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THE POLITICS OF PRIORITY MANAGEMENT
AN EXAMINATION OF THE
SPECIAL RECOVERY CAPITAL PROJECTS PROGRAM

BY
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in Partial Fulfillment of the Requirements for the
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DEPARTMENT OF POLITICAL STUDIES

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A thesis submitted to the Faculty of Graduate Studies of
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"They said to one another, "Come, let us make bricks and bake them hard; "Come," they said "let us build ourselves a city and a tower with its tops in the heavens, and make a name for ourselves, or we shall be dispersed all over the Earth."

Genesis 11, 3-5

Chapter One: Introduction

Politics is reaction. In the modern political arena, government action too often follows only when a consensus develops over a perceived situation. Governments act when they feel they must, when they sense a need for a certain political response to a subject of common concern.

In an era of ideological drift, when there is no over-riding philosophy to guide the government, no faith in a certain course, resolutely followed, which will lead to a promised land, the state appears more willing to throw out programs designed to respond to certain specific situations. We live in a period of "let's-try-this" politics where certain ideas called "special projects" are run up the flag pole to see how they will survive media inspection, affected interests, opposition attacks and problem resolution. "New employment initiatives" are constantly being introduced, as are concepts for capital gains exemptions, film production investment incentives, or technology research grants. The 1985 Income Tax Act, published in its fifty-fifth edition, now numbers 3,201 pages and has 259 separate sections. Most of these sections are designed to address specific gaps in our economy or to "encourage" economic direction one way or another, often in conflicting fashion.

How does this pattern of constant shift in priority affect government management? Is the Policy and Expenditure Management System (PEMS), with its emphasis on limits, order, review, and rational decision-making out of step with constant demand for "special attention" to particular projects deemed to be of immediate political importance? How well can PEMS respond to the government's demand for rapid program introduction and the selective acceleration of certain measures in order to maximize fiscal and political returns?

This thesis explores the concept of "public priority management" as demonstrated in the Special Recovery Capital Projects Program (SRCPP), an initiative introduced in the federal budget of April 19th, 1983.¹ The phrase is coined to describe an ad hoc management system which largely by-passes the checks and balances inherent in PEMS to rapidly implement a government program. The emphasis is not on a rational weighing of options or alternatives to frame policy, but rather to deliver a clear expression of government will. The priority is on action, not on reflection.

In a limited yet tangible way, public priority management gives evidence of the malleable nature of government organization discussed in Peter Aucoin's article "Organizational Change in the Machinery of Canadian Government: From Rational Management to

Brokerage Politics".² Prof. Aucoin argued that government management reflected the leadership style of the Prime Minister, and noted that recent streamlining of both the PEMS and the cabinet committees reflects the one-to-one, centralized involvement approach favoured by Mr. Mulroney, at least in the early years of his government.³ Similarly, a new structure was developed for the SRCPP more appropriate to the wholly political objectives of the cabinet. The key point is that organizational changes were made to facilitate an expressed government purpose.

Attention will be focused on two specific management techniques designed to facilitate the rapid resolution of program objectives. These two techniques are:

- (1) the "fast-track" approvals concept, and;
- (2) the centralized "secretariat" authority.

How did these two complementary ideas work, and how did they serve to accelerate the standard system of government management? Can these concepts be readily utilized for any priority project, or perhaps even used to speed-up the PEMS system? What are the problems with this system of priority management, and can the SRCPP experience teach us better ways of implementing accelerated programs? What tensions emerge between a centralized "management cell"

and local departmental authorities? Can public priority management work in the Government of Canada?

These questions will be explored in the thesis through interviews with SRCPP and other officials, through examination of SRCPP documents and reports, and through a canvass of relevant academic literature. The objective will be to uncover and relate the rationale behind priority management, at least as far as it was evidenced in the SRCPP. It is hoped that this study will add to our understanding of how government truly works and how the political objectives of governing will sometimes demand a creative managerial response from the federal bureaucracy in order to circumvent the rigidities of the PEMS system.

The Concept

In the budget of April 19th, 1983, Finance Minister Marc Lalonde pledged the Government of Canada to a \$2.4 billion public works program known as the SRCPP.⁴ This initiative was part of a series of "special recovery" ideas in this "special recovery" budget designed to meet the "two central and inseparable goals" Mr. Lalonde held out as most important in his speech to the House of Commons on budget night. He described these twin goals as follows:

"The first is to make sure that recent stirrings of growth pervade the whole economy as quickly as possible. The second is to make the recovery a durable one by beginning immediately to create the conditions required for sustained growth and development during the rest of the eighties."⁵

The Finance Minister proposed to meet these objectives through a \$4.8 billion Special Recovery Program which would "spur recovery and restore as quickly as possible the economy's capacity to generate the new jobs Canadians need."⁶

This "special recovery" program arose out of a perception that the Canadian economy could shake off the lethargy of stagflation if only there was an increase in real investment. Private sector investment had fallen to about \$49.75 billion in the year preceding the April, 1983, budget down significantly from pre-recession levels of some \$56.3 billion in 1981.⁷ While the "six and five" program (and a variety of international factors, principally the growth of the American economy) had reduced the rate of inflation to 5.8 per cent annually at the time of the budget, the economy of Canada had yet to respond in any significant way. Gross National Product was \$357 billion in 1982, compared with \$339 billion in 1981 and \$297 billion in 1980, for an average real growth rate of 3 per cent.⁸

A further issue on the mind of the Minister of Finance was the size of the federal deficit. Mr. Lalonde estimated the 1982-83 deficit at about \$25.3 billion at the time of the budget, though it was in fact to reach some \$24.4 billion for this period.⁹ The government was

anxious not to add to this burden and tried to structure the Special Recovery Program as an "incentive producing" measure in which government investment would lead to much greater investment by the private sector. In this way the program was, in economist parlance, "counter-cyclical", meaning that it was designed to spur investment at the low point of a business cycle.

These budget initiatives did, of course, have a further, political motive. The Liberal government stood at 27 per cent of electoral support in the Gallup polls at the time of the budget, and an election was clearly no more than eighteen to twenty-four months away.¹⁰ The April, 1983 budget needed to have a significant political component. It needed to be perceived as a "blueprint for recovery" which the government could point to as a vehicle for leading the country out of its economic woes. More importantly, the government had to appear to be doing something both creative and effective, which, in the eyes of the people, was at least a "good thing" to combat the poor economy. The Liberal government was determined to hold on to its traditional reputation as "effective managers of the economy", and to out-flank the criticisms of the Progressive Conservative opposition, which enjoyed a 52 per cent level of support even before the second coming of Brian Mulroney.¹¹ The Liberals were determined to deflate the economic performance issue, to

create the impression in the minds of Canadian voters that if the economy was sluggish the Government of Canada had done all it responsibly could.

Such were the heavy economic and political stakes vested in the Special Recovery Program. Half of the program, worth \$2.4 billion, was called the Special Recovery Incentives for Private Investment. It included the withdrawal of limitations on the investment tax credit, a bonus calculated to be worth \$1.3 billion, and, in addition, two "temporary Special Recovery" charges to the tax credit system. The first, called the Special Recovery Refundable Investment Tax Credit was designed to promote immediate off-setting for small businesses, while the second, the Special Recovery Share-Purchase Tax Credit, was designed to promote the issuance of new equity by allowing the purchasers of new common shares to claim 25 per cent of their investment in later tax years. The Minister of Finance calculated that these two tax credits were worth some \$640 million over four years in terms of foregone revenue that the government would otherwise receive.¹²

Two further investment promoting measures rounded off this portion of the April, 1983 budget. The Special Recovery Investment Fund was bank-rolled with \$300 million "to bring onstream major private investment projects with

special national, regional or sectoral importance".¹³

It may be noted that this program has remarkably similar, if broader, goals to that of the SRCPP. Both programs had the further common attribute of providing opportunities to announce government funding initiatives all across the country. It was an opportunity exploited both by the Hon. Donald J. Johnston, Minister of State for Economic and Regional Development and responsible for the SRCPP, and the Hon. Ed Lumley, Minister of Industry, Trade and Commerce, head of the Investment Fund.¹⁴

Finally, the Special Recovery Export Financing Fund provided the Export Development Council with an additional \$180 million to "seek out export opportunities more aggressively" and to support the efforts of Canadian exporters. This support included government investment in attractive private sector exporting schemes.¹⁵

Yet these individual measures, impressive as they were in the hundreds of millions of dollars committed to them, paled in comparison to the Special Recovery Capital Projects Program. This program was the jewel of the April, 1983 budget, the initiative with the greatest investment of both government monies and partisan political hopes to encourage a more responsive Canadian economy and electorate. Whether the action was more than a symbolic gesture for psychological and short-term political purposes rather than a meaningful counter-cyclical action remained to be seen.

The SRCPP was, simply put, a major federal government building project. The idea was to wholly fund a series of localized projects across Canada of a capital nature in the hope that such activity would spur further investment and production from the private sector. It was an experiment in economic "ripple effect" in which the infusion of taxpayers' dollars would lead inexorably to a new season of private and broad prosperity, just what, it was believed, the Canadian economy of the spring of 1983 needed.

The rhetoric of the budget speech rang with boasts as to the impact and importance of the SRCPP. The Government of Canada, declared Mr. Lalonde, had committed \$2.2 billion¹⁶ for projects "specially selected and designed" to "build, expand or improve public facilities that directly support private sector expansion and (facilitate) the steady improvement of our economic performance essential for recovery".¹⁷ In the Finance Minister's rush to elaborate, or in his speech writer's over-enthusiasm, the program was described to the House of Commons with words those running the SRCPP would soon come to regret:

"More than a hundred projects have been selected. They are in the advanced planning stage. All have a lead time to start-up of less than six months. Work on most of them will start this spring or early summer. Canadians will be working on Special Recovery Capital Projects sites in all parts of the country. Earth will be

moved, steel will be rigged and concrete will be poured in the coming months to implement those projects. Canadian firms will start getting orders for the wide range of goods and services required to complete them - construction materials and engineering services, planes and ships, advanced electronic and laboratory equipment, to mention just a few."¹⁸

It sounded like an interventionist's dream! Here was good government in action, using wealth to create wealth, and through wealth, self-sufficiency. It was classic Keynesianism in approach, with a touch of self-restraint for the Big Government-wary and deficit-conscious Eighties. Money would be thrown at a problem, but for the purpose of generating a private sector response and not for providing a state-led solution. In this sense the SRCPP promised to be a perfect prototype of the "New Liberalism/Neo-Democrat" style of government policy - a program designed to lead the private sector to a healthier, more just economy without laying all the burden on the shoulders of government. And while the expenditure was in truth modest compared to the \$120 billion federal budget, the expectations for total new spending inspired by this program were considerable. The expectations were soon to give way to a more circumspect reality.

But the SRCPP was also "a program in a hurry", to borrow a phrase later used by the concept's chief promoter, R.V. Hession, Deputy-Minister of Supply and

Services. The SRCPP came equipped with a very specific time-table for the express purpose of getting the funds "out there" in the shortest possible time. The government wanted not only to build these various capital projects but also to positively influence the entire Canadian macro-economic environment. The fall-off in domestic investment¹⁹ was believed to be a temporary measure before the normal business cycle would pick-up in two or three years.²⁰ The economic purpose of the SRCPP was to compensate for this short-fall in private sector investment during this "down period" with the hope of creating an immediate incentive for other investment, thus "speeding-up" the return to normal, productive levels of capital outlay. Further, the government was anxious to avoid any "squeezing out" of existing private sector investment which might occur if the influx of Federal dollars was drawn out over too long a period and thus conflict with the business cycle. The concern was that too much government expenditure, combined with high private sector investment, would result in a new bout of higher inflation. This higher inflation would devalue the impact of all the investment, leaving a final result of minimal real growth. "We had a very specific window of opportunity," comments Greg Traversey, the Director of the

Economic Development Division of the Department of Finance and the author of Mr. Lalonde's words regarding the SRCPP in the April, 1983 budget. "We were concerned about squeezing-out, we were concerned about maximizing net impact, which meant we had to move quickly."²¹

This demand for "moving quickly" led to the introduction of the "fast track" innovations. The Minister of Finance was equally eloquent in describing how the SRCPP would be translated rapidly from concept to reality:

"There will be no red tape and no delays. All projects are being put on a "fast track" to ensure they start on time, progress as planned, and are completed as quickly as possible. All applicable government planning, approval, tendering and other procedures are being streamlined to facilitate fast-tracking. All departments and agencies are being instructed to give priority attention to the swift implementation of the projects for which they are responsible, within the cost estimates that have been established."²²

Mr. Lalonde also announced that the Minister of State for Economic and Regional Development would, as was noted above, be responsible for the program, assisted by two new bodies. A Special Committee of Cabinet would manage the scheme as advised by a Special Recovery Capital Projects Board made up of senior pan-departmental officials. The Board's mandate was "to coordinate the management of and execution of projects on time and on budget".²³ The entire operation would be supported by a central secretariat responsible directly to Mr. Johnston.

The SCRPP was also designed to meld nicely with the other theme of the budget, namely deficit containment. The entire Special Recovery Program, including \$700 million in new money allocated to the SRCPP was to be funded by a new Special Recovery Tax. The repeated use of this key phrase was becoming slightly Orwellian in tone, but the rationale of the Department of Finance was simply to create an easily recognized "theme package" which would reinforce the government's purpose. In keeping with this spirit the government delayed the imposition of this tax "so as not to impede the recovery in its early stages".²⁴ The tax amounted to a one per cent increase in the general manufacturer's sales tax, from 9 per cent to 10 per cent, and an additional one percentage point increase in the sales tax for construction materials, alcoholic beverages and tobacco.²⁵ The tax came into effect on October 1st, 1984 and, again in keeping with the "temporary emergency measures" concept of the budget, would remain in effect only until December 31st, 1988.²⁶

Yet in direct contrast to the cool calculation and rational plan-making image the government tried to project about the Special Recovery Program, its introduction was marred by one of the biggest faux-pas in recent Budget Night history. Only the day before he was to give his budget speech to the House of Commons, Finance

Minister Lalonde exhibited an uncharacteristic lapse in public judgement by displaying copies of his written text in front of news cameras. One of the reporters clearly recorded a number of figures Mr. Lalonde had displayed, thus breaching the important tradition of budget secrecy. The evening news reports of April 18th, 1983 were full of specific references to allocations for new programs, tax hikes and deficit projections. Opposition critics called for Mr. Lalonde's resignation in the face of this blatant leak, charging that the Finance Minister had undermined the government's credibility by giving the markets time to react and prepare for the coming fiscal policy changes. Whether all this was a tempest in a teapot is besides the point; more important is how it affected the SRCPP.

How Mr. Lalonde responded to this situation gave many of those who believe in rational, slow-moving government process reason to pause. In less than twenty-four hours the budget was changed. The government allocated an additional \$200 million to the Special Recovery Capital Projects Program. This change allowed the Finance Minister to conclude that there was in fact no true breach of budget secrecy because the figures he announced in the Commons were different from those released on the news. Thus the published figures of the budget regarding the SRCPP indicate a \$2.2 billion commitment, while the true amount actually allocated to

the program was \$2.4 billion.²⁷ This change did considerable harm to the SRCPP from the outset, and forced program officials into a last-minute scramble of how to spend \$200 million.²⁸

It was surprisingly easy for the government to make this last-minute addition of such a considerable amount of money. David McCracken, Senior Assistant Secretary, Program Branch at the Treasury Board recalls that the government "simply increased the amount being brought forward from long-term departmental capital projects and added the total to the SRCPP banner. Previously, SRCPP was made up of \$700 million in new monies, funded by new sales tax increases, and \$1.5 billion of existing monies from departmental "A" bases. The amount was simply increased to \$1.7 billion by the Cabinet, thus raising the overall total to \$2.4 billion".²⁹ Greg Traversey notes that "the \$1.5 billion figure was essentially arbitrary. A \$200 million increase in the scope of the entire program was considered manageable."³⁰

It is essential to understand that this \$1.7 billion represented an acceleration of planned government spending over the next several years. "Why wait for spring, do it now" became the government's policy in this bid to spend money in the depths of recession, in order to

influence the business cycle. The Cabinet proposed a ceiling of say \$1.5 billion - or \$1.7 billion - in monies that would be "brought forward" or freed up from the long-range plans of departments to spend capital funds on, for example, airport improvements and the green light was given to spend it now. \$700 million was added to the pot and the whole procedure would have to go through a central authority and the accepted projects meet some program criteria, but essentially two-thirds of the SRCPP funding involved the re-shuffling of paper figures. In theory, the future spending plans of departments would be curtailed because their need for certain capital projects would be satisfied. In this context it is not difficult to see how \$200 million could be added to the program in such short order.³¹

The \$2.4 billion allocated to the SRCPP represented 2.4 per cent of federal spending in the April, 1983 budget.³² Having examined the rationale for the general concept of the program, it is instructive to now look at the beginnings of the SRCPP and the sources which influenced the selection of the priority management techniques on which the government depended so greatly.

Origins of the SRCPP

The idea that was to become the Special Recovery Capital Projects Program can be traced back to October, 1982 and Bob Weese, then Director of Government Projects

for the Ministry of State for Economic and Regional Development (MSERD). The call for help had gone out along the bureaucratic grapevine from the office of Mickey Cohen, then Deputy Minister of Finance, for ideas for the upcoming budget. Weese was a former Executive Director of the Office of Federal-Provincial Relations for the government of Saskatchewan. He had watched with interest the receding tide of expert support for mega-project developments, such as the aluminium smelting project of Sterling Lyon in Manitoba.³³ Yet Weese continued to believe in the value of classic Keynesian government spending in priming a sluggish economy, an appreciation strengthened by his experience in Premier Blakeney's government. "In Saskatchewan it was no big deal to crank up capital spending," comments Weese. "The question was, what was the most effective way to accomplish your goals? In the federal scene, what was the best way to spend?"³⁴ As part of his duties at MSERD, Weese had reviewed a very extensive collection of "wish lists", projects that all the government departments hoped to get off the ground someday if they could only scrape together the funding. These were in various stages of readiness and merit and had not as yet survived the priority lists of departments as they allocated monies toward more pressing concerns.

Mr. Weese hit upon the idea of bringing these projects together in some form of common program. "It would be a big splash, widely felt" yet would have the advantage, Weese says, of not relying on a single commodity or a single industry as most mega-projects do.³⁵ Mr. Weese outlined this general concept, promoting its counter-cyclical advantages, in a memo to his immediate superior, Frank Swift, Director of Economic Planning (MSERD).

Swift was responsive to the idea, as it seemed to complement some of the work he was discussing with his fellow MSERD directors, Harry Swain, Brian Salley and David Bond. Mr. Swain, now Assistant Secretary to the Cabinet for Economic and Regional Development, remembers discussing the need for "a massive winter works program" but there was little enthusiasm for short-term job creation programs "where you would hire people to paint church basements".³⁶ A consensus developed around the thought that, as Swain recalls, "if we're going to spend money, let's create something that will work for the economy over the long-term."³⁷ Mr. Weese's memo provided a framework for such thoughts.

