against it because it is good.

The second premise, which you also addressed, is the need for and importance of making the government responsible and accountable for its actions, including the budget, which is basically the government's main tool.

Those are the two opposing premises. When we look at our country's last 150 years, I think that our founding fathers and parliamentarians clearly chose the second premise. They chose the premise that tries to make the government responsible and accountable through the oversight of the use of public funds. Here is my question on that matter.

I want to bring you back to the mandate letter the Prime Minister publicly addressed to you. The fourth priority is to:

Strengthen the oversight of taxpayer dollars and the clarity and consistency of financial reporting. Ensure consistency and maximum alignment between the estimates [...]

That sentence shows the clash between the two premises. Your reform proposes clarity and consistency of financial reporting, as well as consistency and alignment of the estimates. On the contrary, your reform does not seem to really ensure and strengthen the oversight of public funds. We even have the impression that it's doing the opposite.

You yourself said:

• (1245)

[*English*]

more meaningful—okay, but government accountability, and the responsibility is less.

[*Translation*]

So there are two opposing premises and we, on this side of the House, want to ensure that the second premise, which has been maintained by parliamentarians for 150 years, will not be changed lightly. In addition, you are talking about a second standing order. Will there soon be a third one?

What do you have to say about the clash between those two philosophical premises that are important for our country's parliamentary democracy?

[*English*]

**The Chair:** You have a minute and a half, Mr. Minister.

[*Translation*]

**Hon. Scott Brison:** Thank you very much, Mr. Clark. I appreciate your question.

There is no conflict between our objectives and our actions. In fact, your committee's report in 2012 provided direction that reflects that of the current government—in other words, increasing the government's accountability and making its spending more transparent for Parliament and for Canadians.

Our reform will improve on the current situation. Our approach and our proposal reflect the approach of provincial governments such as those of Ontario and Quebec, as well as the approach of national models like Australia.

Thanks to the numerous studies carried out by this committee and our work as government, I think we can do better and should do better. I don't understand your position. You say that a conflict exists between our approach and our objective to increase accountability in terms of government spending for taxpayers.

**Mr. Alupa Clarke:** It's because you are increasing....

**The Chair:** Thank you very much. I'm sorry to interrupt you, but time is up.

**Hon. Scott Brison:** We will continue this discussion.

[*English*]

**The Chair:** Mr. Whalen, you have five minutes.

**Ms. Yasmin Ratansi:** I think Mr. Whalen doesn't want to ask any more questions.

Is that correct?

**Mr. Nick Whalen:** That's right.

**Ms. Yasmin Ratansi:** Thank you, Minister, for being here. Thank you for taking into consideration our concerns from the previous time.

Like you, I am confused as to why this simple process is not being treated in holistic way that you're showing us. If you have consulted with the previous parliamentary budget officer, who was well versed in the parliamentary processes and how budgets have to appear and who knew that accountability and transparency were critical, because we have to perform our oversight function....

My question is, when you were in opposition for 17 years out of your 20 years, what were the main challenges you faced trying to match these apples and pears, the apples being the estimates and the pears being the budget? How did you reconcile them? What was the transparency there?

• (1250)

**Hon. Scott Brison:** Yasmin, you have the advantage of being an accountant. Not all of us are accountants. I was a finance guy, but we relied heavily on the accountants.

It is confusing as it is. In opposition we have limited resources. Individual members in their offices do not have a lot of legislative resources. I was very fortunate in opposition in having Tisha Ashton, who just loved the estimates process. There aren't many people like that. Over a long period of time, I got to understand them to a certain extent, although not as well as she did. All our parties have people in our offices and the leader's office who really love this process.

The idea is that we shouldn't need experts who understand and love this process. Every member of Parliament, and Canadians in general, should understand a process that is simple and is easier to understand. The process should be something that we can describe to any Canadian, both in terms of the sequencing and departmental reports.

There are thousands of people in departments across the Government of Canada who are writing reports that almost nobody reads. That's because they don't provide these reports. It's not their fault, by the way. The nature of the report now means that they spend a lot of time providing information that isn't that useful, that isn't of that high a quality, and that doesn't really reflect the basic departmental plans and departmental results. We want to change that part of it as well.

These are significant changes. I think smart members of Parliament from all parties struggle with this. It's not just opposition members who have the responsibility to hold government to account.

