

to zero-base budgeting. Zero-base budgeting is the buzz word which came along with President Carter in the United States and which, if hon. members have been following its progression, has not been getting the attention it did only one or two years ago. I think this is because some people in the United States have recognized that this approach can only work under certain circumstances.

Zero-base budgeting means exactly what it says, that each year the manager goes back to zero and builds his program from there. It is a tool to analyse and evaluate project effectiveness, just as this sunset legislation is designed to force analysis and evaluation of projects in Canada. The projects then are ranked and fitted in with the money which is available.

In a *Harvard Business Review* article entitled "Where does zero-base budgeting work?", James D. Suver and Ray L. Brown quoted the following definition as the most concise:

Perhaps the essence of zero-base budgeting is simply that an agency provides a defence of its budget request that makes no reference to the level of previous appropriations.

They go on to say that all definitions of ZBB "express one common thought." The manager must be able to justify each activity's projected level of expenditures in total, and no level is taken for granted. They went on to say:

In this light, zero-base budgeting becomes just another management tool, which can be used to review, analyse and evaluate budget requests.

What is really being discussed in this bill is the development of a management tool, but like zero-base budgeting, the overriding problem is the unwieldy and monumental task of reviewing thousands of what are described as decision packages each year.

● (1630)

Can you imagine the horrendous bottleneck that would be created for the parliamentary process in this country? Every program would have to be treated the same. Members could not simply pick and choose those that tickle their fancy because that, in my opinion, would be a dereliction of duty. Many uninteresting projects are vital to the well-being of our nation and need the same level of attention as the glamour issues. Members therefore would have a tremendous addition to their daily work load which, given the sheer volume, would undermine the fundamental objectives of the program.

But in addition to that criticism of overwhelming volume, there is the very real problem of passing judgment on a whole host of issues that are advanced by extremely talented specialists. I suggest to you, Mr. Speaker, that I would want to have a considerable amount of expertise if I were placed in the position of having to weigh the merits of a program geared to oil resource development or coal resource development, knowing only one of the two could be funded. This is only one example in an almost endless list of possibilities.

Add to that problem of acquiring basic knowledge the companion issue raised by my colleagues: the influence of pressure groups. Suppose that the coal industry had an exceedingly effective organization promoting its interest and that the

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oil producers, being fragmented by a whole lot of internal bickering, had an ineffective voice. What would happen? Would the judgment of those conducting the reviews be impaired by the selective evidence they would be receiving? Maybe not, but I believe all members would agree that it is possible.

Put that in the context of social services. Would the services for the aged and the poor suffer because they are ill-equipped to mount the kind of pressure that a more wealthy segment of society could mount? Remember, Mr. Speaker, the process requires ranking of priorities to fit within a predetermined financial framework.

From an effectiveness standpoint, then, Mr. Speaker, there is room for concern. Let us look at the efficiency feature. Sunset legislation requires that a re-evaluation take place at a specific time. It does not matter that it is obvious to all concerned that the program is worth-while and should be continued—it must be evaluated. That opens the door to a host of problems, including grandstanding and electioneering on the thin pretext of examining proposed expenditures. It really is not a very efficient way of dealing with the intent of this legislation.

Because of the similarity between sunset legislation and the zero-based budgeting concept practised in the United States, I would like to borrow from their experience. While some find zero-based budgeting a good tool, there is also evidence that many programs receive routine endorsement because there is not time for appropriate evaluation. Some programs never are serious contenders for termination. In Canada, these could include national defence, family allowances and national revenue. No new evaluation system would reverse the perception of the timeliness of these programs, even if inefficiencies were revealed.

I would like to quote some of the comments from those who should know in the United States. Sunset laws, and the zero-based budgeting that it implies, are not magic wands that will solve problems overnight. No one claims that they are. James D. Suver and Ray L. Brown, whom I quoted a moment ago, had this to say:

But are users of the technique happy with it? Phyr said that Texas Instruments was happy with it . . . The city of Wilmington, Delaware found it useful and intends to continue using it . . .

The experience of the Department of Agriculture with its ground-up budget in 1962 was also mixed. Interviews with every high-level person who was intimately involved with the effort revealed that few decisions were made and savings were insignificant. However, other benefits were reported by almost one half of those interviewed . . . The experience of the state of Georgia seems similar. A survey of department heads and their budget analysts concluded that there were three primary advantages associated with that state's use of zero-base budgeting:

1. The establishment of a financial planning phase prior to budget preparation.
2. An improvement in the quality of management information.
3. An increase in the budget involvement of personnel at the activity level.

The survey cited three disadvantages as well.

1. An increase in time and effort, required for budget preparation—"This is a very serious problem."
2. A contention that the new system had not significantly affected the allocation of funds . . .