Case Studies from Canada

Parliamentary Pre-Budget Consultations in Canada

BUDGET PROCESS GUIDE

for Parliamentarians,
Media & Civil Society Organisations

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Introduction

A key element in the budgetary process is public consultations. These consultations are quite extensive and are undertaken in different ways in order to receive the widest possible input and to ensure that those wishing to participate in the process have an opportunity to express their views.

This paper examines the role played by the House of Commons Standing Committee on Finance in the pre-budget consultations.

Background

Prior to the mid-1990s, pre-budget consultations were largely conducted by the Minister of Finance through meetings with pre-selected private sector industry associations and special interest groups.

This changed in the mid-1990s following the release of the Ernst and Young (EY) study on the forecasting accuracy of the Department of Finance.[1] The EY recommended that the House of Commons Standing Committee on Finance hold public hearings each fall to review and comment on the government's current fiscal plan and economic outlook.

In the fall of 1994, the Minister of Finance presented an ***Economic and Fiscal Update*** to the House of Commons Standing Committee on Finance. The Committee was asked to provide the government with an independent assessment of the economic planning assumptions used in the Update and to undertake public consultations on issues raised by the Minister as well as any other matter of importance to the Committee and to provide a report by the end of the calendar year.

This practice has been generally followed since 1994 with the Minister of Finance providing an ***Economic and Fiscal Update*** in the fall of each year. The Update presents revised economic planning assumptions, based on a survey of private sector economic forecasters. Based on these economic planning assumptions, the ***Update*** presents revised fiscal projections over the medium term, usually on a "no policy change" basis.

For a period of time, the fiscal projections were produced by four private sector forecasting firms [2] on a national accounts basis and converted to a public accounts basis (the accounting basis used by the federal government) by the Department of Finance. The average of the four private sector fiscal forecasts, on a public accounts basis, was used as the medium-term fiscal projections for the Update. Currently, the Department of Finance produces the fiscal projections, based on the average of the private sector economic forecasts.

The Committee also hired four private sector economic forecasters (one suggested by each party) for a period of time to provide them with their assessments of economic developments and forecasts. This has since been discontinued.

Originally, the Committee would not begin its pre-budget consultations until after the Minister of Finance had appeared before the Committee and presented the Economic and Fiscal Update. However, as the Updates were often presented in the late fall, the Committee had little time to hold its consultations and submit its report prior to the end of the calendar year. Currently, the Committee begins its consultations in the early fall in advance of the presented by the Minister of Finance of the Update.

Composition of Committee

The Finance Committee consists of twelve (12) members. The Chair of the Committee is a member of the governing party, with the vice chair a member of the official opposition. The Chair and Vice Chair of the committee are elected by the members of the Committee. The allocation of members among the political parties is based on their respective representation in the House of Commons. Currently, with a minority government in power, the opposition parties collectively have more members than the government. With a majority government, the governing party would have a majority of members on the Committee. Although permanent members are appointed to the Committee by their respective parties, alternates are also appointed in the event the permanent member can not attend.

Support to the Committee

There is a permanent clerk (public servant) to the Committee, supported by one or two assistants (again public servants). The Clerk provides advise to the Committee on the procedures governing the Committee,

1. Review of the Forecasting Accuracy and Methods of the Department of Finance September 1994 Ernst and Young
2. The Conference Board of Canada, The University of Toronto, Global Insight and Spatial Economics

arranges the meetings at the request of the Committee, ensures that the applicable material is submitted in both official languages to the members in advance of the meetings, co-ordinates the drafting of Committee reports, performs other administrative functions as required.

The Committee is also supported by researchers from the Library of Parliament. For the pre-budget consultations, up to four researchers may be involved in providing background material to the Committee members, assessing the briefs submitted and the testimony of the witnesses appearing before the Committee and drafting the report for approval by the Committee, based on the Committee's discussions and directives.

The Committee may also hire outside experts to assist them on more complex policy issues. As noted above, the Committee retained the services of four economists (one nominated by each party) for two consecutive years.

Call for Briefs/Meetings

As set out in Standing Order 28(2), the Standing Committee on Finance "shall be authorized to consider and make reports upon proposals regarding the budgetary policy of the government. Any report or reports thereon may be made no later than the tenth sitting day before the last normal sitting day in December."