By late-November, 1982, Greg Traversey of the Department of Finance became directly involved in fleshing out this concept. "Finance was very concerned with the down-turn in private sector investment. Stimulus for

investment had to be highlighted in the (upcoming) budget to bring the country out of recession."³⁸ Traversy liked what he considered to be "parallels" to the New Deal programs of Franklin Delano Roosevelt in the United States during the 1930's.³⁹ Though Traversey is not overly familiar with the details of the New Deal, he felt that the proposed program could be a similar "product of its times", a responsive of Keynesian nature to the economic circumstances of the moment.⁴⁰

At this point in its development, the program was more radical than the model which finally emerged. Serious consideration was given to the financing of private projects, but this was ruled out as being overly complex and potentially dangerous as a precedent.⁴¹ Traversey also realized that this program would differ substantially from any of the New Deal programs in that this initiative would be of a specific time frame, with a clear termination date. The idea was not to re-structure an economic system, but merely to give it a boost, to level off this low period. "We know that a turn-up was on its way, and we conceived of the program as front-end loaded to be effective now and trail off later."⁴²

Weese drew on another of his past experiences, that of Assistant Secretary to the Saskatchewan Cabinet to help outline the communication strategy of the program, an essential component if senior officials and Cabinet

Ministers were to buy it. He focused on the potential for many individual projects, possibly over one hundred, which could make the budget expenditures a concrete reality in many local communities. "Lots of speeches in lots of locales, all focused on a central theme," remembers Weese, "I thought it could have positive political impact."⁴³

The concept was formally presented to four key senior officials in December, 1982. Those four were Mickey Cohen, Deputy-Minister of Finance, William Teschke, Deputy-Minister of MSERD, Jack Manion, Secretary to the Treasury Board, and Gordon Osbaldeston, Clerk of the Privy Council and Secretary to the Cabinet. Their response was positive, but cautious. The principal concern was "the condition of the universe of projects available" to such a program, Weese recalls.⁴⁴ The idea was submitted to a special sub-committee of Cabinet chaired by Marc Lalonde for further discussion. Essentially this was the so-called "political Cabinet", but its present purpose was to develop ideas for the upcoming budget. Members of this sub-committee were:

Hon. Donald J. Johnston

Hon. Jean-Jacques Blais

Hon. Charles Caccia

Hon. John Roberts
Hon. Allan MacEachen
Hon. Yvon Pinard
Hon. Herb Gray
Hon. Romeo LeBlanc
Hon. Eugene Whelan
Hon. John Munro
Hon. Ed Lumley
Hon. Pierre DeBane
Hon. Francis Fox
Hon. Gerry Regan
Hon. Judy Erola

The Honourable Donald J. Johnston recalls that idea was received as "making a hell of a lot of sense."⁴⁵ The sub-committee was anxious to find an approach to the mounting unemployment and lack of new investment situation, and this proposal seemed to offer a "well-understood Keynesian model" says Mr. Johnston. The Cabinet Ministers especially seemed to like the program's potential for addressing the fall-off in the construction industry and the regional sensitivity of projects, he remembers. Mr. Johnston also recalls that Tom Axworthy , principal secretary to the Prime Minister and many Ministers believed the approach could have "a lot of psychological momentum and enormous political benefits" when combined with the "Six-and-Five" Program as a further measure to combat the recession.⁴⁶

Bob Weese was also present at the meeting. "Lalonde made it clear that he wasn't going to tolerate any f***** around on this program. He was very firm on this from the very beginning."⁴⁷ "If we were to make this work" notes Mr. Johnston, "we couldn't undermine the credibility of the projects."⁴⁸ Weese recalls that Mr. Lalonde "realized the credibility of the program would be called in question" and was determined to have strict criteria for the selection of the projects.⁴⁹ The Sub-Committee gave the go-ahead to further consideration of the idea, and referred the matter to a small committee of Deputy-Ministers who were reviewing budget initiatives. The committee was chaired by Mr. Cohen, and included Mr. Teschke, Mr. Manion and Charles Smith of Transport. The Sub-Committee also ordered that all work on this program was to be done under the cover of budget secrecy.⁵⁰

The New Deal and Beyond

It may be worthwhile to pause at this juncture to consider how such a major program advanced so far from so humble a beginning. Is it really so easy to advance a billion dollar-plus program? Is it true that all you really need is a sound idea and the opportunity to promote it to influential people? This description of the initial stages of the SRCPP is culled from the only available

source: those who were there. While other influences - the PMO, the PCO - may have played a part on the road that led to that first meeting with the political Cabinet, they do not appear to be significant.

It is also surprising to learn how little intellectual background was invested in this concept. While both Mr. Weese and Mr. Traversey are experienced professionals in their respective fields, neither emphasized in their recollection of these events any true familiarity with the history of the New Deal or literature on public capital project financing and its economic impact. Indeed, all participants, including the Cabinet Ministers, appear to have put their faith in a basic understanding of Keynesian economics, particularly the concept of government intervention as a tool for influencing the economy.

In their insightful study of the New Deal, Harry N. Scheiber, Harold G. Vatter and Harold Underwood Faulkner's American Economic History, the authors describe the truly desperate situation of the early 1930's in America. Business production was down sixty per cent, commodity prices had collapsed, exports were at their lowest levels in thirty years, and fully one-quarter of the labour force was unemployed.⁵¹ Fourteen hundred banks failed in 1932 alone, and by the end of that year twenty-one states had declared moratoriums on private

banking or banks were operating under special regulations.⁵² Financing for ongoing ventures was almost impossible to secure. And while the New Deal is widely perceived to be the introduction of a mixed economy to the United States, it was actually designed to "save capitalism".⁵³

The "hundred days of decision" of President Franklin Delano Roosevelt, from March 9th to June 16th, 1933 was a crucial psychological turnaround for the United States. In much the same way as the Special Sub-Committee of Cabinet wanted to build on the "psychological momentum" of this new proposal, the New Deal was designed to demonstrate resolve in the face of collapse, to offer an approach and, more importantly, to offer hope. As Scheiber and company note:

"it was not the legislation and the policies alone that improved the economic situation beginning in the second quarter of 1933; it was in part the improvement of morale and the restoration of confidence inspired by the President's quick and able handling of the bank crisis and his activity in attacking the depression on many fronts..."⁵⁴

This impression of a unified, focused approach operating simultaneously in many locations was a key aspiration of the SRCPP.

The specific program of the New Deal which might be considered an early influence of the SRCPP was called the National Industrial Recovery Act (N.I.R.A.). Introduced in 1933, the initiative had two basic goals: first, to introduce broad regulation over the private sector, including the increasing of wages and the shortening of work hours (these measures were declared unconstitutional in May, 1935 and the N.I.R.A. and its administrative arm, the National Recovery Administration (N.R.A.) were abolished). Second, the N.I.R.A. authorized the injection of \$3 billion of federal monies to finance public works.⁵⁵ This amount was increased to \$6.5 billion by 1935 with the creation of the Public Works Administration.⁵⁶

It is interesting to review a January 4th, 1937 edition of Life magazine and get a sense of the tremendous impact of this program. The magazine describes this activity in a remarkably similar fashion to that of the words of Marc Lalonde in his April, 1983 budget speech describing the SRCPP:

"Mountains were tunneled, rivers were dammed, aqueducts were laid, canals were dug, battleships were constructed, landmarks were restored, slums were cleared and 6,201 school houses were built or repaired. Never had the country had such a construction spree."⁵⁷

Among the hundreds of projects funded were the Tennessee Valley Authority, the Grand Coulee Dam, the Manhattan midtown tunnels, a dinosaur park in South Dakota, the Rio Grande flood channel, Los Angeles Junior High School, the Navajo Tribal Capital, two aircraft carriers, the Kalamazoo Courthouse, the Fort Peck Dam and the Fargo, North Dakota sewer system.⁵⁸

The value of 6.5 billion American dollars in 1937 translated into current Canadian currency is too staggering to calculate. The scale of the SRCPP as an economic instrument microscopes in comparison, but the over-all concept appears to be similar. The American situation in the 1930's was more difficult, but both the New Deal and the SRCPP looked to John Keynes' General Theory of Employment, Interest and Money for guidance to respond to a perceived economic crisis. It is interesting to note that the architects of the SRCPP did not closely examine the New Deal experience of injecting such a massive amount of money through so many separate projects so quickly for instruction.

Neither were more recent experiences examined nor even apparently considered. Pat Choate and Susan Walter produced an excellent study on the contemporary benefits of mounting a major public works program in 1981 called America in Ruins - Beyond the Public Works Pork Barrel. The paper focuses on "the deteriorated condition of basic

facilities that underpin the economy" and the need to radically improve these facilities as a foundation for continued economic growth in the United States.⁵⁹ The authors call on the Congress to prepare "a Capital Budget that proposes phased capital investments matched to both short-term cyclical and long-term national economic needs."⁶⁰ This is one of the central goals of the SRCPP.

Choate and Walter are firm believers in the counter-cyclical impact of a concerted public works program. They note that the United States has an annual public works budget of \$80 billion, but that such investments "have long been made in a perverse pro-cyclical pattern" which contributed to high material costs and spurred inflation, while worsening under-utilization and recession during the lean times.⁶¹ The authors conclude that even the \$35 billion annual federal public works expenditure "can exert major economic stabilizing influences. Thus, it is both timely and prudent to devise policies and administrative techniques for managing public works investments in anticipation of the economic cycle."⁶²

While the advice of Choate and Walter may not have been relied on, it appears that the originators of the SRCPP shared with them many common perceptions. Whether this was common grounding in solid economic principles or just plain good luck is difficult to say,

but it seems clear that Choate and Walter would have approved of the motivation and ambition of the SRCPP.

The Selection Process

The small committee charged with the large responsibility of transforming the SRCPP concept into a concrete program had three immediate challenges: (1) define the criteria for selecting projects; (2) come up with a package of appropriate projects, and (3) complete both goals in one heck of a hurry. It was now December, 1982 and the budget would have to be ready for the spring of 1983.

In meeting the first goal, Cohen and his budget preparation committee focused on the need for the rapid launch of the projects. "For the concept to be effective it had to happen quickly." says David McCracken of the Treasury Board, who assisted Mr. Manion in his duties for this committee.⁶³

Bob Weese submitted "a loosely prioritized" package of projects to the committee. The Deputy-Ministers soon ruled out all social projects, such as those involving Native reserves and any federal-provincial co-operation projects as being overly complicated or time-consuming to implement. Only economic infrastructure projects under federal domain were to be considered.⁶⁴ Of course, this approach also complemented the federal Liberal's political desire to take full and sole credit for this program.

Soon specific guidelines emerged. Selected projects should be over \$1 million in value, be infrastructure-oriented, "make a significant contribution to economic and regional development" and have particular impact in 1983/84 and 1984/85.⁶⁵ Priority would be given to projects which could have a "start-up" time of six months, meaning that money could actually be spent within half a year of approving the project. Attention was focused on existing projects in the various departments that could meet this criteria.⁶⁶

By the end of December, 1982, the Minister of Finance made a formal request of all departments to submit lists of potential projects that could meet the above conditions. In addition, the Federal Economic Development Coordinators (FEDC's), the senior officials of MSERD stationed in each province and responsible for developing provincial economic development perspectives, were asked "to identify...a list of capital projects to be considered as part of a possible economic infrastructure component of the government's planning for economic recovery" that met the Cohen guidelines. This list was to be assembled without the formal assistance of the provincial governments. Instead, each FEDC was to draw upon his or her own knowledge of provincial needs according to federal priorities.⁶⁷

Armed with this criteria, Weese was instructed to form a committee and develop a package of potential projects. It still was not clear how much money the government was prepared to commit to this idea, so Cohen asked for packages of \$1 billion, \$2.5 billion and \$5 billion to be prepared.⁶⁸

Weese pulled together a committee made up of experts from various departments in capital program management. A standard form was sent to all departments asking for a general description of a project. These were reviewed, and, if the project looked promising, a second form was issued asking for further particulars and an invitation was extended to the sponsoring department to make a personal pitch to the committee for approval.⁶⁹

Committee member Ian Galbraith, then a senior analyst in the Program Branch of Treasury Board and later, after Weese, the second Executive Director of the SRCPP Secretariat, remembers the meetings began in January, 1983 and the committee met daily for several weeks.⁷⁰ "We knew it was being done for the budget, so the atmosphere was of extreme secrecy and urgency. The proposals were all submitted by senior people because they couldn't be "staffed-down" due to the budget secrecy. Because of this, sometimes the proposals were pitched by those less capable of understanding the smaller details."⁷¹ Greg Traversey, also a committee member, remembers screening

"hundreds of projects. Assistant Deputy Ministers were devoted exclusively to selling the projects."⁷²

Traversey recalls that the committee was devoted to a "highly rational process of sequential choice" and, beyond the Cohen criteria, was also conscious of the regional allocation of projects.⁷³ Some discussion addressed the former Department of Regional Economic Expansion's formula for sensitivity to high unemployment or severely underdeveloped areas in which certain areas of the country are graded as being particularly in need of governmental assistance.⁷⁴ The Cohen criteria continued to be the principal guide, however, though Traversey noted that "the end result was close to bang-on of the (DREE) formula" in being regionally sensitive.⁷⁵

Weese recalls only that "days and days were spent where people would come and take us through the merits" of their proposed project.⁷⁶ At about this stage, midway through the project selection process, Mickey Cohen made a substantial contribution to the success of the SRCPP. He asked R. V. Hession to become directly involved.

R. V. Hession was one of the new breed of senior government officials. Formerly a senior executive with IBM Canada in Montreal, Mr. Hession had been Deputy-Minister of both Supply and Services and Public Works Canada since the early Eighties. He had an affable personality and a tremendous reserve of energy and was

respected throughout the government for his skills at negotiation, motivation and persuasion. Mr. Hession was asked to oversee an expansion in the committee's mandate. Not only was the committee examining projects; it was also reviewing "with the senior management of departments involved, the availability of qualified personnel, the proposed project management regime, and (firming up) assurances regarding the start-up of projects, total project costs and probable cash flow patterns."⁷⁷ In essence Hession was responsible for seeing if this broad program was actually "do-able". If Weese and Traversey provided the intellectual capital for originating the SRCPP scheme, it was Hession who was most instrumental in making it a tangible reality. In the phrase popularized in Thomas J. Peters and Robert H. Waterman, Jr.'s journal of American business success, In Search of Excellence, Hession became the "champion" of the SRCPP, promoting its merits to the highest levels of the federal bureaucracy and seeing in the program an opportunity to improve the style and pace of federal management.⁷⁸ Comments Harry Swain: "Hession was not an ideas-man, not a policy-man; he was a get-things-done guy, interested in making programs work. The SRCPP was an excellent opportunity for him."⁷⁹

The role of the champion in the bureaucratic process was explored by H.L. Laframboise in the article

"Moving a Proposal to a Positive Decision: A Case History of the Invisible Process."⁸⁰ Laframboise wrote of the importance of incorporating many separate agendas into a directed problem-solving package, and of being able to sell a program on several different levels. At this session excelled, and the SRCPP developed wide-spread departmental support.

At this point Ian Galbraith remembers there were still "books and books" of these projects, loosely categorized. "It was quite a mish-mash of proposals," says Galbraith, "some very concrete, some just departmental wet dreams."⁸¹ The committee split into teams of two to meet with regional and portfolio Ministers to review proposed projects and to receive the Ministers' direct input; Weese remembers it as "a day and night operation."⁸²

Finally, the committee was prepared to submit a prioritized list of projects in the packages Cohen requested. All projects were reduced to a one-page submission requesting Preliminary Project Approval, from which the projects could go to tendering.⁸³ For an example of five of these sheets, please see Appendix A. The proposals were submitted to Cohen's committee in February, 1983 and to Lalonde's Sub-Committee of Cabinet in late February or early March. The Sub-Committee recommended Cabinet approval of the program and the \$2.2

billion figure was agreed upon. More precise criteria were also authorized for the program:

- * SRCPP projects were to commence no later than October 19, 1983 (six months after the Program was to be announced on April 19th, 1983);
- * Sixty percent of the total estimated project cost is to be spent by March 31, 1985; and
- * All SRCPP projects are to be completed within the Program budget by March 31, 1987.⁸⁴

Originally, at the \$2.2 billion funding level, 244 separate projects were authorized under the SRCPP. When the additional \$200 million became available, projects that had not quite made the list but for which information was available were authorized. A final total, after even more funds were freed up through some lower-than-projected actual costs, resulted in 283 projects being sponsored through thirteen federal departments.⁸⁵ The projects represented six major economic sectors, and were allocated as follows:

Economic Sector	Total Value of Projects (\$millions)	Percent of Allocation
Transportation	\$700	29.2
Shipbuilding	677	28.2
Research & Development	353	14.7

Resource Development	221	9.2
Land & Tourism Development	204	8.5
Advanced Technology	199	8.3
<u>Other</u>	<u>46</u>	<u>1.9</u>
Total:	\$2,400	100.0

A pie graph of the above is available in Appendix B.⁸⁶

Among the projects were twenty-nine airport expansions, eleven Coast Guard vessels, three icebreakers, eighteen research and training facilities, including the Institute for Manufacturing Technology in Winnipeg, 121 small craft harbours, the widening of the Trans-Canada Highway through Banff National Park, a Dash-7 Ranger aircraft specially equipped to monitor iceberg flows off the east coast, improvements to the Old Port of Montreal and Harbourfront in Toronto, twenty-nine water-bombing aircraft to fight forest fires, nearly one hundred ice-making and bait storage facilities throughout Atlantic Canada, and the Pacific Forest Research Centre in Victoria.⁸⁷

Such were the origins and the scope of the SRCPP. Attention will now be drawn to the manner in which it was administered.

Chapter Two: The PEMS System in Review

Before embarking on a more thorough examination of the "fast track" techniques employed in the SRCPP, it is important to review briefly the system which the managers were trying to accelerate. With this understanding in hand the true nature of "fast-tracking" can be more critically examined.

It is a cliché, but nonetheless true, that managing an organization such as the government of Canada is not an easy task. It is a giant apparatus made up of more than 200 departments, agencies, commissions and wholly-owned Crown corporations, employing close to 600,000 persons. Some of these sections have more administrative freedom than others, some regulate the actions of others and several may operate in the same scope of operation. The result is a very complex organization with many different participants in the decision-making process. The degree of complexity of the organization is amplified by the numerous objectives and sub-objectives of the government. Moreover, each activity cannot be judged on a single criterion; there are no "black and white" situations that would facilitate the selection process among policy options. It is not, therefore, surprising that the set of objectives attributed to the government goes beyond what the

government really can achieve. Politicians encourage this by their tendency to engage in hyperbole. Since voters entertain high expectations about the role of the government, there is always a potential source for dissatisfaction.

Large-size complexity and the multiplicity of objectives constitute a real challenge to management, if the governing of a country could be reduced to a "management" problem. The design of an appropriate management system must include the following attributes: it must specify an organizational hierarchy, it must set out a precise formula for policy implementation, and it must ensure the implementation of proper evaluation mechanisms.

Over the past twenty years, a number of organizational reforms have been introduced in the federal administration to cope with changes in the role, function and prerogatives of government. The latest, and probably most significant, reform has been the introduction of a new budgetary and decision-making process: the Policy and Expenditure Management System (PEMS).

In the mid-1970s, the economic slowdown and sharply rising costs for public services rapidly increased the financial burden of government. Serious concerns were voiced about the adequacy of the management system to cope with the general economic situation. A strong warning was

issued by the Auditor General of Canada in his report for the fiscal year ended March 31, 1976: "I am deeply concerned that Parliament - and indeed the Government has lost...effective control of the public purse".⁸⁸ This concern was widely felt. The ponderous nature of the administration and the decentralization of decision-making prevented Cabinet from fully exercising its prerogatives in matters related to expenditure budgeting. Individual departments and Ministers were considered too autonomous and the central review too easily avoided for the Cabinet as a whole to oversee spending priorities. Several adjustments had to be made to re-affirm the role of annual budgeting as a means of both financial and policy management.

A decision that fundamentally changed the nature of the budgeting process was the government commitment to tie the federal spending growth to the overall growth trend of the economy. The federal government share of GNP in 1980 was the same as five years before, even though some small variations took place during this period. The fact that the government was able to respect its commitment suggests that political will is a necessary condition for expenditure management and control. Another proof of this is the reduction in operating expenditures that followed the Bonn Economic Summit of 1978 when the Prime Minister announced a series of unexpected cuts in

federal government spending. In that year, federal expenditures declined by 2.8% in real terms while the economy grew at 3%.⁸⁹

The establishment of an expenditure ceiling made some changes necessary in the roles and functions of Cabinet Committees. Policy committees could no longer recommend any new policy proposals before having received the estimate of their financial implications from Treasury Board. Furthermore, Cabinet committees were increasingly cautious in their approval of new programs. Control measures steadily proliferated to give decision-makers a broader information package on the cost and effectiveness of on-going programs.

