

APPENDIX

(See p. 571.)

THE ESTIMATES

REPORT OF THE STANDING SENATE COMMITTEE ON NATIONAL FINANCE ON THE ESTIMATES LAID BEFORE PARLIAMENT FOR THE FISCAL YEAR ENDING MARCH 31, 1980

December 13, 1979

The Standing Senate Committee on National Finance to which the Estimates laid before Parliament for the fiscal year ending March 31, 1980, were referred, has in obedience to the order of reference of Thursday, November 1, 1979, examined the said Estimates and reports as follows:

INTRODUCTION

The Committee was authorized by the Senate, as recorded in the *Minutes of Proceedings of the Senate* of November 1, 1979, "to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1980".

In obedience to the foregoing, the Committee made a general examination of the Estimates and heard evidence from the Honourable S. M. Stevens, President of the Treasury Board and from the following officials of Treasury Board: Mr. J. L. Manion, Secretary; Mr. L. J. O'Toole, Assistant Secretary, Program Branch; Mr. E. A. Radburn, Director, Estimates Division; Mr. E. R. Stimpson, Director, Expenditure Analysis Division; and from the Economic Council of Canada: Dr. Sylvia Ostry, Chairman; Dr. D. W. Slater, Director; Dr. R. Lévesque, Director; Mr. H. Bert Waslander, Director, Project Staff, Sixteenth Annual Review.

The Main Estimates for 1979-80 amount to \$52,913 million. Of this amount \$50,768 million are for budgetary items and \$2,146 million are for non-budgetary items (loans, investments and advances). These estimates are also divided into statutory requirements amounting to \$31,673 million and non-statutory amounting to \$21,240 million. Of the total Budgetary Estimates \$20,382 million represents funds for which Parliament is asked to provide new authority.

The Committee is continuing its examination of the Main Estimates by reviewing the medium term economic outlook in order to attain perspective on the implications of present Estimates for future economic development and growth.

BASIC PROBLEMS IN REVIEWING THE ESTIMATES

1. Trend in Ratio of Statutory to Total Estimates

In fiscal year 1972/73, statutory payments represented 54% of Budgetary Estimates. By fiscal year 1979/80 the proportion had risen to almost 60%. In absolute amount, as well, statutory expenditures increased substantially from \$10.2 billion to \$30.3 billion and now exceed by 50 percent the total Budgetary Estimates of only 7 years ago of \$19.0 billion (compared to \$50.7 billion in 1979-80).

For several departments statutory commitments exceed the amounts to be voted. For example, although \$1.143 billion is to be voted for the Canada Employment and Immigration Commission, statutory commitments amount to \$2.32 billion. For the Department of Health and Welfare, only \$431 million is to be voted as against \$13.643 billion in statutory commitments. For the Department of Finance the comparable figures are \$168.1 million and \$11.25 billion and for the Secretary of State \$328 million and \$1.67 billion.

2. Public Debt Payments

During the past decade payments on the public debt have increased from 12.6 to 16.5 percent of the budgetary expenditures and now amount to \$8.5 billion. They constitute the second largest item of budgetary expenditure, exceeding the combined payments for transportation and communications (5.9%), culture (2.0%) general government (4.4%) and internal overhead (3.1%).

Comparing the growth of public debt with budgetary expenditure over time has been rendered less meaningful in recent years by the increasing reliance on the tax system as a policy lever, a practice generally known as tax expenditures. This includes a variety of 'tax breaks' for business and individuals, and yielding of 'tax points' to provinces. Tax expenditures have grown rapidly during the past five years and amount to more than payments on the public debt. The Committee is already on record as being concerned with the fact that no systematic parliamentary scrutiny of tax expenditures occurs. It welcomes the initiative of the Minister of Finance in making public an estimate of the cost of these tax expenditures.

3. Decline in Economic Development and Support

The relative share of expenditure on economic development and support declined from 13 to 10.9 percent during the decade 1969-70 to 1979-80. During the first years of the decade, the share rose so that the actual rate of decline in recent years is understated.

It is difficult to know how to interpret these figures. Economic development has certainly been supported in certain instances by tax expenditures, which have not been related to actual expenditure. Moreover, direct expenditures for economic development may have also been partially replaced by loan guarantees. For example, a \$2 million item for liabilities under the *Small Businesses Loans Act* appears to be in support of economic development but would appear in the Estimates only when guarantees must be honoured. Such changes in methods