**Ms. Yasmin Ratansi:** All you're trying to do is simplify the process so that you can compare apples with apples, not apples with oranges.

**Hon. Scott Brison:** Even in terms of the accrual versus cash accounting, having a more robust reconciliation, and learning from some other examples, including Ontario and Australia, and what they've gone through in terms of that....

**Ms. Yasmin Ratansi:** In terms of the time to scrutinize the main estimates, for example, if we stay at the status quo or we move with your process, would we be given an opportunity to do the same robust review of either interim or supplementary estimates?

**Hon. Scott Brison:** There would be no change.

**Ms. Yasmin Ratansi:** No change to that.

**Hon. Scott Brison:** Over time I think you will see less reliance on supplementary estimates as the main estimates become more robust. There will still be supplementary estimates, and there will still be an opportunity to devote parliamentary time to scrutiny of them.

**Ms. Yasmin Ratansi:** Will there be time for us to review these things? When we were in opposition, we were not given that much time. Not many people pay attention to it.

That's a very short question.

**Hon. Scott Brison:** A former clerk of the House, Robert Marleau, has recommended that committees devote more time to the estimates. On an ongoing basis, we think that would be a good objective. I think making the process more meaningful will lead to that, so we want to see that.

**The Chair:** Thank you.

Thank you, Minister, for being here. I do have a question and a half for you, at least an observation and a question that hasn't been asked, but I think it's very germane to this conversation.

I'm assuming, Minister, if you're talking about changing the Standing Orders, then you would be talking about an adoption of a provisional Standing Order and not a permanent Standing Order, because you can put a time limit on a provisional Standing Order, as I'm sure you're aware.

It has been the convention of the House that when Standing Orders are changed, they would all receive unanimous consent among all parties. Obviously, it's within the purview of this government that through just a simple vote you can change the Standing Orders as you will. Is it your intention, Minister, to seek unanimous consent if you try to proceed with a change to the provisional Standing Orders, and what would your timeline be?

**Hon. Scott Brison:** First of all, we intend on doing everything we can to engage Parliament to bring people together. We've all agreed in principle to changes that can strengthen the accountability of not just this government, but also future governments, to Parliament. We agree on that in principle. I'm confident that we can get people on the same page. That's what I'm hoping for, and that is reflected in the work we're doing here and on an ongoing basis.

As for the second question on the timeline, this has to be done. For this to be part of the budgetary and estimates process for the next cycle in 2017-18, we really need to do this in November and maybe early December for the 2017 budget, but at least before the House rises at Christmas.

•(1255)

**The Chair:** Thank you very much.

**Hon. Scott Brison:** To that end, last February we did a briefing for members of Parliament. There were about 80 parliamentarians from the House and Senate. We have since met with this committee. We've done a technical briefing recently.

We have been very engaged with Parliament and parliamentarians in seeking direction and input. Today, as we said, there were six concerns raised over the last period, and we have addressed them. We're doing everything we can. I'm doing everything I can. Our officials are doing everything they can to demonstrate absolute good faith in what we're trying to achieve here.

We would expect, as parliamentarians, reciprocity on that, because we all agree on the objectives. As a minister representing the government, I also have to reflect the operational capacity of what we can do. I'm not going to commit us to doing something and fall short of it. I want us to get this right.

I want it to be absolutely clear that we're demonstrating good faith and that we want parliamentarians from all parties to do so as well. The committee process and the work your committee is doing, going right back to 2012, is important. This is an evergreening process.

The changes we're proposing now will inform future changes and strengthen the budget and estimates process and, fundamentally, the accountability of governments to Parliament and to Canadians. This is important work.

Mr. Chair, you and I have been around awhile, and this is the kind of thing that as parliamentarians we can look back on and say that we participated in a fundamental change that strengthened parliamentary democracy in Canada. There aren't that many opportunities that we have as parliamentarians to be able to say that.

I hope this is something—a grand project, an important project—that we can all work on together across party lines, because that fundamental accountability of government to Parliament, and of Parliament and government to Canadians, is something that should be a grand project on which we can all agree and work to achieve.

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

On those words, we will suspend.

Committee members, we are going next door across the hall, and that meeting will be in camera as we discuss the drafting of our CBC report.

We are suspended.

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