Several administrative guidelines were issued between 1975 and 1980. Performance measurement data were requested of program managers to justify their human and financial resource requirements. The creation of the Office of the Comptroller General in June, 1978 was another major initiative to improve the management system of the federal public service. That Office was mandated to standardize departmental management practices with respect to the statement of objectives, the planning of activities and calculating financial operational plans. In addition, the Office was put in charge of implementing a new program evaluation system which would be supplied to all groups of activities undertaken with a view to

achieving a specific objective. Finally, Parliament approved the enlargement of the mandate of the Auditor General to allow him to report on all aspects of the federal administration management practices as well as the adequacy of the evaluation efforts of departments.⁹⁰

Were these reforms enough? Obviously the Royal Commission on Financial Management and Accountability (the Lambert Commission) did not think so. In their final report published in 1979, the Commission concluded:

"After two years of careful study and consideration, we have reached the deeply held conviction that the serious malaise pervading the management of government stems fundamentally from a grave weakening, and in some cases an almost total breakdown, in the chain of accountability of government to Parliament and ultimately to the Canadian people."⁹¹

The Commission identified several flaws in the management system of the federal public service: (1) Parliament was not adequately equipped to scrutinize policy and expenditure decisions; (2) there was a need for knowing the overall trend in government expenditure by the

establishment of a medium-term financial plan; (3) the role of central agencies both as policy coordinators and managerial supervisors needed to be redefined; (4) the reporting mechanism of many departments, agencies and especially of Crown corporations necessitated a complete reform; (5) departmental management must be enhanced through a revision of the role and prerogatives of deputy ministers and senior managers; (6) there was a lack of precise ways to reward or sanction departments for their policy and expenditure management.⁹²

The scope of the Lambert Commission recommendations suggested that the management function within the government apparatus be considered in a broader context. It emphasized the complete and total inseparability of policy selection and expenditure analysis. To plan policy without real attention to resource availability was inappropriate. Managing the public service in the 1980s was to mean being responsible for decisions taken and answerable for activities conducted.

The PEMS was first introduced in 1979 during the preparation of the Conservative Government budget and it has been in effect, with some significant modifications, since then. Many of its innovations are a direct consequence of reforms that took place in the second half of the 1970s; some other innovations, which served to streamline the entire system, were initiated by Prime

Minister John Turner in the summer of 1984 and have been expanded by Prime Minister Mulroney. The present system, as described in the above-mentioned article by Peter Aucoin, seeks compromise as a higher value than checks and balances, and provides for a broader role for the PMO in implementing departmental policy.⁹³ For the purpose of this thesis, it is appropriate to examine PEMS at the time of the SRCPP, between 1982 and June, 1984.

Main features of PEMS

The principal objective of the PEMS is to derive a political structure in which it is no longer possible to establish policies without considering the effect on expenditures or to plan expenditures without considering policy. To attain this, a completely new cabinet structure had been formed and new powers had been assigned to policy committees. Decision-making, in terms of priorities and global expenditure allocation, has been centralized in the Cabinet Committee on Priorities and Planning. Based on the advice of the Minister of Finance, this Committee established a multi-year financial plan which placed a ceiling on public expenditures and gave dollar figures to government priorities. This was achieved through a distribution of resources in ten envelopes, each corresponding to a given policy sector

within the set of government objectives. The ten envelopes were: energy, economic development, social affairs, justice and judicial affairs, fiscal arrangements, public debt, external affairs and aid, defence, services to government and Parliament. The elaboration of policies and programs and the allocation of financial resources within each envelope was entrusted to four Cabinet Committees - economic development, social development, foreign and defence policy and government operation. The Cabinet Committee on Priorities and Planning also managed the fiscal arrangements and public debt envelopes. Please see Appendix C for a chart illustrating the decision-making process during the latter stage of the Trudeau administration.

The planning of expenditures starts 18 months before the beginning of the fiscal year in question.⁹⁴ Central agencies such as the Ministry of State for Social and Economic Development, the Privy Council Office, the Department of Finance and the Treasury Board Secretariat had the most responsibility for the budgetary choices and policy orientations among and within envelopes. All line departments participate directly in the planning of expenditures. They prepared an annual strategic plan (i.e. definition of options) and an operational plan (i.e. means of implementing the strategy), both of which were sent to their respective Cabinet Policy Committees

for final approval. The departmental plans must specify objectives in terms of measurable criteria, if possible, and propose appropriate evaluation methods for the results. Appendix D describes the planning cycle of PEMS.

The PEMS brought many significant changes to the federal administration. The reorganization of Cabinet Committees clarified the hierarchy of the decision-making process. The Committee on Priorities and Planning is responsible for overall budgetary allocations, while the policy Cabinet Committees are responsible for budgetary allocations within their respective policy areas, and individual ministers are responsible for operational decisions in policy implementation. The establishment of a multi-year financial plan allows Cabinet to plan and control expenditures even before the financial year begins. The creation of policy envelopes by placing a ceiling on expenditures by policy area forces managers to develop mechanisms that make it possible to evaluate each program and to make changes in the budget allocations as required. Central agencies played an important role in co-ordinating choices, although some of their roles were imprecisely defined. Finally, the PEMS modified the operational phase of the budgeting process, since it had to respect directives from the top ends of the hierarchy regarding expenditure ceilings and priorities.

The roles for Cabinet Committees

Needless to say, ministers did not enter political life in order to undertake a career in management. They have been elected to make policy choices and to determine government priorities. A problem arises, however, when policy selections are made without any prior reference to the availability of resources. All ministers wish to improve the quality and quantity of the services they provide, and as a result, the budgetary process is geared toward expansionism. The essence of the Cabinet Committee structure is to control this expansionism by bridging the political responsibility for more government programs with the equal political responsibility for managing expenditures. The creation of an envelope system which ties policies with expenditures among various areas makes each Cabinet Minister, within the different Cabinet Committees, both a spender and a guardian of the public purse.

The decision to put a general guideline on the overall government expenditures in 1975 can be considered as the first step toward the introduction of the PEMS. By imposing a limit on expenditures, Cabinet members had to change their emphasis from setting objectives of public policies to selecting priorities among the previous policy objectives. The PEMS goes one step further by imposing

expenditure limits by policy area through the use of envelope budgeting. After deciding on overall priorities for the government, that is, allocating resources among envelopes, the PEMS forces Cabinet Committees to specify priorities within a particular sector. Therefore, the PEMS approach to budgeting seems to be clearly consistent with the exercise of a stronger ministerial direction in a time of financial restraint. Political willingness has always been a necessary condition for improving control over expenditures. The implementation of the PEMS should be interpreted as the result of such political willingness since it reinforces Cabinet authority over the budgetary process.

To be fully effective, the Cabinet Committee structure must be able to reach decisions in a framework of negotiation. Ministers must be able to present consistent and forceful arguments for their departments but at the same time, they must be willing to give up some of their programs if needed. In other words, the role of a minister is to serve both as an advocate for his departmental priorities and a co-operative member of a Policy Committee. Such behaviour may be easy to imagine in theory but in practice, it raises many difficulties. Adequately defending departmental priorities implies that the minister has participated in the strategic planning of the organization, and has pointed out what he perceives to

be the future needs of his sector of activities. Yet ministers rarely have the time to prepare such a statement, and the tendency has been to pass the request down to senior bureaucrats. Strong resistance to change is the characteristic of large organizations. It is not surprising, therefore, that strategic plans propose only incremental changes at best. As a result, ministers usually have very little flexibility when they meet in Cabinet Committees to elaborate priorities.

Confronted with organizational rigidities because of the weight of previous decisions, Cabinet Committees may be very slow to make a final decision on cuts or new proposals. There has been a tendency to approve everything in principle and delay, as much as possible, the final decision to the latest date possible; that is, when decisions made will carry financial implications. These delays may be a source of poor performance, since departments are left in a "qui-vive" situation. Moreover, policy approvals in a policy Cabinet Committee do not mean automatic approval of the resources necessary to deliver it. Given the Financial Administration Act, Treasury Board approval is necessary for the funding of all non-statutory programs and for the allocation of personnel resources. If disagreements between the Treasury Board and the Policy Committee arise, further delays in the implementation of new programs may result.

When cuts are necessary, strong opposition by individual ministers may lead to a political battle within a Policy Committee. Usually, ministers who have to implement program cuts will receive some kind of compensation for their sacrifice. For example, they may receive the approval of a smaller new program. The practice of giving compensation to a minister who has been forced to make cuts may be in contradiction with the PEMS idea of approving new programs only on the basis of government priorities. As a result, political discretion, sometimes based on the relative power of individual ministers, is built in to the budgetary process at the cost of a better selective procedure.⁹⁵

Despite some practical loopholes, many the result of "real politik", the PEMS process and the Cabinet structure constitute an improvement to the budgetary process. It has two major advantages over previous systems. First, PEMS creates a hierarchy of decisions with the "major" decisions respecting overall government priorities being made by the Priorities and Planning Committee on the advice of the Minister of Finance. Particular program funding issues are settled by the relevant Ministers in the policy fields. Second, more Ministers than the Minister of Finance and the President of the Treasury Board are required to consider expenditure limits, policy alternatives and, it is hoped, develop methods for real savings.

The system in operation in the 1982-84 Trudeau era was balanced with both centralizing and decentralizing tendencies. The Priorities and Planning Committee and the central agencies made major decisions and established general goals; the policy committees accounted for narrower program choices.

The fiscal plan

In 1975, the decision to limit expenditure growth to that of the economy represented a turning point in the budgetary process. It was the first initiative to stop isolating government activities from what was going on in the private sector. Later on, the Lambert Commission emphasized the necessity of a medium-term financial framework as a management tool of government, recommending projections developed at the department level.⁹⁶ These two events gave birth to what is now the fiscal plan. Each year, since 1979 (but not in the recent 1987 budget), the Minister of Finance presents with his budget a multi-year fiscal plan which sets out the overall resource constraints within which program and policy choices are made. The fiscal plan contains a medium-term economic forecast, a projection of expenditure levels by envelope over a five year period, a projection of the level of revenue expected over the same term and the resulting fiscal balance. The fiscal plan shows, therefore, the

government's objective in terms of spending levels, its priorities by envelope, and the budgetary position it aims to achieve.

As the previous section has pointed out, the role of each Cabinet Committee reinforces political direction over government activities. The establishment of a fiscal plan outlines the way to do it. First of all, political leaders should be concerned with the size of the government as a whole in relation to the economy. By instituting a multi-year planning framework, the fiscal plan ensures that elected officials consider the future of the government sector on the basis of general economic expectations. Secondly, Cabinet Ministers must define their priorities by allocating financial resources among Policy envelopes. Thirdly, the fiscal plan is also used to force policy Cabinet Committees and individual departments to plan their activities accordingly.

Planning is the starting point of any budgetary process. The PEMS, along with the use of a fiscal plan, aims to ensure that the government's financial and strategic planning is done on the basis of the state of the national economy. Although this type of planning is commonplace in the private sector, it is by no means automatic in the public sector, where implementation deadlines are much longer, the assignment of personnel is regulated much more strictly, and organizational rigidities are manifold.

Have the PEMS and the fiscal plan improved planning of federal expenditures? A partial response to this question can be ascertained by the accuracy of the fiscal plan and by its behaviour vis-a-vis the general government objective of keeping the rate of growth of outlays equal to the rate of growth of the economy.

The fiscal plan tabled by the Minister of Finance in April, 1983 raises other doubts about the usefulness of the fiscal plan for government strategic planning. While the government still aims at limiting expenditure growth to the trend of the economy, it is doubtful that this objective will be met. According to the budget speech of April, 1983, the government was projecting a real increase in its expenditures for each of the next three fiscal years. Only a significant increase in the growth rate can return the ratio of expenditures to GNP to its pre-recession level.⁹⁷ Given past experiences, only upward revisions in the level of expenditures or a decrease in the growth rate of the economy will raise the government's share of economic activity.

Another set of questions about the usefulness of the fiscal plan for improving the budgetary process comes from the rigidities that characterize government expenditures. Sixty percent of the government's financial commitments are statutory payments whose existence depends on various types of legislation.⁹⁸ Only transfer

payments to provincial governments are subject to periodic evaluation; others, many in the area of social policy, cannot be changed without amending the appropriate legislation. Furthermore, many of these programs contain indexation provisions and have universal application, which makes them even more difficult to put under adequate control. Another large budget item is public debt payments. Since 1979, this budgetary item has steadily increased its relative share in government expenditure and presently represents some 20 per cent of all expenditures. Large cumulative deficits hamper future budgets by limiting the room to manoeuvre in terms of new initiatives. Finally, operating expenditures are either determined through collective bargaining or by basic organizational requirements. Both cases are good examples of rigidities in expenditures. The result of such an expenditure structure is that any change even if it is done through multi-year financial framework can only be marginal.

In the late 70s, the introduction of a multi-year fiscal plan was most welcome. Recent experiences show that it is not a panacea. A fiscal plan is absolutely necessary for sound management and effective control, but it does not generate a discipline of restraint by itself. The fiscal plan has the merit of putting the expenditure and policy planning in the context of the general

economy. Unfortunately, the unpredictability of the economy, the strong resistance to budgetary reallocation when it means reduction in planned expenditures, and the inflexibility of a large proportion of government outlays make the multi-year fiscal planning look more like a general information document than an instrument of management and decision-making.

The envelope system

The fiscal plan provides basic information on another innovation of the PEMS, the budgetary envelopes. An envelope defines the resources that are available over time to a policy Cabinet Committee for a particular sector. As such, envelopes are expected to facilitate the identification of government priorities on the basis of a comparison of expenditure trends and programs for each one. By providing guidelines on expenditure levels by policy sector, the envelope system is designed to ensure that the budgetary process will be kept on track.

There were ten expenditure envelopes in the 1980-84 Trudeau era.⁹⁹ This system is designed to serve two basic purposes: first, to review the relationship between expenditures and objectives, by examining "all the means available to achieve a particular objective over time: tax expenditures, loan guarantees, and the use of

regulatory and legislative devices, as well as direct funding."¹⁰⁰ Second, to allow the Policy Committees of Cabinet to "develop systems for reviewing programs within their policy sectors and for reallocating resources from less effective to more effective programs."¹⁰¹

The envelope system is one of the essential features of the PEMS. It aims at improving the budgeting process by implementing strong budgetary discipline in each of the policy areas entitled to an envelope. The envelope system has allowed much more discipline in the policy and budgetary process. For example, if Ministers wish to spend via the tax system, they are required to get the permission of the Minister of Finance for new and enriched tax expenditures. The costs of such tax expenditures as calculated by the Department of Finance will be deducted off the top of the envelope. The system is not neutral, however. If groups of Ministers on a Policy Committee recommend to finance the elimination or reduction in existing tax expenditures, there is no guarantee that the savings will be redirected automatically to their envelopes. It goes instead into Consolidated Revenue and the Minister of Finance recommends to the Priorities and Planning Committee where these funds should go in the next budget cycle.¹⁰²

Unfortunately, the envelope system is not as comprehensive as it was intended to be. The Treasury

Board Secretariat administers a relatively modest cost-benefit analysis on all new regulations, but proposals for a formal regulatory budget containing estimated direct government costs and indirect private sector expenditures arising from new policy initiatives have gone unheeded.¹⁰³ Loans and loan guarantees also escape the discipline of restraint that was underlying the introduction of the envelope system. Taken as a whole, therefore, the system provides many innovations and mechanisms for true efficiency, but could go further in adequately approaching more of its goals.

Multi-year Operational Plans

Government activities are carried out through a political decision-making process and through bureaucratic implementation. The influence of the bureaucracy on the conduct of public affairs is immense. In light of PEMS' overall objective to support restraint in government, new procedures have been proposed for departmental operational planning. These procedures aim at enforcing administrative rigour by the deployment of useful organizational and information systems and by the use of a well-defined set of management practices.

According to the guidelines of the PEMS, all departments and agencies are required to prepare a

multi-year operational plan which features: a long-range set of objectives and strategies pursued by the organization; a presentation of the manner in which the organization intends to achieve these objectives, by outlining how the program is conducted, what were past results, what are the expected results and what is the efficiency and effectiveness of the program proposals; and an historical and projected trend of the program outlays and resource requirements.¹⁰⁴ After having been properly analyzed by senior managers, by the Minister and the Policy Cabinet Committee, the multi-year operational plan is used to prepare the annual budgetary expenditure framework.

Some benefits of the implementation of multi-year operational planning in departments are already perceptible. First, operational plans require that senior managers of departments outline a comprehensive set of objectives. Hopefully, this will eliminate duplication in programs or even contradictions in the activities carried out by the same organization.

Secondly, it will lead to the establishment of a more harmonized management system across all the federal administration. The mandate given to the Comptroller General is also designed to improve management practices. It is felt that if all departments and agencies report their activities in the same way and with the same

methodology, comparison of policies by Cabinet Committees will be much easier, facilitating any decision on the future of particular programs.

Thirdly, multi-year planning in departments is consistent with the objective of efficient medium-term planning for the overall government. The PEMS has modified the budgetary process from a bottom-up "blind proposal" procedure to a top-down rationing process, where the top-end of the hierarchy set targets for lower levels of the organization. If departments do not plan their activities according to the fiscal plan, the entire system may become useless.

A fourth advantage is found in the improvement in the information available to elected officials. The multi-year plan allows the Cabinet to review departmental priorities, inconsistencies, performance patterns and simple effectiveness with greater ease. The system, at least in theory, aims to maximize behaviour by focusing attention on the consequences of immediate decisions. The anticipated outcome is a government which more clearly relates objectives to results.

Despite these benefits, it still remains to be proven that multi-year operational plans are going to make any difference to the effectiveness of the government process. The PEMS assigned the responsibility of taking key decisions in the budgetary process to Cabinet

Committees. These decisions are a direct consequence of the composition of the budgetary envelope. Each envelope consists of an operational level (the A base) and a policy reserve (B budget). The former is composed of the forecast cost of existing programs and of an operating reserve determined and allocated solely by Treasury Board to meet any overruns. The latter is simply the difference between the envelope ceiling and the A base. The Policy Cabinet Committee controls allocations from the policy reserve; therefore, if a Committee wants a larger policy reserve for new or enriched programs, it can modify or eliminate existing programs. There is an incentive for Cabinet Committees to do an on-going review of existing programs and to make the necessary adjustments if priorities change. The following conclusion emerges: multi-year operational planning is improving the budgetary process only if it permits an adequate evaluation of programs and a correct assessment of financial and human resource requirements.

The implementation of envelope ceilings has not changed the usual practice of almost all departments and agencies to inflate their A base in order to protect themselves against any cutback. Departments may develop a multi-year tactic where expenditures ceilings initially proposed for future years suddenly become expenditures floors. This might explain why the decision to generate a

\$100 million saving in operating expenditures following the budget of November, 1981 was respected without any strong disturbance to the level of services delivered.

More significant is the fact that a majority of programs in the A base are protected by a statute. Statutory expenditure accounts for 60% of budgetary expenditures, all but one (transfer payments to Provinces) being free from a periodic review. Potential reductions in these programs can only come from reducing operating expenses or by changing the legislation. Is it meaningful to control the relatively minor operating expenditures for departmental programs and not the much greater funding allocated by statute? Furthermore, another large portion of budgetary expenditures is untouchable, at least in the short-run. These are expenditures on clear government priorities or simply necessary operating expenditures. As a result, changes in expenditure patterns can only be obtained through an incremental approach to budgeting, that is, making small reductions here and there.