The Process

a. The process begins with the Clerk of the Committee issuing a News Release (see Annexes 1 and 2 for the News Releases announcing the 2009 and 2010 pre-budget consultations, respectively) stating that "Canadians are invited to share their priorities for the upcoming budget."

b. The Report submitted by Committee, based on the submissions received and evidence heard, is to be considered by the Minister of Finance in the development of the upcoming federal budget. As the budget is normally tabled in late February/early March, the tabling of the Committee's Report in early December is expected to have an impact in finalizing the various policy initiatives in the upcoming budget.

c. The News Release requests that individuals and groups submit written briefs not exceeding five pages, in either official language, to the Committee Clerk by a specified date (for the 2011 pre-budget consultations, this date is August 13, 2010).

d. At times, the News Release will ask that the briefs address specifics questions posed by either the Committee or the Minister of Finance as well as expressing views of any other issues of concern.

e. The Committee reviews the briefs submitted and, based on these briefs, extends invitations to selected individuals and groups.

f. A list of potential invitees is prepared by the Committee Clerk and submitted to the Committee for their consideration and approval. The Committee may alter the list of potential invitees. Those selected are informed by the Committee Clerk, in writing, no later than the last week in September. In 2009, almost 450 briefs were heard from various groups and individuals. Twenty-four (24) meetings of the Committee were held to listen to the witnesses and experts invited.

g. The Committee holds meetings with the selected invitees in Ottawa as well as in a number of locations across the country. The number of meetings outside of Ottawa is limited as the Committee is only allocated a specific amount of funds each year for travel. In addition, they need approval, by the Internal Board of Economy a Parliamentary Committee that oversees the budget for committees. For the 2011 pre-budget consultations, meetings are scheduled in Surrey British Columbia, Kamloops British Columbia, Saskatoon Saskatchewan, London Ontario, Lebel-sur-Quevillon Quebec and Saint John's New Brunswick. More cities may be added depending upon the number of briefs submitted and from which areas in Canada. The location of the cities visited changes from year to year in order to ensure that there is variation in representation. The majority of the meetings are held in Ottawa, given budget constraints.

h. With the exception of experts hired under contract, witnesses are responsible for their own costs in attending the meetings.

Structure of Meetings

a. The format of the meetings is usually standard. A number of witnesses are requested to attend a specific meeting.

b. The witnesses at any one of these meetings do not necessarily represent a common viewpoint but rather the Committee seeks to have witnesses representing a variety and often different points of views on certain issues.

c. There may be representatives from business, social policy associations, universities, etc., at the same meeting. In this way, the Committee can hear a number differing points of view on the same issues and have a debate among the various groups represented.

d. Each meeting usually runs for about one and half hours.

e. Usually, the Committee Chair will ask each of the witnesses to make a short summary of their brief.

f. The Committee Chair usually asks that the presentations be restricted to less than two minutes.

g. Committee members can then question the witnesses, asking questions of each of the witnesses or just some of the witnesses.

h. There are usually a number of "rounds" of questioning, with varying time limits for each round.

i. The questions posed by the members could come from the researchers from the Library of Parliament and/or from the research units of their own parties.

j. Committee members from each of the political parties are usually present to participate in the questioning and debate.

k. There is one exception to diversity of witnesses appearing before any meeting of the Committee. There is usually one or two sessions devoted exclusively to the discussion of the economic environment and prospects and on the government's fiscal strategy. At these meetings, the Committee explicitly invites a number of private sector economists to present their views and forecasts.

l. As noted earlier, the Committee originally would not start holding its pre-budget consultation meetings until after the Minister of Finance had appeared before the Committee with his Economic and Fiscal Update. Private sector economists would then appear before the committee commenting on the Minister's economic and fiscal forecasts. However, given the amount of time that the Committee had to hold pre-budget consultations and prepare a report, the Committee now holds its meetings in advance of the Minister of Finance's appearance before the Committee. As such, the pre-budget consultations with the private sector economists now focus on their views of economic developments and prospects. This sets the stage for future meetings of the Committee with invited witnesses, as the economic and fiscal parameters for the discussion are set.

m. The Committee may meet with the private sector economists again after the Minister of Finance has presented the government's Economic and Fiscal Update to get their assessment of the economic planning assumptions and resulting fiscal projections.

n. The meetings that are held in Ottawa are usually televised on the CPAC.

o. The minutes of all meetings are available on the Finance Committee's web page in both official languages.

