

Spending on headquarters operations be reduced by about \$8 million.

The magnitude and location of cuts should be left to the discretion of the Department's management, but should include both trade policy and trade promotion personnel and operations costs.

Recommendation 9

In reviewing the personnel distribution of the Department, we were struck by the fact that close to 45% of the Department's personnel resources are devoted to common services. It is our understanding that the Department is reviewing how it can make savings in this area. Although we were unable to review this area in detail, from a private sector perspective, this serious imbalance requires some fundamental re-engineering. While recognizing that these costs do not apply strictly to the international business portfolio but all of DFAIT's operations, as well as support of other government departments whose programs are delivered overseas by DFAIT, we recommend:

Common services costs associated with these personnel be reduced by at least \$25 million over the next two years. Within 3 years, DFAIT should reduce the proportion of personnel devoted to common services to 25% of the departmental total.

Given that about 40% of the Department's operations are related to international business development (both trade policy and international business promotion) approximately \$10 million of these savings would accrue to international business development operations.

The proposed goal will be dependent on the Department's ability to deal with the personnel reductions necessitated by re-engineering. Government departments cannot possibly achieve budget constraint targets without the ability to deal appropriately with personnel. We also believe that cutbacks should be carried out in the most humane way possible, through the appropriate work force adjustment program, and therefore recommend that DFAIT:

Secure the ability to place individuals on work force adjustment and/or to offer early retirement.

This would apply to both common services personnel and those affected by the reduction to headquarters operations. It would allow Departmental management to institute structural change in an efficient and effective manner. Appropriate personnel adjustment programs will require up-front funding.