The issue of program evaluation is more complex. The Comptroller General has received the mandate of implementing a program evaluation function in all departments. This function, according to guidelines of the Comptroller General, should be essentially designed to supply the information necessary to the decision-making process. However, program evaluations are subject to

several limitations. Effectiveness or value for money may be an incomplete way of looking at government activity; some objectives such as constitutional reforms or bilingualism may be priorities which defy easy calculation. Further, the environment in which the evaluation is performed may not permit the isolation of the impact of the program. The gathering of information may be politically difficult or very costly. Government activities necessarily imply some political bias; how much weight should be attributed to political return in public policy decisions? In such circumstances, decisions on programs can rarely be the result of a rational analysis; they all imply a measure of value judgment and discretionary political power. The logic of political rationale may be difficult for the auditor to either fathom or accept. The multi-year operational plan is thus a fragile element of the PEMS. The intrinsic rigidity of government expenditures is a strong impediment to the usefulness of multi-year planning. To be successful in its aim to support restraint in the federal administration, the PEMS must provide rigid guidelines for overall expenditure trends, but these guidelines must rely on flexible program outlays. Some serious doubts can be raised about the use of multi-year operational plans to generate flexibility in government spending. The application of across-the-board cuts like those for the

fiscal year 1982-83 was only a weak palliative since it did not question the existence of programs.

In his review of recent changes in PEMS, Ian D. Clark noted that since 1984 various structural reforms have sought to streamline both the reporting and responsibility authorities in government management.¹⁰⁵ Yet the essential elements of the system, which still includes a considerable review component, remain in place. Despite the greater "hands-on" approach favoured by Prime Minister Mulroney, the structure continues to lack an effective model to introduce and sustain a priority initiative over several years without abandoning of the checks and balances central to PEMS. Multi-year operational plans should therefore be complemented by other mechanisms expressly designed to augment the flexibility of the budgetary process.

It was the search for this flexibility that led to the innovations contained in fast-tracking. Whereas the "personal appeal" for additional funding or special consideration from a particular Minister to the Minister of Finance has long been a part of the reality of the PEMS - what Douglas Hartle called, in part, "the influence of personality" in the budget process¹⁰⁶ - the SRCPP offered a special challenge. The monetary commitment was too great, the challenge too complex and the political stakes too high to risk the success of the program on an

ad hoc approach to management. A rapid-introduction management program that kept the best attributes of PEMS, particularly project accountability and central review, needed to be developed.

Chapter Three: The Fast Track Approach

On April 20th, 1983, the Treasury Board issued circular no. 1983-23, 787926. It was addressed to all Deputy Heads of Departments and Heads of Agencies and concerned the "Treasury Board directives, guidelines and procedures that have been amended or set aside in the interests of facilitating the implementation of Special Recovery Capital Projects Programs".¹⁰⁷ David McCracken recalls the centre (Treasury Board) was concerned about ponderous paper work, etc. getting in the way of rapid implementation of the projects. At the same time, controls and guidelines had to be in place.¹⁰⁸ The circular reflected the Board's resolution between the competing forces of accelerated approvals and efficient monitoring. It laid the groundwork for what might be called public priority management.

The Treasury Board memo began by stressing - repeatedly - that these new procedures only applied to SRCCP projects and to departments involved in the SRCPP delivery. It further stressed that these provisions were of a temporary nature, applying "only for the duration of the SRCPP."¹⁰⁹

"Fast-tracking" essentially involves seven particular issues. Those seven issues are:

1. Immediate PPA

The responsibility to assign preliminary project approval (PPA) for SRCPP projects was assigned directly to the Minister responsible for the entire program, the Hon. Donald J. Johnston. PPAs authorize a department to incur specific expenditures on the project, normally for items such as design or land acquisition and to develop a firm "Class D" estimate, or an estimate of the general cost and scope of the project. A PPA generally indicates that a project has been approved in principle and that further development of the plan can go ahead.¹¹⁰

Normally, a sponsoring department would apply for a PPA from Treasury Board for every individual project. The Lessons Learned study of the SRCPP estimated that it usually took between two and eight months to receive a PPA and calculated that fast-tracking resulted in a 75% time saving in this phase of project delivery.¹¹¹ The SRCPP produced a "No Red Tape - No Delays" hand-out for media kits that illustrated this and other fast track time savings (see Appendix E). By the end of April, 1983, 96% of all SRCPP projects had PPA.¹¹²

The Lessons Learned study reviewed thirty SRCPP projects and twenty-five non-SRCPP projects in seven departments participating in the fast tract process to gauge the reaction of officials to the procedure. The report concludes there was "strong support" for the PPA

delegation noting that SRCPP objectives "would have been more difficult to achieve were the normal preliminary project approval process left in place."¹¹³

2. Priority EPA

The Treasury Board circular pledges to "give priority consideration to submission by participating departments for effective project approval (EPA) of SRCPP projects."¹¹⁴ The EPA, following review by the Treasury Board Secretariat, is approval of "Class B" estimates, or more specific estimates of every phase of the project following detailed design and development planning. From this stage contracts are tendered to get actual costs from suppliers, on "Class A" estimates.

David McCracken says that the EPAs "essentially stayed the same, except they were given priority."¹¹⁵ The Treasury Board specifically noted that it would "maintain its responsibilities for effective project approval, subject to all the normally required information and substantiation from departments".¹¹⁶ SRCPP projects coming before the Board were to be specifically designated as belonging to the program (by placing a capital "S" in the top right hand corner of all submission pages) and they then would be prioritized.¹¹⁷

The Lessons Learned study concluded that an EPA is usually decided within a matter of weeks or up to eight months, depending on the nature of the project. The SRCPP

aimed for a 66% reduction in the time for this approval and succeeded in making a 50% reduction.¹¹⁸ McCracken comments that the Treasury Board "aims" for a three week turnaround for an EPA under regular conditions, but said that "most SRCPP decisions went out in ten days."¹¹⁹

The Lessons Learned study noted "the majority" of departments expressed the view that EPAs had been accelerated for SRCPP projects as compared to the norm, and further perceived "that the Board replaced its requirement for the level of detail normally associated with such submissions".¹²⁰ If this is true, it could be a potentially costly and counter-productive aspect of the fast track process. McCracken, however, denies there was any such relaxation of scrutiny. "We simply did the SRCPP stuff first, not less well."¹²¹

This aspect of the fast track approach is less a technical change than a conscious decision to re-priorize the review process. How other, non-SRCPP projects or submissions may have suffered as a result of this prioritization is not clear. It is likely, however, that the turnaround time of other projects did suffer and this may not be an acceptable price to pay for realizing the principal government objectives of the moment. It is also clear that a system cannot prioritize all projects and so this aspect of fast-tracking is the least likely to be institutionalized in a regular management system. The

precedent for selective acceleration of projects has, however, been made with this approach and it could be part of a recognized system of priority management.

3. Temporary Contingencies Allotments

The President of Treasury Board was empowered to approve requests for the immediate release of Treasury Board Vote 5 - Government Contingencies monies for expenditures necessary to implement PPS requirements. In other words, the Treasury Board Minister could release central funds to departments to cover the expenses necessary in the hiring of consultants, designers, etc. in the "PPA to EPA" stage of the approval process. Usually departments have to free up funds from their A base to cover these expenses, but the concentration of so many projects in certain departments (particularly Fisheries and Oceans and Transport) caused concern that other services in those departments would suffer. Therefore, largely for accounting purposes and to avoid the delay of bickering at the department level, this measure was adopted.¹²²

4. Contracting Autonomy

The requirement for Treasury Board approval of competitively awarded contracts was waived for SRCPP projects. Usually every contract the government enters into with a contractor or for professional expertise must be formally approved by the Treasury Board. This approval

was delegated to individual departments "provided that the contract does not result in total contractual commitments in excess of the level of expenditures authorized for that project."¹²³ Therefore, once the EPA ceiling was established the departments could accept contracts totalling but not exceeding that level for each project.

The Lessons Learned study concluded that a 50% time saving was realized because of this approach. Further, the measure proved very popular with the departments interviewed by the study, with the recommendation raised that this process be institutionalized as a regular part of the PEMS.¹²⁴

It may be appropriate to comment now on the trends in the response from the departments in the SRCPP Lessons Learned study. Support was high not only for the contracting approvals changes but also for the new PPA/EPA procedures.¹²⁵ There appeared to be a definite bias against the centralized nature of the PEMS and a welcoming of an indication of delegation of authority to the departments. "The majority of the departments consider current ("regular" PEMS) procedures time consuming, costly and ineffective...concerns (ranged) over the level of technical detail requested by Treasury Board analysts, to the number of times a project must be reviewed by the Board, to whether the timing of decisions in the approval cycle are appropriate."¹²⁶

The departments were less concerned with establishing a priority management system than encouraging a general decentralization for PEMS. It appears that rather than being pleased with the improvements made for the SRCPP they were frustrated that such a system could not always be in place.¹²⁷

5. Single Estimates Submissions

"In view of time constraints", the Treasury Board allowed the Minister responsible for the SRCPP to make a single submission on behalf of all participating departments for estimates relating to the SRCPP. From this single source the Treasury Board would keep abreast of all fluctuations in supplementary estimates, cash flow, projections, etc. required for central tracking of the program. Usually each department would submit this information for any single project it sponsors.¹²⁸ The Treasury Board Secretariat will also carry out required expenditure envelope accounting and adjustments based on this information.¹²⁹

6. Special Assistance

The Treasury Board Secretariat undertook to provide "contact people" for advice both to departments and to the SRCPP about the fast track procedures and the regular reporting demands of the Board. These people were instructed to give priority attention to requests emanating from SRCPP projects for assistance or advice in preparing submissions to the Board.¹³⁰

Andy Leif, a senior programs analyst, was one such contact person. He liaised with members of the SRCPP Secretariat and with the SRCPP "coordinator" in each participating department. The role of this departmental coordinator, who was charged with overseeing and reporting on the progress of SRCPP projects in his or her department, was, Leif believes, an important part of the fast track approach. "It provided continuancy, allowed for a relationship to develop and to promote the feeling of working for a common goal," says Leif. "I think we should do this all the time. Dealing with one person rather than ten separate project heads saves time and ensures consistency of approach."¹³¹

The Lessons Learned study also refers to the fast track procedures developed by individual departments. Usually a department's Treasury Board submissions are coordinated through a senior management committee. This "single officer" approach promoted a feeling both of priority and of importance. The SRCPP study concluded that a 50% time saving was achieved through internal departmental fast-tracking, but noted "(in) general departments have not amended their current procedures. Rather, SRCPP projects were treated as a priority and accelerated through the system."¹³² Leif concurs, saying "the key was assigning priority, not structural change."¹³³

7. Further Streamlining

The Treasury Board also promised to keep a watching brief on improving other reporting instruments such as time frames and document format. While no further changes became apparent, this pledge by the Treasury Board to keep a special eye on accelerating SRCPP projects again reinforced the impression of commitment to making this system, above all others, work.¹³⁴

Fast-Tracking: A Critical Look

Bob Dawson, in his personal Lessons Learned paper, noted that the government took a substantial risk in implementing a fast track system, particularly in areas "of planning and design (which) may have led to errors or inadequacies which are relatively expensive to set right."¹³⁵ Yet, Dawson concludes, "it was equally clear on the part of the government that the rewards and benefits to the economy of proceeding quickly with the program far outweighed the potential risks."¹³⁶

In review, the fast track approach appears to be less a concrete new management system than simply an attitude and a determination to hurry things along. Harry Swain notes "the SRCPP had the political clout. It was a key item in the budget, it had a strong Minister as its boss, it had a strong Deputy Minister (Hession) as its manager and the message was clear - this program is important to the government."¹³⁷

Certainly the measures implemented by the Treasury Board under the authority of the general powers of the Financial Administration Act, which authorizes the Board "to act on all matters relating to general administrative policy in the Public Service of Canada", had some impact.¹³⁸ The procedural changes are meaningful, particularly in allowing for greater decentralized authority in the funding approval process. But the true momentum of fast-tracking seems to emanate from the awareness of officials that the SRCPP was a clear political priority.

Dawson remarks on the "general" spirit of cooperation that further enhanced the acceleration of projects. "The general philosophy of the program encouraged departments to find expedient solutions to problems that under ordinary circumstances might have taken months to resolve. In fact, the program gave departments the clout to move projects."¹³⁹ Ian Galbraith notes that the SRCPP "promoted joint planning as opposed to sequential planning. For example, the NRC would have to work with Public Works in submitting a joint Treasury Board proposal for a SRCPP project under a much more tight timetable. The program taught these groups to work out problems quickly. There wasn't the usual prolonged back-and-forth. The scheme made things happen."¹⁴⁰

Did this priority system cause other submissions to fall far behind schedule? This apparently wasn't a serious concern of the Treasury Board, or of the government as a whole. David McCracken simply "doesn't know if anything suffered" as a result of fast-tracking SRCPP projects. Besides, he maintains, "even if a particular program falls behind schedule, it would be difficult to show it was because of the SRCPP."¹⁴¹ There has been no study to determine to what extent other projects, because of the SRCPP emphasis, were adversely affected. It would appear, however, that the government was prepared to accept any such delays as part of the "price" it was willing to pay for rapid program introduction.

All interviewed participants and the departments surveyed in the SRCPP Lessons Learned study agree that the fast track process succeeded in reducing the time required for the introduction of SRCPP projects. More difficult to determine is exactly what "fast-tracking" is. It can best be described as a prioritizing philosophy enhanced by political will and concrete structural changes. For public priority management to succeed, it appears that all these elements must be in place, combined with the willingness of the government to accept some downfall in the effectiveness of non-program management.

Harry Swain concludes that fast-tracking worked "because it satisfied many different but complementary objectives - bureaucratic, economic and political. That's why it got up and running so fast."¹⁴² Bob Dawson simply states that "for a program such as the SRCPP and the fast track approach to succeed, it is necessary that everyone involved work together."¹⁴³ As the business of serving several agendas and facilitating cooperation appears to be so essential to efficacious priority management, it is appropriate to now examine the coordinating force in the SRCPP universe, the SRCPP Secretariat.

Chapter Four: The Secretariat

The role of the SRCPP Secretariat was to act as information-gatherer and trouble-shooter. As it turned out, there was plenty of both in the Special Recovery Capital Projects Program.

The birth of the Secretariat can be traced back to April 25th, 1983, although the key members of the group had assembled immediately following the budget. On April 25th, the Prime Minister sent a letter to the Hon. Donald J. Johnston formally notifying him of his role as Minister responsible for the program and confirming the administrative changes recently approved by Cabinet. Johnston would chair a sub-committee of Priorities and Planning which would oversee the program (whose membership was consistent with the "Political Cabinet" sub-committee first involved in approving the concept¹⁴⁴), assisted by a Board of Deputy-Ministers or senior officials from the sponsoring departments, chaired by R. V. Hession.¹⁴⁵ A small Secretariat, headed by Bob Weese and made up of officials from several departments (particularly Treasury Board, MSERD, Supply and Services and Public Works), would "provide regular reports to the SRCPP Board and the SRCPP sub-committee of Priorities and Planning, highlighting project progress, appropriate remedial action to ensure project completion and the program financial status in relation to overall budgetary limits."¹⁴⁶ In closing his letter, the Prime Minister noted:

"The acceleration of capital projects through the Special Recovery Capital Projects Program should make a valuable contribution to the economic recovery. The administrative arrangements being instituted are intended to provide simple and effective mechanisms to ensure rapid, responsible implementation, streamlining procedures while maintaining necessary accountability and control. With your leadership, working with your sub-committee and relying on the support of the responsible Ministers, I feel confident the new program will prove to be an effective and successful initiative."¹⁴⁷

With that, the work of the Secretariat could begin.

The "Centralized-Decentralized" Approach

The government had, by introducing the fast track procedures, made a decision to selectively accelerate the SRCPP through a de-centralization of authority. Yet the Secretariat (and the Board and the Priorities and Planning sub-committee) constituted a new centralized monitoring and reporting function which seemed to represent an off-shoot of the Treasury Board. The Secretariat kept a watching brief on the SRCPP much as the Treasury Board, in theory, keeps an eye on all departmental activities. There is, however, one very important distinction in the respective roles of the two agencies: the SRCPP Secretariat lacked the authority of the Treasury Board to directly alter or correct the actions it was monitoring. The Secretariat could advise, cajole, and otherwise try to change the managerial decisions of SRCPP projects, but the actual authority rested with the sponsoring departments.

Only the Treasury Board, acting on Mr. Johnston's committee's advice, could directly intervene.

The chain of authority in the program was described by the SRCPP Lessons Learned study as follows:

- *Ministers responsible for the review and selection of SRCP projects and the provision of policy advice and guidance through a sub-committee of Cabinet.
- *SRCPP Board responsible for the overall co-ordination and management of the Program within the context of policy direction provided by the Ministers.
- *SRCP Secretariat responsible for program/project monitoring, advice and assistance to departments and communications.
- *Participating Departments and Agencies responsible for project management and delivery in accordance with the cashflow and milestone objectives established for the Program.¹⁴⁸

In short, the Priorities and Planning Sub-Committee set overall goals, the SRCPP Board provided general program management, the Secretariat supplied information on project progress and facilitated results, and the individual departments were told to deliver. See also Appendix F.

The truly important contribution of the Secretariat was to act as a champion of program objectives, to help the departments reach SRCPP goals and deadlines and to demand priority attention for all

department approvals relating to their SRCPP projects. Further, and perhaps most important given the political seniority underscoring the fast track system, the existence of such a Secretariat underlined the government's commitment to the success of this program and reinforced the political will committed to meeting SRCPP objectives.

The Secretariat in Operation

The Secretariat itself was very small, consisting at the outset of only ten individuals and had an annual budget of \$3.1 million (see Appendix G). Nearly half that figure, or \$1.45 million, was allocated to "professional and special services", those being the consultants hired to monitor and advise the management of specific projects and report back to the Secretariat.¹⁴⁹

The obsession of the Secretariat was the realization of the publicly-proclaimed targets for introducing SRCPP funds into the economy. Those targets, together with the results achieved, were:

March, 1984 (end of 1st year)	15% of funds invested (\$0.360 billion)
March, 1985 (end of 2nd year)	target: 60% of funds achieved: 64% of funds (\$1.536 billion)
March, 1986 (end of 3rd year)	target: 90% of funds (\$2.16 billion)
March, 1987 (end of 4th year)	target: 100% of funds (\$2.4 billion) ¹⁵⁰

These goals were of course consistent with the "phased investment" objectives of the program, in which the bulk of SRCPP monies would be introduced into the economy early in the life of the initiative, trailing off as private investment grew so as not to "squeeze out" any capital benefits. See also Appendix H.

Yet this focus on program targets and operating budgets does not do justice to the real work of the Secretariat. What is truly of interest is how this group coped with the series of problems thrown in the program's way, and how they dealt with emerging influences on the SRCPP as the program progressed. Three major difficulties arose in the rambunctious early stages of the program's life, and it is worthwhile to examine how the Secretariat approached these situations. For a group initially thrown together within twenty hours of the April, 1983 budget in a space which, as Bob Weese recalls, "had earlier that week hosted a beer garden", they demonstrated remarkable political savvy and flexibility.¹⁵¹

(a) The Political Influences

The temptation to tinker proved to be too much. The opportunity was created by two early developments in the funding of the program. The first, of course, was the additional \$200 million provided by Mr. Lalonde following his ill-fated encounter with television reporters on budget eve. The Finance Minister found it more difficult

to control the demands of his fellow members of political Cabinet when a decision had to be made on how to allocate these funds. The Secretariat dutifully brought in the lists prepared in the first round of project selection, but Bob Weese recalls there was a stronger insistence by regional Ministers for assurances that further projects be introduced in their areas.¹⁵² Lalonde's earlier refusal to allow for federal-provincial projects was overruled, principally because Ministers from Atlantic Canada wanted more money for road and highway re-construction. This decision also paved the way to a broader purchase of the waterbomber aircraft with the provinces, a key proposal from Environment Canada.¹⁵³ Serious discussion was even had about a project dismissed in the early stages of the selection process, namely, the construction of the Northumberland Strait Bridge. The bridge would connect Prince Edward Island with the mainland and would cost approximately \$500 million. Current plans were available, but the idea was dismissed as too costly, too long in construction and too controversial.¹⁵⁴

The Secretariat responded to this political influence by developing a formula which served to relate the objectives of Ministers to the objectives of the program. By dividing the Canadian population by the provincial population multiplied by the local unemployment rate, you arrived at a rough percentage of the total SRCPP

funding in each region.¹⁵⁵ This weighted the entire program towards Eastern Canada where, not entirely by chance, Liberal members of Parliament held the majority of seats.

