

*Cost Overruns*

**Some hon. Members:** Agreed.

Motion agreed to.

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## GOVERNMENT EXPENDITURES

### PREVENTION OF RECURRING COST OVERRUNS

**Hon. Sinclair Stevens (President of Treasury Board)** moved:

That a special committee of the House of Commons be appointed to enquire fully into the measures necessary to prevent recurring cost overruns on major government projects (defined as those involving expenditures in excess of \$1 million) and in particular

- (1) to carry out a review and an analysis of the measures already taken by the Treasury Board to prevent cost overruns on major government projects, and assess their impact;
- (2) to examine measures in place or planned in departments in respect to present or future major government projects, with a view to assessing their compliance with Treasury Board guidelines and directives; and
- (3) to examine major government projects that will be referred to the committee by the President of the Treasury Board, where the Treasury Board has identified a cost overrun;

That the special committee be composed to seven members of the House of Commons to be designated at a later date;

That the committee have power to appoint from among its members such subcommittees as may be deemed advisable and necessary and to delegate to such subcommittees all or any of their powers except the power to report directly to the House;

That the committee have power to sit during sittings and adjournments of the House of Commons;

That the committee have power to report from time to time, to send for persons, papers and records, and to examine witnesses and to print such papers and evidence from day to day as may be ordered by the committee;

That the committee have power to adjourn from place to place within Canada; and

That the committee be empowered to retain the services of advisers to assist in its work and that it also be empowered to retain the professional, clerical and stenographic help as may be required.

He said: Mr. Speaker, if the House were going to pass this motion automatically, maybe I would have nothing further to say. On the assumption that hon. members would like a brief explanation of what we have in mind respecting this special parliamentary committee, perhaps I should take a few minutes to explain why the government is asking for the establishment of this committee.

I would like to say that I find the debate on the establishment of a special parliamentary committee on project cost overruns is, if you like, an opportunity welcomed by myself so that I may share with this House the government's concerns regarding the provision of ever costlier services to the public.

● (1540)

I have stated on numerous occasions that reducing both the presence and the cost of the federal government in the economy of our nation is our first priority. One important step in reducing government expenditures is through more frugal and efficient utilization of resources. The purpose of my comments now is to present to this House the reasons why this government has felt it necessary to ask a parliamentary committee to

examine major projects undertaken by the government, and their associated costs to the taxpayer.

It is not unusual that governments undertake projects which for a variety of reasons eventually cost much more than anticipated. Canada has had its share: the hydrofoil and the *Bonaventure* and I could name more. What concerns me, however, is that notwithstanding our earnest efforts to minimize the increase in expenditures of projects, the federal government, now and in the past, appears to be plagued with projects which are not, and cannot, be completed within budget.

In saying this, it is not my intention to allocate blame but rather to focus attention on the situation, to bring it into the open, and to discuss it in a public forum in order to arrive at a course of action which will correct this drain on public funds.

Let me also hasten to add at this time, Mr. Speaker, that many, indeed, the majority of government projects are managed efficiently with due regard to prudence and economy. Nevertheless "most" is not good enough; we must continuously strive to improve until the federal government is achieving high standards of efficiency and effectiveness in the management of all of its projects.

What then appears to be the main problem with government projects experiencing cost difficulties? The essence of the problem which distresses this government is the large discrepancies between the funds initially approved for projects and the final costs to completion, together with an attitude that once a project is approved all necessary funds will somehow be forthcoming to ensure its completion.

The Auditor General of Canada states in his one hundredth annual report:

Capital cost estimates at all stages of the planning process should be realistic and complete, covering all aspects of the project. A revised estimate based on the actual design, schedule and site conditions should be prepared before seeking final approval. The effects of possible future inflation should be considered separately from other cost-increase factors. Estimates should be expressed in both current and anticipated future dollar values.

The Auditor General goes on to cite examples of capital projects which experienced inordinate cost escalations. Indeed, the 12 projects identified by the Auditor General had initial cost estimates of \$281.6 million but resulted in expenditures of \$699.7 million, an increase of almost 150 per cent. Our Standing Committee on Public Accounts is currently reviewing these projects, but they are by and large completed. I am confident that every member of the House will look forward to their findings, but what I am concerned about, Mr. Speaker, is the present, the ongoing projects which are currently off the rails.

Recently, this government directed the Treasury Board secretariat to conduct a study which will identify the scope of the cost overrun problem as well as the difficulties in the various stages of decision-making, funding, contracting and implementation where departments need assistance in coming to grips with trade-offs, such as site reconnaissance to identify alternatives; feasibility studies to determine the best approach using common costing techniques; detailed design and costing