Nature of the Report

a. The Committee's report must be tabled before the end of December.

b. The report [3] usually begins with a discussion of the economic environment and the government's budgetary strategy. The remaining chapters are usually structured along policy themes. Each chapter contains a brief overview of the issues

3. See "A Prosperous and Sustainable Future for Canada: Needed Federal Actions" Report of the Standing Committee on Finance December 9, 2009, 40th Parliament 2nd Session. Available at publications@tpsgc-pwgsc.gc.ca

involved, what the Committee heard from the witnesses, its assessment of what it heard along with a number of recommendations.

c. The main report is usually a "consensus" report, although the party (ies) that hold the majority of members on the Committee may have a more direct influence on the nature and recommendations.

d. Usually, the opposition parties, in a majority government environment, will issue a "Supplementary or Dissenting Opinion," which is also printed in the report. The Supplementary Opinion will contain recommendations by the respective opposition party on issues that they feel were felt out of the main report or not emphasized enough. In the current minority government environment, the government members also issued a Supplementary Opinion as some of their recommendations for inclusion in the main report were rejected by the other members or they did not agree with some of recommendations in the main report. As a result, they expressed their concerns in their Supplementary Opinion.

e. The Committee will hold a meeting "in camera" prior to the commencement of the public meetings to discuss and agree upon the major themes of the report.

f. Researchers from the Library of Parliament begin to draft sections of the report, especially the background sections. As the meetings progress, drafting continues based on the views of the witnesses, given the time constraints to release the report before the end of December.

g. Once the hearings are completed, the Committee again meets "in camera" to discuss and finalise the report. The report is translated and tabled in the Parliament.

Impact of the Report

The Committee's pre-budget consultations allow members from the general public as well as various associations and special interest groups to make their views on issues of concern to them known to the public, members of the Committee, the bureaucracy, and members of Parliament. It provides them with an official forum to express their views.

This is likely the most important aspect of this exercise. The Budget will often make reference to the recommendations in the report and the opinions expressed by the witnesses to justify the measures contained in the Budget.

However, the importance of and role played by the Finance Committee's pre-budget consultations and report should not be overstated. In the end, it is largely a political document. Most of the major budget decisions are made well before the completion of the Committee's pre-budget consultations and tabling of its report.
In a majority government environment, the recommendations in the report are heavily influenced by the governing party, as they have the majority of members on the Committee, to support the measures to be included in the Budget rather than as a major input in the formulation of these measures.

The government is not obliged to accept any of the report's recommendations nor justify why it did not.

Annex 1

NEWS RELEASE

PRE-BUDGET CONSULTATIONS 2009

Ottawa, June 10, 2009 -
When Parliament returns in fall 2009, the House of Commons Standing Committee on Finance will begin its pre-budget consultations for 2009, with hearings in Ottawa and in selected communities across Canada (see below).

The recent financial turbulence and economic difficulties worldwide have been unprecedented, at least in recent history. While the Canadian financial system has been more resilient than that in most other industrialized countries, the impact of the world economic slowdown has affected, and continues to affect, our nation. That being said, monetary and fiscal stimulus measures have been taken by governments in Canada and in other countries, although views vary on the extent to which they are effective and are having the desired results. Going forward, decisions must be taken about the measures needed to ensure prosperity and a sustainable economic, social and environmental future.

In this context, the Committee invites all interested Canadians to participate in the pre-budget consultations and to share their views on the following two questions:

1. What federal tax and program spending measures are needed to ensure prosperity and a sustainable future for Canadians from an economic, social and/or environmental perspective?
2. What federal stimulus measures have been effective and how might relatively ineffective measures be changed to ensure that they have the intended effects?