The second new funding opportunity developed when it became apparent that the PPA figures proved greater than later EPA figures for some of the projects. By the mid-fall of 1983, it was apparent that "largely due to the slack in the economy and the competitive contracting environment (i.e., the SRCPP was the only building project in town), tender prices were considerably less than originally estimated, resulting in significant savings to the program (of) approximately \$200 million."¹⁵⁶ Once again, there was the potential for a new run-off of projects, but this time the decision of how to allocate this money was in the hands of Mr. Johnston's committee. While the make-up of this committee was practically the same as the "political Cabinet", Mr. Johnston and Mr. Hession persuaded the Ministers to create a central SRCPP reserve fund for potential future cost overruns of the existing projects. Only when money could be released "with confidence" was the reserve fund to be translated into new projects."¹⁵⁷ Each project had its own reserve fund, but Mr. Johnston was a cautious manager who was intent on protecting both his and the program's reputation for good cost control.

Mr. Johnston faced tremendous pressure, however, from his colleagues to release this new pool of money as quickly as possible. The political heat on Liberal MPs, particularly in Atlantic Canada and in Ontario was being turned way up. The SRCPP Secretariat and Mr. Johnston's office was being lobbied furiously to give the okay to quickly make available this pot of potential goodies. Further, the public exposure given to SRCPP and, more recently, to the untapped reserve, had resulted in a flood of submissions for the funding of capital projects from hundreds of proposals from private developers or entrepreneurs for the funding of shopping centres, residential areas or tourist attractions. Local municipalities also became involved, requesting assistance for new water systems, for sports arenas or core redevelopments. None of these groups paid much attention to the SRCPP rhetoric about the funding of federal public projects only; they simply understood that a new government program was paying for major projects and that one person's idea was as worthy of consideration as the next person's. Local Members of Parliament of all political stripes dutifully helped their constituents get in touch with the SRCPP Secretariat while clearly conveying their political preferences for these or other projects to Mr. Johnston's office.¹⁵⁸

As the political pressure mounted, the regional Ministers demanded a greater say in the allocation of SRCPP monies in their jurisdictions. This was particularly true in Ontario and Manitoba. In the latter, the Hon. Lloyd Axworthy demanded and received more funding for his downtown core projects in Winnipeg, diverting funding from other parts of Western Canada.¹⁵⁹ In Ontario, the Hon. Herb Gray won control of a \$25 million package for small craft harbour projects which were awarded directly through his office. Bob Dawson, at the time SRCPP Director of Project Monitoring Services, today says he "never did know how many small craft harbours were built in Ontario."¹⁶⁰

The Secretariat found itself caught in the middle of all this political scrambling. Being associated with a program that was gaining a reputation for undue political influences made the officials of the Secretariat uneasy, particularly when the party doing the influencing was facing an uphill battle in the polls. Compounding this concern was the fact that all members of the Secretariat were seconded from other departments, which meant their SRCPP assignment was a temporary experience for them, following which they hoped to return to their original departments. If, however, they became too closely associated with the agenda of a particular party they might, especially if that party was defeated, be

considered a liability to their home departments. A position was guaranteed for these officials, but that position may not be as attractive as the one they left. "It was a serious concern," says Ian Galbraith, "your source department might forget you and you'd end up being hung out to dry, getting a sh**** job."¹⁶¹

A further complication for the Secretariat was that its responsible Minister quite clearly had a political agenda of his own. "Mr. Johnston was on a personal fast track" is how SRCPP Director of Communications Bob Irvine described the leadership ambitions of the Hon. Donald J. Johnston.¹⁶² "He would go the extra mile to brief Liberal MPs, to discuss with them possible projects for their constituencies, or to create public speaking opportunities for them," Irvine recalls.¹⁶³

Mr. Johnston dismisses the suggestion that his leadership campaign in any way influenced project selection or implementation. "The mechanics of the program were well-established by the time serious pursuit of the leadership began," maintains Mr. Johnston.¹⁶⁴ Indeed, the Minister's interest in briefing all regional caucuses of the party and in ensuring that all Liberal MPs received full briefing materials about the SRCPP was undoubtedly partisan but was not unusual. There can be no doubt that Mr. Johnston hoped the SRCPP would reflect

well on his management and political abilities, but there is no suggestion that he influenced project selection to cull leadership support. Indeed, the Prime Minister nominated Mr. Johnston as the Minister responsible for the SRCPP at least partly because of Johnston's "squeaky-clean, completely honourable image."¹⁶⁵

The expansion of political influence in the development of the SRCPP was a disturbing if perhaps inevitable situation. Bob Weese for one, a veteran of "real politique", considered the political input in the selection of projects and in affecting the regional balance "quite proper", given the nature of the SRCPP, and notes that the influence was "relatively minor" in the scope of the entire program.¹⁶⁶ The reality of the situation appears to be that almost any federal program is subject to a certain amount of political influence and the fact that the SRCPP was not immune seems to offend or surprise no one. Bob Irvine notes the Secretariat "took its political marching orders and tried to create a model to meet them."¹⁶⁷ The Secretariat did its best to distance itself from final project selection and tried to achieve program goals no matter where the project was located.

(b) The Communications Plan

Developing and implementing the communication strategy for the SRCPP was one of the most important and

demanding functions of the Secretariat. Nearly \$2 million over the first three years of the program was devoted to purchasing advertising space in the electronic and print media, renting and constructing billboards and developing other ideas for promoting the SRCPP.¹⁶⁸

Bob Irvine was the individual responsible for carrying out this function. As he describes them, the primary objectives of the SRCPP communications strategy were to:

- * promote high visibility of the Program across the country;
- * ensure liaison and communication with Members of Parliament concerning Program and project publicity;
- * ensure liaison and communication between the federal and other levels of governments or organizations concerning joint or third party projects;
- * co-ordinate with and supplement the communications resources available within departments in publicizing the Program and projects; and
- * provide advice, guidance and the tools required by project managers to liaise with the media and the community in publicizing their respective projects.¹⁶⁹

Yet from its inception, Irvine was facing an uphill battle in the campaign to develop a credible public image for the SRCPP.

The National Press Gallery was very hostile to the entire program. The \$200 million added by Mr. Lalonde to the SRCPP virtually on the day of the April 19th, 1983 budget

confirmed for many Parliament Hill reporters that this program was just another empty, politically-motivated desperate play by a dying government determined to win over naive voters with their own money. The specific claims made by the SRCPP for "no red tape, no delays" and for "minimum six-month start-up time" were considered to be just more campaign rhetoric by the cynical press corps.

Initial events seemed to confirm the national media's suspicion. A decision had been taken by Mr. Lalonde's Budget Preparation Sub-Committee to publicize the projects as soon as they received PPA, the earliest approval stage on the road to final project delivery.¹⁷⁰ Within thirty days of the April 19th project launch, 270 such approvals were granted, representing some \$2.25 billion.¹⁷¹ The Secretariat undertook to promote these projects, organizing national and local press conferences, arranging on-site project launches complete with local MP, regional Minister and community dignitaries. Billboards went up advertising the project, clearly indicating the SRCPP logo, the sponsorship of the government of Canada and the amount of money committed to the project (see Appendix I). This promotional activity continued throughout the summer. The Liberal Members of Parliament were instructed to play up the program in their home riding and Ministers were asked to make generous mention of the initiative in their travels across Canada.

And then something funny happened - nothing. Huge billboards stood proudly over vacant lots or empty patches of land for months. The Liberal politicians spoke in wondrous terms about the benefits of the SRCPP, but no one could see very much of anything going on. The reason, of course, was obvious - the projects had been announced when they were still very much in the design phase, and it would take several months before any physical changes on site could take place. Indeed, it was often discovered that the site initially announced was inadequate for several reasons and the project would have to be moved. To the casual observer it appeared that the SRCPP was either a lot of hot air or very poorly planned. As Bob Irvine noted, it was "difficult to generate waves of support for a solitary hole in the ground in Sault Ste. Marie."¹⁷²

This pattern of delay also underscored a serious flaw in the entire Special Recovery Capital Projects Program. The initiative was poorly timed for effective rapid introduction of major capital projects. In their haste to include the SRCPP concept in the April, 1983 budget, program planners had either forgotten or discounted some basic facts about the Canadian construction industry. A six-month planning and procurement stage was built into the program, but that would mean the projects would be ready for actual

construction in late fall. For most projects, this meant that no sooner had work begun on-site than it had to be cancelled or curtailed because of winter. The result was a \$400 million shortfall in SRCPP spending in the first year, from a budgeted \$725 million to an actual expenditure of \$323 million.¹⁷³ "We had built what we could indoors, such as floats for wharfs and much of the high-tech equipment for the NRC, but much of this took place outside the community of the project. There, nothing was going on."¹⁷⁴

In short, due to the timing of the budget, the entire first summer of the program was devoted to planning, not construction. The seasonal nature of the construction industry would have dictated a planning cycle beginning in October or November, 1982, if major construction of projects were to take advantage of the summer of 1983. The program, as has been documented above, was only itself being developed at that time. There clearly was no consideration given to the optimal time to begin actual construction. Focus instead was on the timing of the April budget and the need to promote a counter-cyclical investment device, regardless of its immediate effectiveness. There was simply no sufficient long-term planning.

Regardless of the reasons, the national media attacked the SRCPP during the summer of 1983. "Ottawa's

huge spending plans mostly promises" headlined the Toronto Star on August 29th, 1983, noting that construction had actually begun on only thirteen program sites across Canada.¹⁷⁵ Federal excuses about time needed for effective planning were noted, but the tone of the articles was that the Trudeau government was trying to pull another fast one.

The Secretariat had to cope with two other factors in its development of an effective communications strategy for the SRCPP. The first was the scandal of the Local Employment Initiatives program, introduced that same summer by the Minister of Employment and Immigration, the Hon. John Roberts. It turned out the program consisted of little more than the injection of several thousand dollars into the constituencies of Liberal Members of Parliament to create jobs for those well-disposed friends of the government. Constituencies of the other Members of Parliament received nothing.¹⁷⁶

To many observers there was no distinction between a Liberal program like the Local Employment Initiatives and a Liberal program like the SRCPP; both, many felt, had a common bias toward Liberal constituencies and were entirely politically motivated. The Ottawa Citizen ran an article on July 30th, 1983 headlined "Liberal ridings win at handout time" which was bitterly critical of the distribution of SRCPP projects.¹⁷⁷ The

paper quotes Progressive Conservative leader Brian Mulroney as saying he was worried "Cape Breton Island might sink with the weight of all the federal money" pumped in.¹⁷⁸ The article outlined in detail how Liberal ridings were receiving the lion's share of SRCPP funding and charged that the fast track procedures were "perfect for a government that must call an election in the spring of 1985."¹⁷⁹

The Secretariat found it very difficult to respond effectively to these allegations. Details about the project selection process were made public, and great effort was taken to point out that some major projects were being mounted in the constituencies of opposition Members of Parliament. The hostility and the doubt remained, however, and the public image of the SRCPP was seriously compromised.

The second factor which the Secretariat had to face involved a more analytical criticism of the program. Critics charged the SRCPP was not doing enough to create jobs for Canadians, indicating that the Liberal government was not sensitive to the problems of the unemployed. The purpose of the program was infrastructure creation and the deployment of investment and not job creation, but the government was determined not to be outflanked on this sensitive issue in the countdown to an election. The Secretariat was ordered to produce an employment impact

study for each project and to chart how the "ripple effect" of the SRCPP monies was creating jobs both on and off the actual project sites. Elaborate diagrams and generous estimates of job creation were drawn up and publicized (see Appendix J). The Hon. Donald J. Johnston claimed the program would result in 100,000 new jobs over the four year span of the program, but a macroeconomic impact study commissioned by the Secretariat and conducted by Informetrica later estimated the SRCPP would generate no more than 41,000 person years of employment from 1983 to 1987.¹⁸⁰ While these figures may not be inconsistent, the latter estimate is the more meaningful representation of lasting economic benefit from the program.

For its part, the national media criticized the SRCPP as an inefficient method of job creation, which undoubtedly it was. Maclean's Magazine printed an article entitled "The Cost of Job-Making" in its March 2nd, 1984 edition which challenged the economic benefits of the program.¹⁸¹ Once again, the Secretariat produced arguments to the contrary for Liberal politicians to mount, but few appeared to be listening. The national press corps had characterized the program in a certain light to its own satisfaction and nothing apparently could persuade the reporters to change their slant on the story.

Cleverly, the Secretariat refrained from further major efforts to influence the national image of the program. The SRCPP communications strategy shifted gears to emphasize what Bob Irvine described as a "bottom-up" approach to program promotion, focusing on the local projects and the local media.¹⁸² This policy was much more effective and resulted in the first sustained positive publicity of the SRCPP. The result, however, was the program virtually disappeared from national attention and within a few months of its April, 1983 launch, the SRCPP was familiar only as another vague government program to most members of the electorate.

By the late fall of 1983 the government was becoming very frustrated by the political impact of the SRCPP. Bob Irvine was summoned to a meeting of Senator Keith Davey's campaign preparedness committee on October 26th, 1983 to explain his communications strategy and to commensurate with the committee over the program's hostile and cynical reception by the national media.¹⁸³ Iona Campagnola railed against the unfortunate slang of "SCRAPP" which had been branded on the program by the wags of Ottawa and ordered everyone on the committee to persuade others to refrain from its use. The Hon. Serge Joyal, Secretary of State, began his remarks by proclaiming that "to govern is to campaign" and stressed the need to emphasize job creation. "You can forget the

national media unless you create half-a-million jobs," he declared and argued that no one understood the details of the program such as fast-tracking. He suggested the name of the program be dropped in favour of "Job Creation Projects". Senator Davey agreed that "Special" is "a lousy word" and wondered "who in hell chose that lousy name?" (It was the Department of Finance.) Senator Jerry Grafstein suggested a new campaign based on the theme of "Canada and the Private Sector Working Together for Recovery" and concluded the program needed more t-shirts and bigger billboards.¹⁸⁴

The sum of the committee's wisdom was that the SRCPP had failed as a political instrument because it did not emphasize job creation and, despite the suggestions tossed out, little could be done now to resurrect the program. "I was told to rent every billboard in Toronto" Irvine recalls before returning to his chosen policy of emphasis on local projects.¹⁸⁵ The Davey committee appeared to turn its attention elsewhere.

The communications strategy of the SRCPP was subject to many factors beyond the control of the program and to serious political influence. The initiative was never designed to be a job creation program and efforts to present it as one were futile. Once the projects actually began construction and some activity was apparent, the SRCPP was easier to promote and was received with more

interest, but by that time the national media were focused on topical concerns.

For his part, the Hon. Donald J. Johnston welcomed any controversy surrounding the program because it served to get his name in the papers. He had believed from the outset that the SRCPP would be a "one-day wonder" because it was "too abstract to get consistent media attention."¹⁸⁶

On reflection the communications wing of the Secretariat proved to be remarkably able and flexible in mounting a promotional campaign for the SRCPP. It was a complicated initiative to explain and suffered much by its association with the too often well-founded cynicism generated by the final days of the Trudeau administration.

(c) The Consultants

Perhaps the most controversial aspect of the Secretariat's operations was the Program Management Advisory Group (PMAG). PMAG was the wing of the Secretariat responsible for hiring consultants to go into the various SRCPP host departments and report on the progress of project management. Directed by Dave Curling, "hundreds and hundreds" of these consultants were hired and sent out to the field.¹⁸⁷

Problems arose when these consultants were given conflicting instructions as to their responsibility and authority. The Secretariat's mandate was to advise and

assist departments in implementing their projects to meet program objectives. It became apparent in the early stages of the SRCPP, however, that the departments were uneven in their ability to effectively manage capital projects. During the period between the PPA and the EPA it was obvious that certain departments had miscalculated their ability to deliver some projects according to their original timetable. "Serious slippages" in program delivery were anticipated, and the Secretariat responded by increasing its size to eighteen person-years and by introducing a more sophisticated project-monitoring procedure known as the Recovery Management Information System (RecMIS).¹⁸⁸

RecMIS was designed to provide more detailed information to the Secretariat about the projects and to assist it in anticipating and resolving future problems. At the same time, a subtle change in attitude was conveyed, apparently by Dave Curling, to the consultants. These outside project advisors became more aggressive in demanding managerial responses by the departments. "Curling thought he was super-manager," recalls Bob Dawson, "he and his people went in and told the departments how to run their projects."¹⁸⁹ PMAG reports began to differ widely from the internal reports submitted by the departments concerning management effectiveness and areas of weakness.¹⁹⁰ Not surprisingly, tensions developed.

The departments, already dealing with the new fast track procedures and the new reporting lines through the Secretariat now had to cope with private-sector consultants telling them how weak their management skills were. It was too much. The departments claimed that the Secretariat "was trying to usurp their function" says Ian Galbraith, "while all we were trying to do was meet program objectives."¹⁹¹ Dawson describes it as "a personality conflict; there was a lot of bad feeling over the consultants, a few bad months" in the relationship between the Secretariat and the departments.¹⁹²

The consensus among Secretariat members appears to be that Mr. Curling was too demanding and not political enough in his dealings with the departments. The problem was particularly acute when consultants went on-site to review project progress with the local project manager. "It was difficult to get people in the field to feel a part of the program, to appreciate the need to respect SRCPP objectives," notes Bob Irvine.¹⁹³ Dawson faults the departmental SRCPP coordinators with failing to adequately communicate program goals and milestones to all the officials responsible for project delivery, particularly in the regions.¹⁹⁴ The result was that local department officials particularly resented the intrusion of SRCPP milestone-oriented efficiency experts.

The PMAG system was necessary in keeping the Secretariat well-informed and in encouraging the departments to meet the objectives they themselves had promised to respect. Its function, however, required tact and diplomacy to effectively administer and these elements were apparently lacking in this experience.

The Secretariat Concept: A Review

The role of the Secretariat can be described as the management of centrifugal force - separate departments with their separate agenda and authority had to be brought together to meet a central, common government-wide goal. The Secretariat had to instill and foster a respect for an accelerated rhythm of project delivery, to focus on the big picture while being aware of the most minor obstacles.

The SRCPP Lessons Learned study indicates the participating departments broadly support the coordinating function of the Secretariat, particularly "with regard to reinforcing the priority and visibility attached to the Program."¹⁹⁵ Problems in the administration of the SRCPP could be minimized, the study concludes, by "clearly defining and ensuring, at the outset, acceptance of the financial and operating principles under which the program will be managed."¹⁹⁶

The Secretariat model proved to be a very effective and necessary component of the SRCPP, so much so that it is very difficult to imagine how the program could

have been successfully mounted without it. The Secretariat provided focus for the fast track procedures and translated the new management procedures into an evolving course of action. Perhaps most remarkably, the Secretariat proved itself able to cope, within the limits of its authority and the political circumstances of the day, with the myriad circumstances which constantly arose. In responding to these circumstances and the corresponding criticisms and influences which accompanied them, the Secretariat continued to focus on and work towards the firm goals established by the program. In so doing, they emerged as true professionals and public officials of the highest order.

