

outset, I would like to say that when the Senate referred the expenditures of this country, as proposed in the estimates, to the Finance Committee for study, it created an opportunity for a very useful exercise.

The task of the committee in reviewing the estimates was, first of all, to reach an understanding of the methods of preparation of the estimates, and also of the basis on which the items were produced. All of that appears clearly and concisely in Senator Leonard's report.

It was necessary, however, for the committee to study this aspect of the estimates at some length, because no intelligent inquiry or criticism of estimates can be made until the fundamentals are clearly understood. During the course of that study, many interesting matters of general principle were discussed. The discussions, which are recorded in the published proceedings, were useful.

The observation is often made that if the affairs of government were conducted in the same way as business, they would be much simpler and clearer, and there would be almost no problems at all, but that because of these archaic practices and systems government finance and financial management present a very complex picture.

As we studied these matters in committee, the farther we went the more we realized that business and government have very different problems. For example, in business we have little difficulty in distinguishing between capital and current expenditures. Perhaps one of the few occasions is when it comes to the time of deciding which are expenses from an income tax point of view. Generally speaking, however, not only do we do this as a habit, but we are compelled to do so under the Companies Act, by the requirement of a separation of these items in the balance sheet and the financial statements.

We discussed whether, during the year, government expenditures for buildings and major capital works could not be kept separate from current expenditures, and immediately we found many reasons why the present system might be just as good, if not perhaps better.

We also learned that the United States and Great Britain are on a cash basis, just as we are in Canada. In fact, this was a subject of committee investigation in the United Kingdom. They reached the conclusion that while the business practice of separation of capital and current expenditures had some merit, perhaps for purposes of government of a country the cash system was in fact the best.

Another aspect that strikes one is that in government the details of very large inventories of supplies, parts, and so on are re-

corded meticulously, but that record consists of numbers, such as so many shovels, so many horses, so many paper clips, with no value attached to these items. Of course, if we did that in private enterprise, we would be quickly out of business. It may be that this is appropriate for government accounting, but I am not sure that it is.

There is no write-off for obsolescence or depreciation of these inventories. Instead of write-offs, inventories are examined periodically, and items that are declared obsolete or surplus, go to a surplus establishment, like War Assets, which disposes of them. Last week I read that several hundred air force tunics were up for disposal, and they could not get a single bid for them. Perhaps I am digressing; however, this demonstrates that there are many areas in which business practice is not necessarily the best for government.

Another item touched on in the report is that of the principle of estimating for net expenditures, that is, taking the estimated expenditures of a department and offsetting against those expenditures any revenues which might be expected. Of course, this would be done in business; it is sound practice. In studying the matter, one finds perhaps a department with revenue as well as expenditures, but the expenditures arise in one part of the year and the revenues in another. So how do you operate that department and take care of the expenditures until your revenues start coming in? Again, that is a complication which would not normally arise in business.

A further handicap to the principle of estimating for the net expenditures is that before all government departments could change to that system, we would first have to achieve this other end that is dealt with in the report, that of a change in the system to financial responsibility within the department instead of having it remain with the Comptroller of the Treasury. Again, that is something which on the surface sounds simple but which on deeper examination presents considerable complications.

Another short discussion occurred as to whether, in fact, all the work that goes into the preparation of the estimates is necessary. In our governmental financial administration system we start the year with the estimates, as we all know, the Blue Book, and having gone through that year, we end up the following year with another formidable set of accounts which are the public accounts of Canada. One might reasonably ask: If the estimates are prepared in careful detail, with great exactitude and consideration in relation to all problems involved, is it then necessary, when that money is spent, to go back and put it in even greater detail again at the other