The Committee hopes to hold public hearings in **Ottawa** the weeks of **September 14, October 26 and November 2, 2009**, and to meet with Canadians in the following **communities**:

Vancouver, British Columbia: September 28, 2009
Edmonton, Alberta: September 29, 2009
Yellowknife, Northwest Territories: September 30, 2009
Summerside, Prince Edward Island: October 5, 2009
St. John's, Newfoundland: October 6, 2009
Quebec City, Quebec: October 7, 2009
Regina, Saskatchewan: October 19, 2009
Winnipeg, Manitoba: October 20, 2009
Toronto, Ontario: October 21, 2009

If you wish to make an **appearance** before the Committee during the pre-budget consultations, please send an **email** to the Clerk of the Committee, indicating three locations where you are willing to appear. All indications of your desire to make an appearance must be received by the Clerk no later than **Friday, 31 July 2009**. The Committee will try to accommodate all witnesses requesting an appearance, but cannot guarantee that everyone will have an opportunity to make an oral presentation. The deadline to submit the accompanying **written brief** is no later than **Friday, 14 August 2009** in order that the brief can be translated and distributed to Committee members. You are able to submit a brief even if you do not wish to make an oral presentation. Briefs should be **no longer than five pages** in length, should include an **executive summary**, should contain a maximum of **three recommendations** that reflect your most important federal tax or program spending priority, and should where possible indicate the **expected federal cost** of your proposal.

In the event that briefs contain more than three recommendations, or three recommendations that contain a number of parts, only the first three recommendations or the first part of a multi-part recommendation will be considered by the Committee.
The 31 July 2009 and 14 August 2009 deadlines will be respected, and exceptions will not be given.

Electronic requests to appear, as well as electronic or written briefs, can be sent to:

Jean-François Pagé Clerk,
Standing Committee on Finance
6-14 131 Queen Street
House of Commons
Ottawa, Ontario
K1A 0A6
fina@parl.gc.ca

Since the Parliamentary schedule changes from time to time, the dates indicated above for the hearings may have to be altered. Information will be updated regularly on the Committee's website should there be any changes, so be sure to visit the website at www.parl.gc.ca/FINA for current information.

The Committee continues to believe that your contribution to the pre-budget consultations is critically important, and on behalf of the Committee I look forward to hearing from you and having you identify your priority issue for the next federal budget.
Sincerely,

James Rajotte, Member of Parliament
Chair, Standing Committee on Finance

Annex 2

HOUSE OF COMMONS
CHAMBRE DES COMMUNES
OTTAWA, CANADA
K1A 0A6

Comité permanent des finances

For immediate release

NEWS RELEASE

CANADIANS ARE INVITED TO SHARE THEIR PRIORITIES FOR THE 2011 FEDERAL BUDGET

Ottawa, June 17, 2010 -

Today, the House of Commons Standing Committee on Finance is inviting Canadians to participate in its annual pre-budget consultation process. The 2010 consultations will result in a report to be tabled in the House of Commons in late fall 2010, and the suggestions by Canadians as well as the recommendations by the Committee will be considered by the Minister of Finance in the development of the 2011 federal budget.

"This year, like in previous years, Canadians are invited to participate in this very important process. The federal budget is important to all Canadians, and the suggestions received by the Committee during its annual pre-budget consultation process are a critically important contribution to the development of the budget. On behalf of all Committee members, I invite you to share your budget priorities with us," said Mr. James Rajotte, M.P., Chair of the House Finance Committee.

Interested individuals and groups should submit a written brief not exceeding five pages, in either English or French, to the Committee Clerk no later than August 13, 2010. These briefs will be translated and distributed to Finance Committee members. Briefs can be submitted electronically to **FINA@parl.gc.ca** or can be mailed to:

Jean-François Pagé, Clerk
Standing Committee on Finance
6-14 131 Queen Street
House of Commons Ottawa, Ontario
K1A 0A6

Beginning in September, the Committee will hold hearings in Ottawa and in designated Canadian cities. For these hearings, an invitation will be extended by the Committee Clerk, on behalf of Committee members, to selected individuals and groups. Those invited to make a presentation to the Committee should expect to be contacted by the Committee Clerk no later than the last week of September.

In particular, the Committee anticipates that its schedule will be:

- **Surrey, British Columbia: September 27, 2010**
- **Kamloops, British Columbia: September 28, 2010**
- **Saskatoon, Saskatchewan: September 29 and 30, 2010**
- **London, Ontario: October 18 and 19, 2010**
- **Lebel-sur-Quévillon, Québec: October 20, 2010**
- **Saint John's, Newfoundland: October 21**

Annex 2

HOUSE OF COMMONS
CHAMBRE DES COMMUNES
OTTAWA, CANADA
K1A 0A6

Comité permanent des finances

For immediate release

NEWS RELEASE

For more information, please contact:

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