Chapter Five: Conclusion

The Special Recovery Capital Projects Program has been examined in considerable detail. Particular focus has been devoted to the fast track procedures and the role of the SRCPP Secretariat. What emerges is a model for public priority management, a management tool designed to facilitate the changing political agendas of government while keeping to a minimum any compromise in effective program control. It is a system designed for the way governments really work, able to adapt to changing political pressures while promoting its original goals. Central to the program's success in dealing with political influences was the interaction of key personalities in both promoting and guiding the concept. It is important now to turn to how the system ended and what lessons may be learned from the SRCPP experiment in priority management.

The Wind-Up

In September, 1984 the Progressive Conservative Party won a majority of seats in the House of Commons and formed the new government of Canada. High on the list of objectives for this government was the curtailment of public spending and the dismantling of any Liberal pork barrels. The SRCPP appeared to be a key target on both counts.

In fact, the SRCPP, at least in terms of its structure, was well on its way towards winding down. On July 11th, 1984 Jack Manion, Secretary of the Treasury Board, had written to R. V. Hession, Deputy Minister responsible for the SRCPP, formally requesting an evaluation be made of the program and the fast track procedures. Mr. Hession agreed and instructed Ian Galbraith to pull together a committee to decide on reference points for the study. These points were agreed on and a Draft Preliminary Report was completed in October, 1984. No further report was commissioned, and it remains the sole government Lessons Learned study of the SRCPP.¹⁹⁷

It was also one of the final important acts of the Secretariat. By the fall of 1984, both the fast track system and the Secretariat had become forms without function, tools of implementation which had largely completed its task. By that time virtually all SRCPP projects had received their PPA and the course was well set for the efficient completion of most of the projects. The fast track procedures, designed to speed approvals, had served their function for most projects. The Secretariat concerned itself with generally routine monitoring of projects. The Special Sub-Committee of Priorities and Planning had been disbanded for some six months, and the SRCPP was simply another agenda item of

the Cabinet Committee on Economic and Regional Development, also chaired by Mr. Johnston.¹⁹⁸ The SRCPP Board continued to meet every week, but Deputy Ministers now routinely sent less senior officials as their proxy in these discussions.¹⁹⁹ Further, many of the senior people in the Secretariat such as Bob Weese, Ian Galbraith and Bob Irvine had moved on to other responsibilities.

Peter Connolly, formerly of the Hon. Herb Gray's office, became the last Executive Director of the SRCPP Secretariat in September, 1984. He quickly realized the Secretariat was "running at about 10% efficiency" and was a body with little purpose or demand.²⁰⁰ Mr. Hession concurred with this assessment and the Secretariat slowly became dismantled.

The new Conservative government obviously had little interest in pursuing the program, and in October 1984 all SRCPP billboards, press announcements or logos were taken down.²⁰¹ Individual projects remained, but now there was no suggestion of a common government initiative. For all public purposes, the SRCPP was gone.

"It just sort of petered out," says Bob Dawson, who remained with the Secretariat until December, 1984 when he joined Deputy Prime Minister Erik Nielsen's Task Force on Government Spending. "There was no reason to

continue monitoring, because the Treasury Board could do it just as well. The die was cast for meeting program objectives."²⁰²

There remained one brilliant political manoeuvre to be played. One of the first acts of the new government was to announce an Expenditure and Program Review to uncover waste and duplication in the government. The idea was to do an initial scan of recent federal expenditures to determine, essentially, how the Liberals had "wasted" public money. The Conservatives considered the SRCPP "a massive Liberal boon-doggle", in the words of Mr. Connolly, and fully expected the program to be shaking in its boots at the prospect of an official investigation. Connolly, after checking with Hession, immediately wrote to this Task Force and offered up a list of projects to be cancelled worth between \$120 and \$140 million. The credibility of the program rose immeasurably in the eyes of the new government, and only some \$50 million worth of projects were actually terminated. The projects offered were those which had the greatest degree of political influence and were the most difficult to reconcile with the objectives of the SRCPP, such as a new office building in Halifax or a Toxicology Research Centre at Guelph University.²⁰³ The cuts showed up in the Task Force's report published in November, 1984.²⁰⁴

After that, the program was essentially left alone. On December 7th, 1984 the Secretariat officially disbanded.²⁰⁵ On April 10th, 1985, Treasury Board circular 1985-23, 797096 officially terminated the fast track procedures.²⁰⁶ Future approvals would be conducted consistent with the PEMS. The circular also served to cancel, in passing, the entire Special Recovery Program.²⁰⁷ The jewel of the April, 1983 budget was now history.

The SRCPP Experience

The management of the Special Recovery Capital Projects Program was challenged to create an exception to the Policy and Expenditure Management System. The government demanded a rapid introduction of a certain program and a method had to be found which, while satisfying this goal, did not compromise the principle of expenditure review. The result was a two-pronged approach combining procedural streamlining with central monitoring and encouragement. The money was spent, more quickly than usual, and no apparent breach of quality, authority or disbursements was realized.

By its very nature, the management system utilized in the SRCPP could not "replace" the PEMS. Fast-tracking was designed to accommodate prioritization, which meant some projects gained while others suffered. In sum, the SRCPP experience demonstrated what can be

accomplished when, as Bob Weese describes it, "you have political will clearly expressed, demanding a certain response from the system."²⁰⁸

The principal flaw of the SRCPP was that it was introduced too late into the economy. Carl Sonnen, Vice-President and Senior Economist of Informetrica and co-author of its study into the macroeconomic impact of the SRCPP asks why the Department of Finance didn't predict the downward trend in private sector investment in 1982-83 sooner? "The program was initiated about a year too late to accomplish all the goals the government had for it," says Sonnen, "later capital investments likely were squeezed out and the approximately \$2.5 billion injected into the economy was simply not enough to influence a private sector turnaround."²⁰⁹ Still, Sonnen comments he "didn't have to grit my teeth to write a favourable report," about the SRCPP noting that "yes, it made the economy bigger (0.3% increase to GNP, representing a cumulative increase of about \$610 million in the period 1983-87²¹⁰), didn't cause much inflation (the Consumer's Price Index is expected to be increased by only 0.2% by 1988 because of the program²¹¹) and erred substantially only in launching the Special Recovery Tax too early in the period of sustained recovery."²¹²

The program itself could almost certainly have been better managed if there had been more lead time to

its introduction. Pat Choate and Susan Walter list in America in Ruins three substantial improvements for any major counter-cyclical programs involving capital expenditures:

1. Stand-by authorities: a clear management plan well understood and accepted by all participants which would serve to implement the program;
2. A backlog of projects: The identification of the quantum of projects available which would serve both counter-cyclical purposes and long-term national and local development; and
3. The stockpiling of material and equipment: Through the creation of new purchasing techniques which would allow warehousing of primary materials for initial project construction.²¹³

These suggestions would serve to facilitate the introduction of any major capital expenditure and could be structured to be sensitive to regional concerns and interests. The improvements were accepted and recommended by Bob Weese, Bob Dawson, Ian Galbraith and Harry Swain.²¹⁴

Yet the government must first commit itself to the policy of counter-cyclical intervention. This would appear to be an unlikely initiative from a Progressive Conservative administration, though it might be seriously considered if proved theoretically sound. Unfortunately, there has been no government follow-up analysis on the SRCPP, save the relatively modest Secretariat Lessons Learned paper and the Informetrica impact study. Neither

the Department of Finance nor the Treasury Board has commissioned an examination of a program that in 1983 was the cornerstone of the budget, an initiative supported with \$2.4 billion in taxpayer's money.

Today, however, the SRCPP is virtually a forgotten program in Ottawa. It was an initiative of a previous administration in which the current government has little interest. The bureaucracy, ever-sensitive to such signals, has moved on to the contemporary crop of programs. Even the Hon. Donald J. Johnston, once the head of the SRCPP, recalls chiefly "being a captive of the process, more and more dependent on program officials" for information and advice.²¹⁵ In short, the SRCPP was like most government programs, with little to distinguish it from all the others.

The SRCPP legacy today is chiefly felt in the Department of Supply and Services through the influence of R. V. Hession. In December, 1983 the department launched a study called the Annual Procurement Plan and Strategy (APPS). The concept has two objectives:

- to encourage a broader interdepartmental search for new economic and regional development opportunities through the purchase of goods and services; and

- to ensure that these are brought to Cabinet's attention in the context of strategic alternatives.

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The department plans to publish a paper every year describing the government's current spending patterns and describing methods to improve them or better use them to support federal economic initiatives. In a modest way, this plan lends substance to the suggestions of Choate and Walter. The Neilsen Task Force on Government Expenditures studied the concept to improve the contracting-out opportunities for the government and the private sector, though few tangible changes have emerged.²¹⁷

The SRCPP and its management style is a testament to the flexibility of government, if the clear political commitment is articulated. For Ray Hession and others, this program was an opportunity to demonstrate how the government can better deliver its commitments, how it can improve on its rigid structures and time goals. For the present, the principal legacy of the SRCPP is the proof that such an undertaking can be mounted, can be implemented, can be made to work. Whether such a lesson will be soon utilized remains to be seen.

7 April 1983

ECONOMIC INFRASTRUCTURE PROJECTSSUBMISSION FOR PRELIMINARY PROJECT APPROVAL

DEPARTMENT OR AGENCY National Research Council

PROJECT TITLE Institute for Manufacturing Science and Production Technology, Winnipeg, Manitoba

PROJECT LEADER AND PROJECT MANAGER J.K. Pulfer

BRIEF PROJECT DESCRIPTION The construction of a national centre to find, develop and disseminate technologies that will improve the productivity, quality, and competitiveness of Canadian manufacturing.

KEY MILESTONE AND COMPLETION DATES

Site acquisition	by	1 October 1983
Building design	by	15 October 1983
Break ground	by	1 December 1983
Completion of construction	by	1 October 1985
Begin installing equipment and staff	by	1 January 1986
Full scale operation	by	1 April 1986

COST ESTIMATE (CLASS C) \$41.4 million (budget-year dollars)

CASH FLOW (\$ million, budget-year)

	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>	<u>Total</u>
Major capital	3.8	20.2	15.1	2.3	41.4

SPECIFIC EXPENDITURE AUTHORITY REQUIRED AT THIS TIME IN ORDER TO PROCEED TO CLASS B ESTIMATE

Land acquisition	nil
Design	\$ 500,000
Project management	\$ 50,000
Project definition	\$ 500,000
Total	\$1,050,000

ASSESSMENT OF POLICY ISSUES/INTERDEPARTMENTAL ISSUES

No interdepartmental or intergovernmental difficulties are foreseen

IMPACT ON DOWNSTREAM OPERATING COSTS

(\$ million, budget-year)

	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>
PY's	25	60	100	125
Intramural operations	2.0	5.2	9.3	12.6
Extramural operations	1.6	4.1	7.5	10.0

The figures for 1986/87 represent the mature operating levels

ECONOMIC INFRASTRUCTURE PROJECTS

SUBMISSION FOR PRELIMINARY PROJECT APPROVAL

DEPARTMENT OR AGENCY:

Agriculture Canada - Research Branch

PROJECT TITLE:

Ste-Hyacinthe Food Processing Research Institute - Quebec

PROJECT LEADER AND PROJECT MANAGER:

Project Leader: Dr. R.R. Reil, Research Branch
 Project Manager: D.W. Tufts, Chief, Facilities Planning Section

BRIEF PROJECT DESCRIPTION:

It is proposed to construct an office/laboratory/pilot plant facility to accommodate scientific and technical research staff involved in the research and development needs of the processing, distribution and retail sectors of the food industry.

KEY MILESTONE AND COMPLETION DATES:

1. Complete Concept: June/83
2. Complete Phased Design: Sept/83
3. TB Approval: Oct/83
4. Tender Close: Oct/83
5. Construction Start Nov/83.

COST ESTIMATE (CLASS C):

\$30.0 million

CASH FLOW (Both current A-Base Provision and Accelerated Cash Flow, if applicable):

	<u>83/84</u>	<u>84/85</u>	<u>85/86</u>	<u>F.Y.</u>
Current A - Base:	-	-	-	30.0m
Accelerated:	2.0m	10.0m	18.0m	

SPECIFIC EXPENDITURE AUTHORITY REQUIRED AT THIS TIME IN ORDER TO PROCEED TO CLASS B ESTIMATE:

Land Acquisition: \$50K
 Design: \$2.5 million
 Project Management: \$300K
 Other:

ASSESSMENT OF POLICY ISSUES/INTERDEPARTMENTAL ISSUES (IF ANY):

It is the policy of Agriculture Canada to carry out research in support of all facets of the agriculture industry to increase efficiency and productivity, improve on trade balance and contribute to a healthy Canadian economy.

IMPACT ON DOWNSTREAM OPERATING COSTS (\$, PYs):

Operating Costs: \$400K/yr.
 PY's : 600 during design & construction
 6 additional upon completion of project
 1 additional (term) in Facilities Planning for Project Management duties.

ECONOMIC INFRASTRUCTURE PROJECTS
SUBMISSION FOR PRELIMINARY PROJECT APPROVAL

DEPARTMENT OR AGENCY: Department of Fisheries and Oceans
Small Craft Harbours Directorate

PROJECT TITLE: Small Craft Harbour development in Quebec

PROJECT LEADER AND PROJECT MANAGER:

Marc Van Den Borre - District Manager, Small Craft Harbours, Québec

BRIEF PROJECT DESCRIPTION: Small Craft Harbours will be rehabilitated or expanded at various locations in Quebec.

KEY MILESTONE AND COMPLETION DATES:

Construction will commence within six months of approval date. Tender call, contract award and completion dates can only be provided after engineering is completed

COST ESTIMATE (CLASS C):

\$25,000,000

CASH FLOW (Both current A-Base Provision and Accelerated Cash Flow, if applicable):

	1983/84	1984/85	1985/86
Current A Base Cash Flow	-	-	-
Accelerated Cash Flow	\$16.2M	\$8.8M	-

SPECIFIC EXPENDITURE AUTHORITY REQUIRED AT THIS TIME IN ORDER TO PROCEED TO CLASS B ESTIMATE:

Land Acquisition:

Design: ✓ \$1,200,000

Project Management:

Other:

ASSESSMENT OF POLICY ISSUES/INTERDEPARTMENTAL ISSUES (IF ANY):

None

IMPACT ON DOWNSTREAM OPERATING COSTS (\$, PYs):

On-going O&M associated with this construction is \$1,200,000

Note: Program deliver will require 5 personal service contract people for two years.

ANNEX A

ECONOMIC INFRASTRUCTURE PROJECTS

SUBMISSION FOR PRELIMINARY PROJECT APPROVAL

DEPARTMENT OF AGENCY: Public Works Canada

PROJECT TITLE: Block 15 Heritage Redevelopment, Vancouver, British Columbia

PROJECT LEADER

Mr. R.B. Angus, Director General
PWC, Pacific Region
Tel. 604-666-2681

PROJECT MANAGER

Mr. K.L. Chang
Design & Construction, Buildings
PWC, Pacific Region
Tel. 604-666-3192

BRIEF PROJECT DESCRIPTION:

Restoration and redevelopment of the Vancouver city block know as Block 15, bounded by Granville, Hastings, Howe & Cordova Streets and containing four Crown-owned "heritage" buildings.

KEY MILESTONE AND COMPLETION DATES:

April 1983 - Full Treasury Board Project Approval
October 1983 - Award Demolition Contract
March 1984 - Award General Construction contract
May 1986 - Completion and Full occupancy

COST ESTIMATE (CLASS B):

Proposed Accelerated Programme \$40,963,691.

CASH FLOW (in \$ millions)	Reference level	Accelerated Cash Flow
Previous years		
1983-84	3.6	3.6
1984-85	10.7	15.1
1985-86	17.9	19.1
1986-87	8.3	2.2

SPECIFIC EXPENDITURE AUTHORITY REQUIRED AT THIS TIME IN ORDER TO PROCEED TO CLASS B ESTIMATES: NIL

Project at the Class "B" Estimate stage at present and Full Project Approval at \$40,693,691 is required of Treasury Board by April 1983.

ASSESSMENT OF POLICY ISSUES/INTERDEPARTMENTAL ISSUES (IF ANY):

- (1) Block 15 is linked to Canada Harbour Place Development for EXPO 86 and Vancouver's new Advanced Light Rapid Transit System also scheduled to be in service by early 1986.
- (2) Existing severe fire & life safety deficiencies are to be corrected by this renovation together with the meeting of energy conservation and handicapped access requirements.
- (3) The estimated job creation potential for this project is 1234 person-years of employment distributed over the construction period as follows (assumes accelerated programme):

1983/84	120	1985/86	570
1984/85	484	1986/87	60

IMPACT ON DOWNSTREAM OPERATING COSTS (\$, PYs):

1. Lease offset \$5.8 million per annum.
2. Commercial retail revenue \$1.8 million per annum.
3. Other offsets - reduced operating and maintenance costs and reduced person-years required to manage PWC's reduced lease portfolio.

NOT# 5(M-E)
(MALINE)

APPENDIX A-5

ECONOMIC INFRASTRUCTURE PROJECTS
SUBMISSION FOR PRELIMINARY PROJECT APPROVAL

DEPARTMENT OR AGENCY:

The St. Lawrence Seaway Authority

PROJECT TITLE:

Rehabilitation of concrete in locks of the Welland Canal -
1983/84 and 1984/85

PROJECT LEADER AND PROJECT MANAGER:

M.S. Campbell

BRIEF PROJECT DESCRIPTION:

<u>1983/84</u>		<u>1984/85</u>	
a) Ports and Breast Wall, Lock 3	\$ 1 million	a) Wall Rehabilitation, Lock 1	\$1.4 million
b) Weir Bridge at Lock 1	0.5 million	b) Weir Bridge Rehabilitation, Lock 3	0.6 million
c) Wall Rehabilitation at Lock 4	1.5 million	c) Wall Rehabilitation, Lock 6 East	1.0 million
Total	\$ 3 million	Total	\$ 3 million

KEY MILESTONE AND COMPLETION DATES:

<u>1983/84</u>	<u>1984/85</u>
Start - January 2, 1984	Start - January 2, 1985
Complete - April 15, 1984	Complete - April 15, 1985

COST ESTIMATE (CLASS C):

1983/84	-	\$ 3 million	-	67 person years
1984/85	-	\$ 3 million	-	67 person years

CASH FLOW (Both current A-Base Provision and Accelerated Cash Flow, if applicable):

<u>1983/84</u>				<u>1984/85</u>			
January 1984	10%	- \$ 300,000	6.7 person years	January 1985	10%	- \$ 300,000	6.7 person years
February 1984	30%	- 900,000	20.1 person years	February 1985	30%	- 900,000	20.1 person years
March 1984	40%	- 1,200,000	26.8 person years	March 1985	40%	- 1,200,000	26.8 person years
April 1984	20%	- 600,000	13.4 person years	April 1985	20%	- 600,000	13.4 person years
Total		\$3,000,000		Total		\$3,000,000	

SPECIFIC EXPENDITURE AUTHORITY REQUIRED AT THIS TIME IN ORDER TO PROCEED TO CLASS B ESTIMATE:

