

by phases; inflation contingencies in materials and labour; international monetary fluctuations; project management and funding operations; and project deferment or schedule extensions due to restraint needs or priority adjustments.

Initial results of this study verify, as I have already mentioned, that everything is not bad. Approximately 75 per cent of our projects are completed at or below budgeted forecasts. Some of the remaining 25 per cent, however, are projects which we feel should be examined to determine the major causes of, and identify the measures needed to prevent cost overruns.

I am not suggesting that we have been sitting on our hands in providing guidance to departments on project management while determining the magnitude of this problem. Major initiatives have been taken in the development of directives, guidelines and suggested practices which will ensure the establishment of improved systems and procedures. I would like briefly to review a number of these.

In June, 1978, the Treasury Board issued policy and guidelines on the management of major Crown projects. A revised version of this circular was incorporated in the administrative policy manual under the heading "Management of Major Projects" in September of this year. This document addresses in detail the over-all planning, budgeting, execution and control of major Crown projects. The policy deals with such questions as: single point leadership and the interdepartmental organization of these projects; the consideration of socio-economic objectives; the approval process; the resolution of disputes; and the control and evaluation of projects. A major Crown project is a project of a value in excess of \$100 million, or a lesser value but deemed to have a major social, environmental and economic impact and a significant level of political sensitivity and public visibility. Projects falling under this policy include the new fighter aircraft, the Canadian patrol frigate, the search and rescue satellite, the Leopard tank and the nuclear icebreaker.

Following the Treasury Board's issuance of the policy relating to major Crown projects, two follow-up activities were undertaken. These were a simplified version of the policy and guidelines, as a working guide for departments to be used generally for smaller projects referred to as "Management of Projects—Aide Memoire" issued in September, 1979; and a policy statement on the process for the identification, provision and remuneration of qualified project leaders for major Crown projects, also issued in September, 1979. Additionally, as a direct result of this government's concerns with respect to project management, accountability concepts, cost overruns and requests for retroactive approvals, Treasury Board issued "Directives on Cost Control" in July of this year.

In this circular letter 1979-20, deputy heads were informed of the requirement of the ministers of the Treasury Board for increased control over the expenditure of public funds in the implementation of all government projects, be they capital or operational in nature. This directive requires departments and agencies to submit to the secretary of the Treasury Board a

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complete list of all approved capital and operational projects where the total estimated cost to completion exceeds \$500,000.

Another requirement of this directive is that a project manager be appointed for each project which may require contract or project approval by the Treasury Board, and that the project manager be answerable to his deputy head for achieving the planned results within budget. The circular letter goes on to state that the Treasury Board will not entertain submissions requesting funds for cost overruns, nor requests for retroactive approvals. In order to provide the needed incentive for complying with this directive a sanction has been included as follows:

When a project exceeds the approved budget, including allowances for contingencies, and the cause of the overrun is considered by the ministers to be the result of inadequate management, a penalty may be levied against the responsible department in an amount up to twice the total overrun. Whether this penalty will be levied against current or future departmental programs will be at the discretion of the ministers.

In order to deal with this difficult problem of cost overruns, the government announced in the Speech from the Throne on October 9 its intention to create a select parliamentary committee on major government projects. This intention was formalized in the draft motion tabled on November 5.

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It is proposed that this committee be given a mandate to inquire fully into reasons for which overruns have occurred and consider the measures necessary to prevent recurring cost overruns in connection with major government projects. More specifically, it will be asked to carry out a review and analysis of the measures already taken by Treasury Board to prevent cost overruns on major government projects and to assess their impact, as well as to examine measures in place or planned in departments with respect to present or future major government projects with a view to assessing their compliance with Treasury Board guidelines and directives. In addition, the committee would be asked to examine major government projects which would be referred to it by the President of the Treasury Board where Treasury Board had identified a cost overrun. It is the intention of this government to see the problems of project management and cost overruns discussed in public in order to arrive at a proper understanding of the underlying causes and to further improve the efficiency and effectiveness of government operations while, at the same time, emphasizing that the majority of government projects are properly managed.

The government feels that a select parliamentary committee is the ideal vehicle to accomplish this purpose. It can work closely with the public accounts committee which reviews the past expenditure of funds and discusses observations contained in the Auditor General's reports. The select committee will focus on current projects with a view to recommending corrective action for the future.

To deal specifically with the question of why we believe a committee is needed to deal with current projects, first, a select committee would be focusing sharply on one specific aspect of government activity while the public accounts com-