Land Acquisition:	n/a	
Design:	Yes	NIL
Project Management:	n/a	
Other:	n/a	

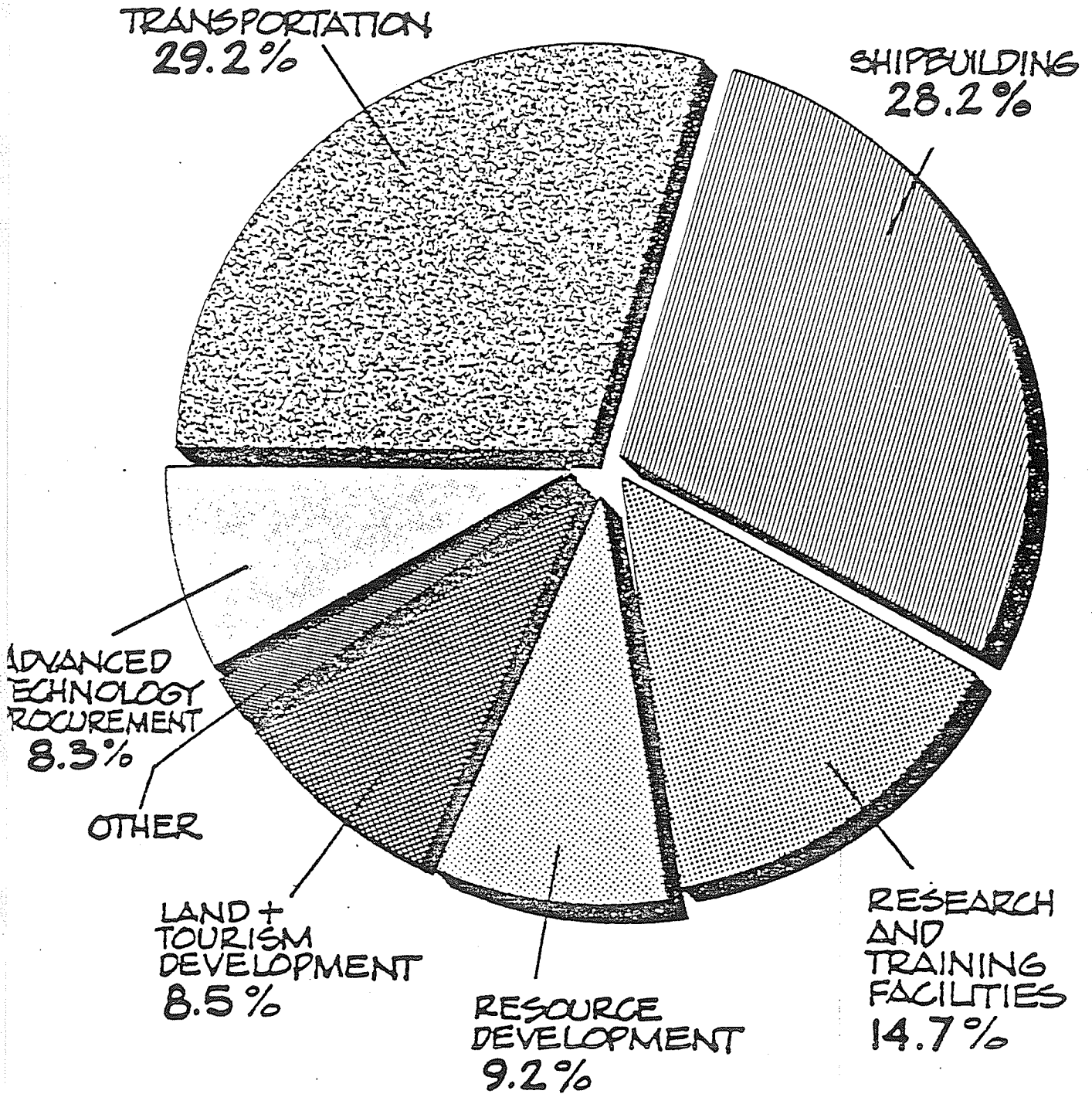
ASSESSMENT OF POLICY ISSUES/INTERDEPARTMENTAL ISSUES (IF ANY):

n/a

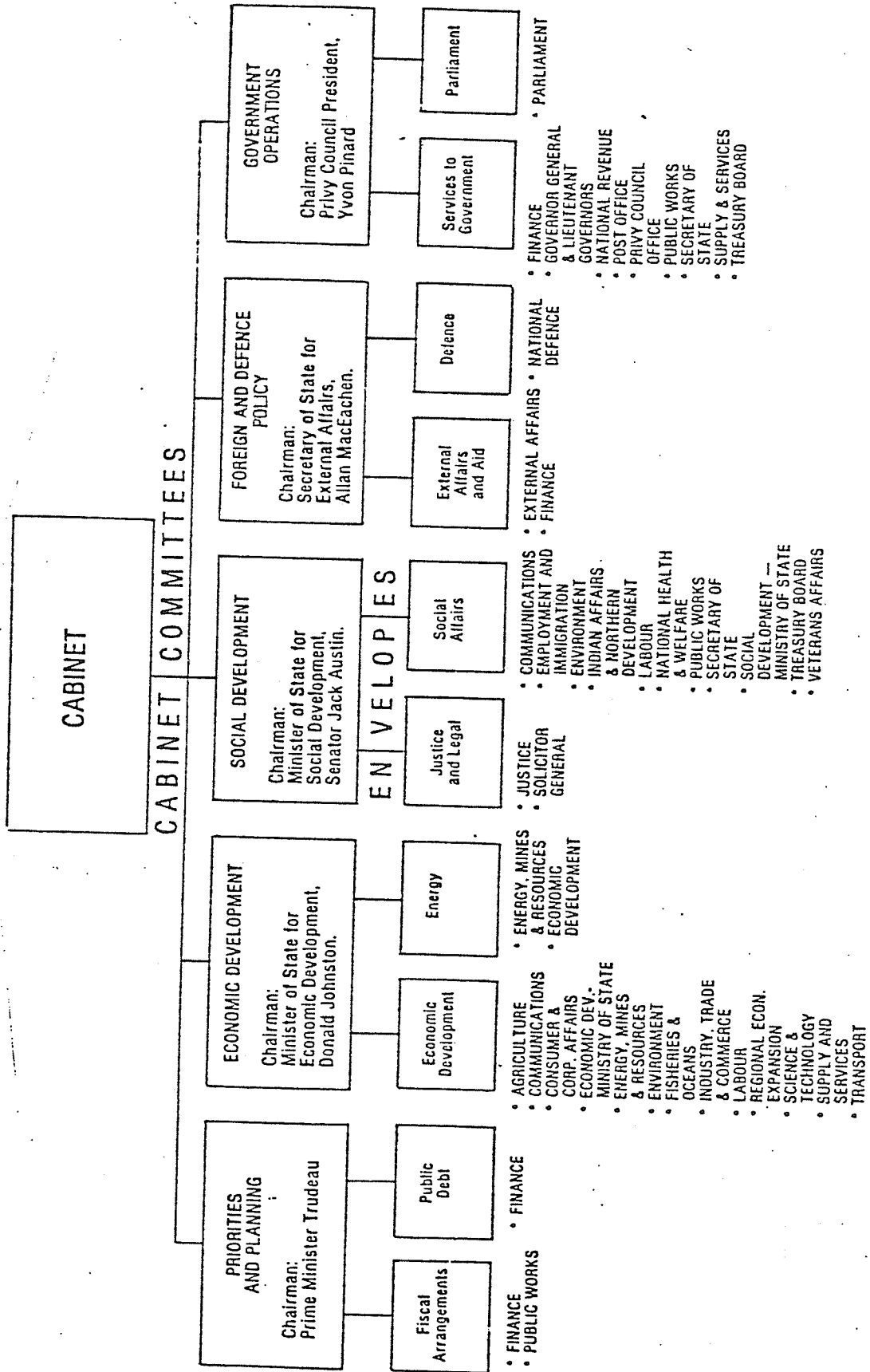
IMPACT ON DOWNSTREAM OPERATING COSTS (\$, PYs):

- Should these projects be approved, it would enable the Authority to:
- a) do work which has been deferred due to the financial restraint program,
 - b) catch up with its concrete restoration program,
 - c) put the 50-year old structure in a safe operating condition.

SECTORAL DISTRIBUTION



THE STRUCTURE OF THE DECISION-MAKING PROCESS OF
THE POLICY AND EXPENDITURE MANAGEMENT SYSTEM



Source: Privy Council Office, The Policy and Expenditure Management Systems, March 1981.

POLICIES AND EXPENDITURES PLANNING CYCLE

NDIX F

September: (1st month) The Committee on Priorities and Planning establishes the general orientation of policies and budget based on information concerning economic perspectives from the Department of Finance, expense forecasts from Treasury Board, and sectorial perspectives from the Cabinet Policy Committees.

September-December: (1st to 4th month) Guidelines concerning planning of envelopes by Cabinet Policy Committees. Central agencies such as the Ministry of State for Social Development and Economic Development and the Privy Council Supplies Cabinet Committees with the necessary information.

January-March: (5th to 7th month) Departments prepare global strategies and implementation plans.

April-June: (8th to 10th month) Cabinet Policy Committees examine Department's global strategy and Treasury Board examines operational plans.

September: (12th month) Committee on Priorities and Planning confirms projects and policy orientations. Final adjustments are made if necessary.

October-December: (13th to 15th month) Treasury Board examines and approves Departments' budget expenditures which are then sent to Cabinet for final approval.

February: (17th month) Tabling of the Main Estimates.

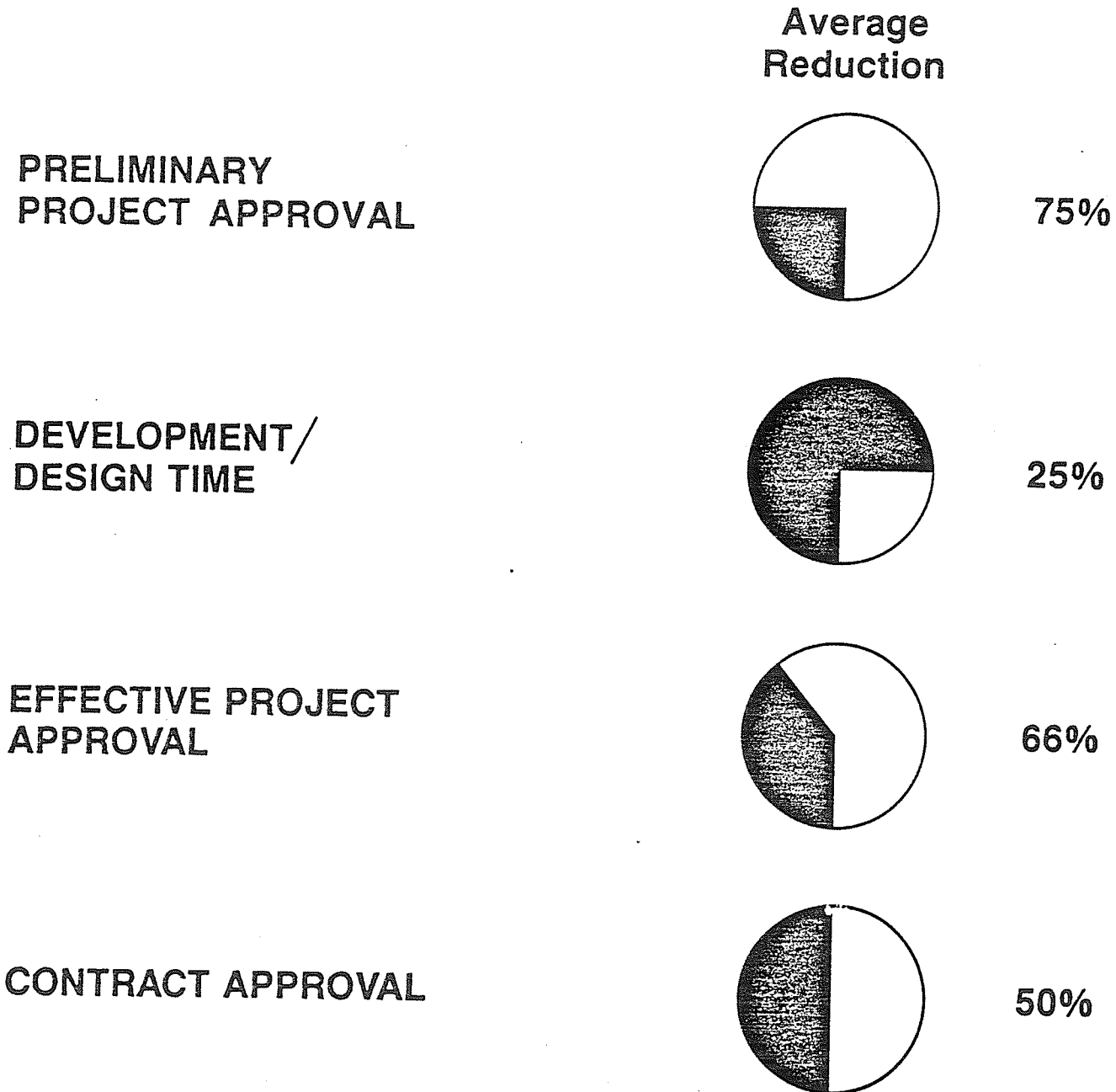
April 1st: Start of new fiscal year.

Sources: Government of Canada, Guide to Policy Expenditures and Management System, Supply and Services Canada, 1980, p. 25.

and

Government of Canada, Office of the Privy Council, Policy Expenditures and Management System, March 1981, p. 18.

NO RED TAPE - NO DELAYS



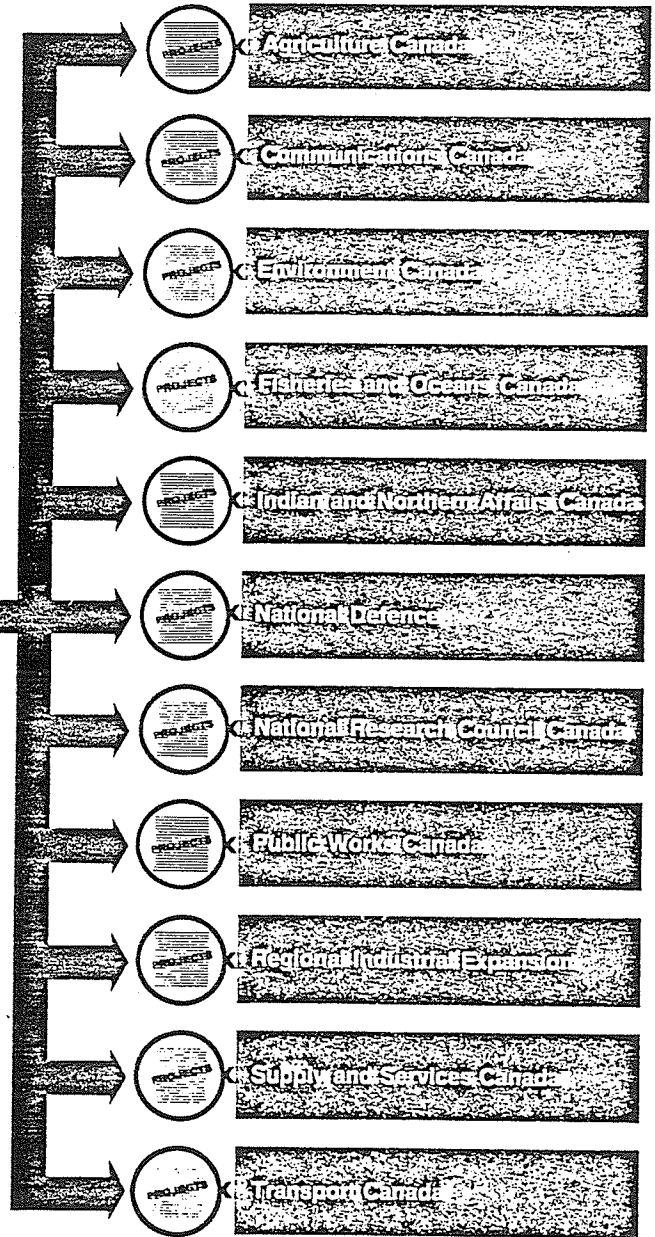
SPECIAL RECOVERY CAPITAL PROJECTS

PRIITIES
ANNING
COMMITTEE

sees program

SPECIAL RECOVERY
CAPITAL PROJECTS
BOARD SECRETARIAT

- monitoring and reporting
- project advisory services
- resourcing (personnel) services
- contract advisory services
- communications



APPENDIX G

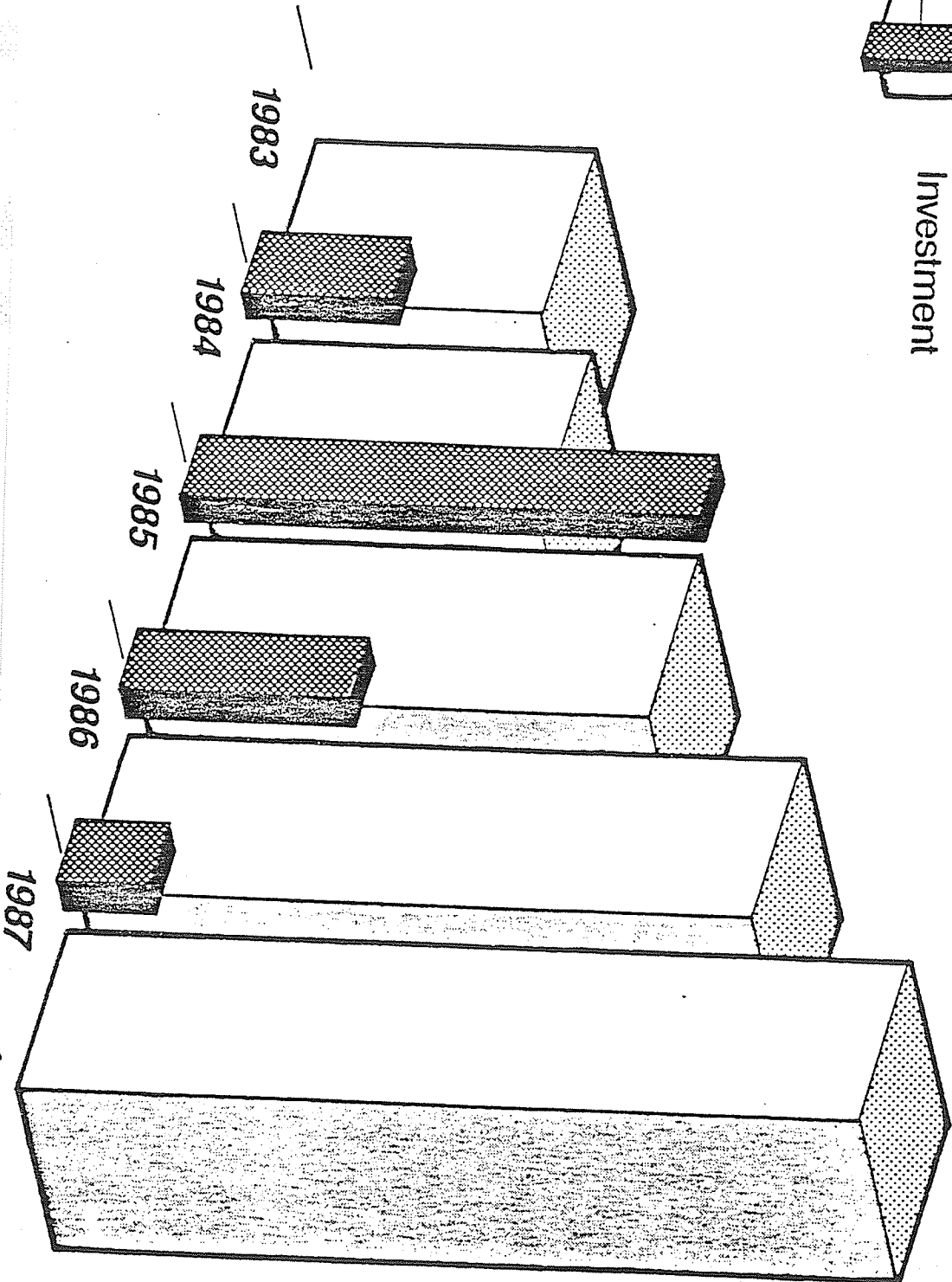
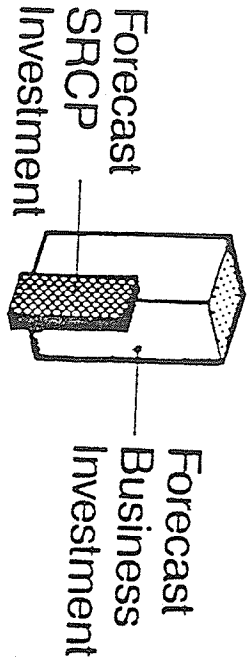
SPECIAL RECOVERY CAPITAL PROJECTS SECRETARIAT

OUTLINE BUDGET

1983-84 TO 1985-86

	<u>\$000</u>		
	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>
Salaries and Wages			
- Salaries	513	513	513
- Bilingual Bonus			
- Overtime			
- Employee Benefits	<u>68</u>	<u>68</u>	<u>68</u>
Sub-Total	581	581	581
Travel and Communications	745	595	595
Information	80	80	80
Professional and Special Services	1,456	706	706
Rentals	25	25	25
Utilities Material and Supplies	114	114	114
All other			
Capital	<u>100</u>	<u>-</u>	<u>-</u>
Sub-total	2,520	1,520	1,520
Total	<u><u>3,101</u></u>	<u><u>2,101</u></u>	<u><u>2,101</u></u>
Person-years	10	10	10

INVESTMENT TIMING





Gouvernement du Canada

Government of Canada

**Projets
spéciaux
de relance**

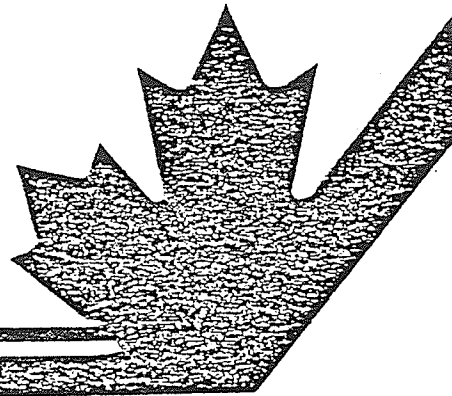
**Special
Recovery
Projects**

Améliorations à l'aéroport
de St-Hubert

St. Hubert Airport
Improvements

3,5 millions \$

\$3.5 million



Canada

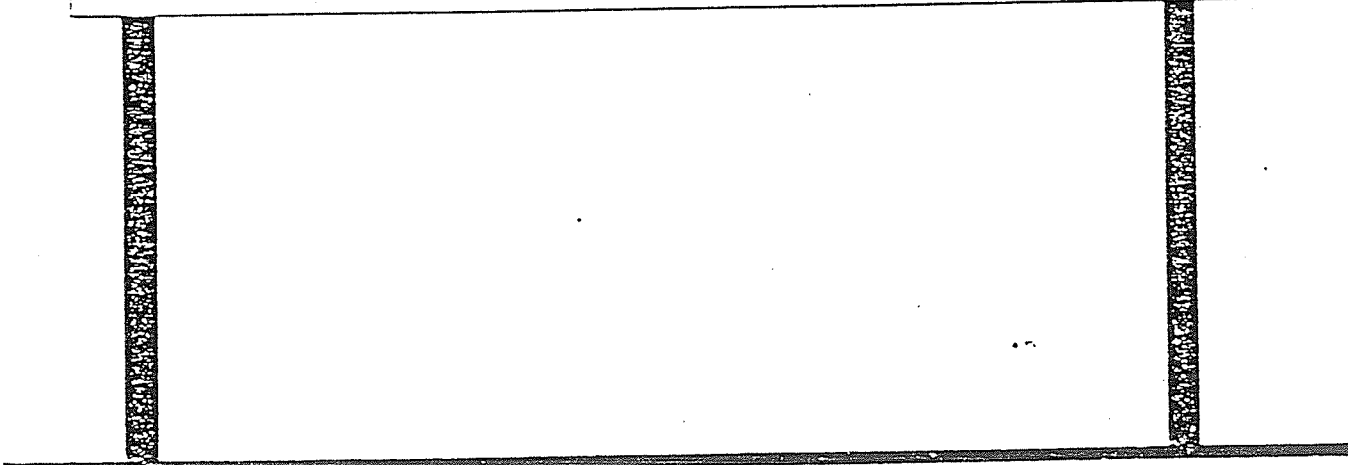


CHART #7 EMPLOYMENT IMPACT OF A TYPICAL CONSTRUCTION PROJECT

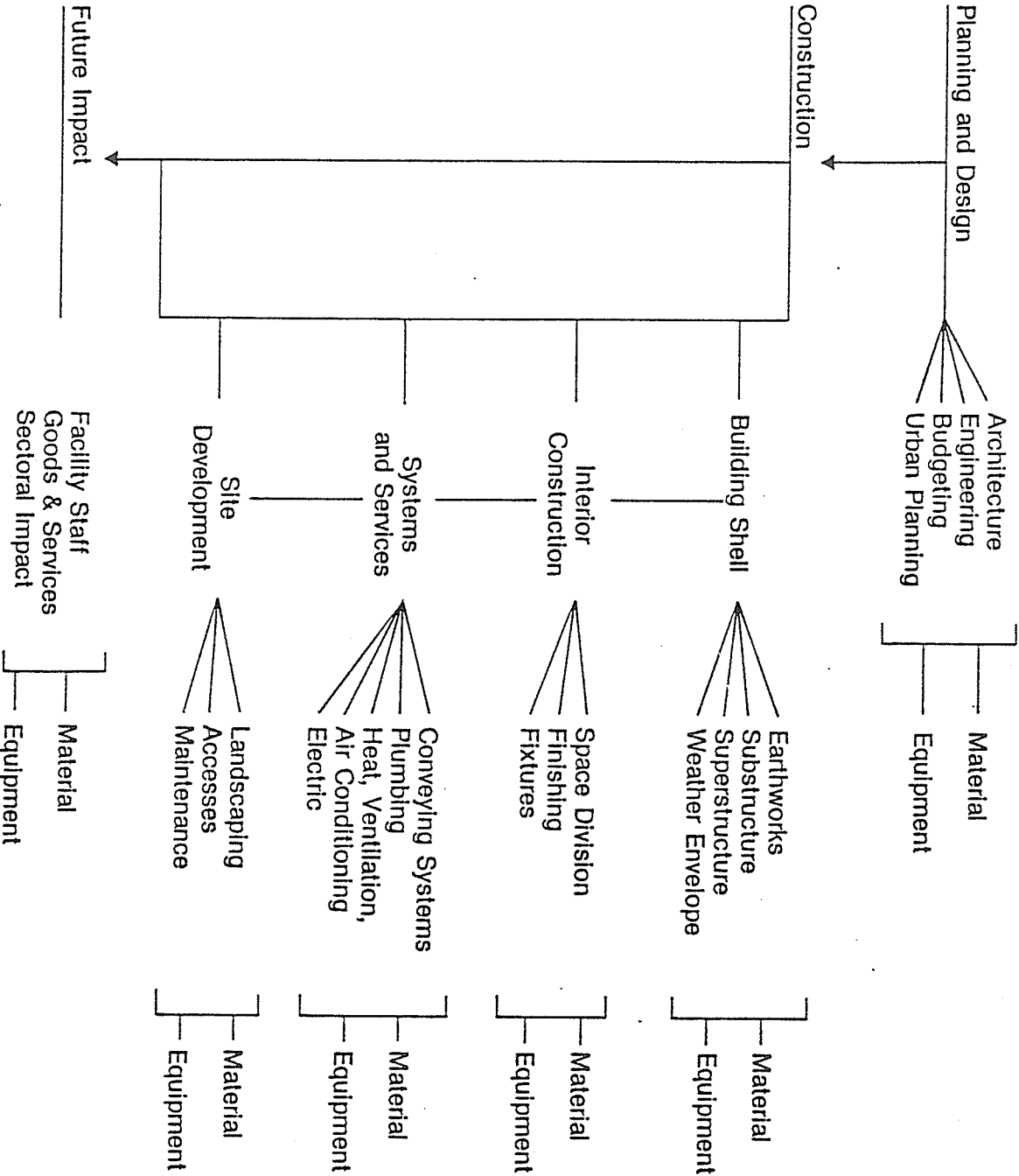


TABLE NO. 2

DIRECT EMPLOYMENT IMPACT
- CONSTRUCTION AND MATERIALS

Project	Location	Cost	Person Years of Direct and Indirect Construction Labour
Pacific Forest Research Centre - Construction of addition to the existing structure and other alterations	Victoria, B.C.	14.0	180
Federal Office Building -Restoration and renovation of heritage building at Vancouver City Block 15	Vancouver, B.C.	42.0	550
Airport improvements - Construction of new air terminal complex, expansion of parking facilities, strengthening of aircraft parking apron	Kamloops, B.C.	6.6	still being calculated
Prairie Regional Laboratory -Expansion of NRC Prairie Regional Laboratory building to house the western centre of the national biotechnology program	Saskatoon, Sask.	6.0	140
Four-laning of Trans-Canada Highway from Minnewanka Traffic Circle to Sunshine Village Access Road	Banff, Alta.	50.0	915
Harbourfront - Construction of parking garage, marina pier, waterfront promenade, development of open and green areas, refurbishment of heritage structures, contribution toward development of an arts centre	Toronto, Ontario	24.7	340

Footnotes

1. Budget speech, April 19th, 1983, p.1.
2. Canadian Journal of Political Science, March 1986, p. 4-28.
3. Ibid., p. 22-24.
4. Budget speech, April 19th, 1983, p.3.
5. Ibid., p. 1.
6. Ibid, p. 3.
7. Source: Statistics Canada.
8. Ibid.
9. Ibid.
10. Source: Gallup Polls, Canada, March 24-26th, 1983.
11. Ibid.
12. Budget speech, April 19th, 1983, p. 5.
13. Ibid., p. 6.
14. Liberal power jockeying was developing in earnest at this period in Ottawa. The April, 1983 budget was widely seen in political circles as an important vehicle for creating forums to "go out into the country", promoting both a certain program and allowing the opportunity to meet grass roots Liberals. Travelling on government business was especially attractive for Cabinet Ministers testing the waters for a leadership run for three important reasons: (1) the cost of excursion was picked up by the government, saving precious campaign dollars for other purposes; (2) it allowed the Minister to also bring one, two or more assistants along with him, also at government expense, allowing him to better gauge the political mood and broaden the influence of his office, and (3) it provided the appearance of doing something important in the difficult job of governing. This was particularly attractive if

the Minister could give away money, preferably with some creative-sounding program to provide a framework. In the spring of 1983, Ed Lumley still had not ruled himself out as a potential leadership candidate, and the Investment Program was an excellent way to broaden his southern-Ontario base. For Johnston, the SRCPP provided crucial national exposure.

15. Budget speech, April 19th, 1983, p. 6.
16. Figure of \$2.2 billion is correct. Explanatory note in text follows.
17. Budget speech, April 19th, 1983, p. 3.
18. Ibid., p. 3.
19. See figures above, p. 7.
20. Interview with Greg Traversey, Department of Finance, June 26th, 1985.
21. Ibid.
22. Budget speech, April 19th, 1983, p. 3.
23. Ibid., p. 4.
24. Ibid., p. 6.
25. Ibid., p. 6.
26. Ibid., p. 6.
27. Ibid., p. 3
28. This situation is discussed in more detail later in the paper.
29. Interview with David McCracken, Treasury Board, June 26th, 1985.
30. Traversey interview, op cit.
31. With thanks to the above interview for their insight.
32. Source: Department of Finance, Canada, Expenditure Review. Total federal expenditures, 1983-84 - \$89.918 billion.

33. A major issue in the 1981 Manitoba provincial election, Lyon felt the project could be the backbone for a new generation of secondary industry prosperity for his province. The electorate was little impressed.
34. Interview with Bob Weese, Department of Supply and Services, July 10th, 1985.
35. Ibid.
36. Interview with Harry Swain, Privy Council Office, July 8th, 1985.
37. Ibid.
38. Traversey interview, op cit.
39. Ibid.
40. Ibid.
41. Ibid.
42. Ibid.
43. Weese interview, op cit.
44. Ibid.
45. Interview with the Hon. Donald J. Johnston, September 9th, 1985.
46. Ibid.
47. Weese interview, op cit.
48. Johnston interview, op cit.
49. Weese interview, op cit.
50. Ibid.
51. Harry N. Scheiber et al, American Economic History, p. 365.
52. Ibid., p. 365.
53. Ibid., p. 366.
54. Ibid., p. 367.

55. Ibid., p. 374.
56. Ibid., p. 376.
57. Life magazine, January 4th, 1937, p. 30.
58. Ibid., pgs. 30 to 33.
59. Pat Choate and Susan Walter, America in Ruins, p. .
60. Ibid., p 24.
61. Ibid., p. 25.
62. Ibid., p. 25.
63. McCracken interview, op. cit.
64. Weese interview, op cit.
65. Bob Dawson, SRCPP Lessons Learned Study, p. 5.
66. Ibid., p. 5.
67. Ibid., p. 5.
68. Weese interview, op cit.
69. Ibid.
70. Interview with Ian Galbraith, Department of Supply and Services, July 11th, 1985.
71. Ibid.
72. Traversey interview, op cit.
73. Ibid.
74. Administered by Industry, Trade and Commerce, later the Department of Regional Industrial Expansion.
75. Traversey interview, op cit.
76. Weese interview, op cit.
77. Dawson, op cit.
78. Weese interview, op cit.
79. Swain interview, op cit.

80. Optimum, Vol. IV, 3 (1977) pp. 31-42.
81. Galbraith interview, op cit.
82. Weese interview, op cit.
83. Ibid.
84. SRCPP Lessons Learned Study, p. 4.
85. Ibid., p. 3.
86. SRCPP Briefing Book, p. 6(B).
87. SRCPP The First Year, pgs. 11 to 18.
88. Annual Report of the Auditor General of Canada, 1976, p. 3.
89. Source: Statistics Canada.
90. S.L. Sutherland, "On the Audit Trail of the Auditor General: Parliament's Servants 1973-1980" in Canadian Public Administration: Vol. XXIII, 4 (Winter 1980), pp. 616-45.
91. Royal Commission on Financial Management and Accountability, Final Report, 1979, p. 21.
92. Ibid., p. 28 - 32.
93. Aucoin article, op. cit., pp. 22-25.
94. In fact, the multi-year strategic planning starts three and one half years before the fiscal year. However, final guidelines for operational planning are approved approximately 18 months before the start of the fiscal year.
95. In conversation with the Hon. Donald J. Johnston, the Minister noted "Trudeau likes a balanced approach at Cabinet. He doesn't want to see big losers, but recognizes that part of the decision-making process depends on the arguments and track records of individual Ministers."
96. Lambert Commission, Final Report.
97. The Minister of Finance forecast an annual real growth of 4.6% during the 1983-84 period. The Conference Board of Canada predicted an average of 1.9% real growth for the same period.

98. Lambert Commission, op. cit.
99. Fiscal Arrangements, Public Debt, Justice and Legal Affairs, Social Affairs, Economic Development, Energy, Services to Government, Parliament, External Affairs and Aid, and Defense.
100. The Policy and Expenditure Management System, Privy Council Office, 1981, p. 9.
101. Ibid., p. 10.
102. Ibid., p. 10.
103. Proposal of the Economic Council of Canada, 1981.
104. PEMS, op. cit., pp. 13-15.
105. Ian D. Clark, "Recent Changes in PEMS", in Canadian Public Administration, Vol. 28 (1985), pp. 185-201.
106. Douglas G. Handle, The Revenue Budget Process, Canadian Tax Paper #67, p. 58.
107. Treasury Board Circular 1983-23, 787926, p. 1.
108. McCracken interview, op cit.
109. Treasury Board Circular, op cit., p. 1.
110. Ibid., p. 2.
111. SRCPP Lessons Learned, op cit., p. 12.
112. McCracken interview, op cit.
113. SRCPP Lessons Learned, op cit., p. 12.
114. Treasury Board circular, op cit., p. 4.
115. McCracken interview, op cit.
116. Treasury Board circular, op cit. pgs. 7 to 8.
117. Ibid., p. 4.
118. SRCPP Lessons Learned, op cit., p. 12.
119. McCracken interview, op cit.
120. SRCPP Lessons Learned, op cit., p. 12.

121. McCracken interview, op cit.
122. Treasury Board circular, op cit., pgs. 4 to 5.
123. Ibid., p. 5.
124. SRCPP Lessons Learned, op cit., p. 15.
125. Ibid., p. 13.
126. Ibid., p. 12.
127. This theme will be re-visited later in the paper.
128. Treasury Board Circular, op cit., p. 6.
129. Ibid., p. 7.
130. Ibid., p. 7.
131. Interview with Andy Leif, Treasury Board, July 5th, 1985.
132. SRCPP Lessons Learned, op cit., p. 16.
133. Leif interview, op cit.
134. Treasury Board circular, op cit., p. 7.
135. Dawson paper, op cit., p. 3.
136. Ibid., p. 3.
137. Swain interview, op cit.
138. Treasury Board circular, op cit. p. 2.
139. Dawson paper, op cit., p. 4.
140. Galbraith interview, op cit.
141. McCracken interview, op cit.
142. Swain interview, op cit.
143. Dawson paper, op cit., p. 12.
144. See text, above.
145. Trudeau letter, April 25th, 1983, p. 1.
146. Dawson paper, op cit., p. 20.

147. Trudeau letter, op cit. pgs. 2 to 3.
148. SRCPP Lessons Learned, op cit. p. 17.
149. Source of Secretariat Budget, Office of Bob Weese.
150. SRCPP The First Year, op cit., p. 7.
151. Weese interview, op cit.
152. Ibid.
153. See Footnote 80 above.
154. Weese interview, op cit.
155. Dawson interview op cit. This calculation was more accurate for Atlantic Canada than for the West.
156. Dawson paper, op cit., p. 2.
157. Notes of the author in his position as Special Assistant to Mr. Johnston.
158. The author knows of this experience first-hand. Perhaps the most important and time-consuming aspect of his position in Mr. Johnston's office from April, 1983 to April, 1984 involved the lobbying surrounding these projects from all sources. The author worked closely with the SRCOO Secretariat in handling these proposals.
159. Weese interview, op cit.
160. Dawson interview, op cit.
161. Galbraith interview, op cit.
162. Interview with Bob Irvine, Department of Supply and Services, July 11th; August 14th, 1985.
163. Ibid.
164. Johnston interview, op cit.
165. Weese interview, op cit.
166. Ibid.
167. Irvine interview, op cit.

168. See Appendix G.
169. SRCPP Lessons Learned, op cit. p. 24.
170. Approvals process described in text, above.
171. The Toronto Star, August 29th, 1983, p. B7.
172. Irvine interview, op cit.
173. Dawson interview, op cit.
174. Ibid.
175. The Toronto Star, op cit., p. B7.
176. Weese interview, op cit.
177. The Ottawa Citizen, July 30th, 1985, p. 19.
178. Ibid., p. 19.
179. Ibid., p. 19.
180. P. Jacobson, C. Sonnen, Informetrica, Macroeconomic Impact of the SRCPP, Final Results, September 13th, 1984, p. 16.
181. Maclean's Magazine, "The cost of job making", March 2nd, 1984, pgs. 33-34.
182. The author was in attendance.
183. All comments recorded in notes taken by the author at the meeting.
184. Ibid.
185. Irvine interview, op cit.
186. Johnston interview, op. cit.
187. Galbraith interview, op cit.
188. Dawson paper, op cit., p. 21.
189. Dawson interview, op cit.
190. Ibid.
191. Galbraith interview, op cit.

192. Dawson interview, op cit.
193. Irvine interview, op cit.
194. Dawson interview, op cit.
195. SRCPP Lessons Learned, op cit., p. 20.
196. Ibid., p. 20.
197. SRCPP Lessons Learned, op cit.
198. Johnston interview, op cit.
199. Interview with Peter Connolly, Department of Supply and Services, July 10th, 1985.
200. Ibid.
201. Ibid.
202. Dawson interview, op cit.
203. Connolly interview, op cit.
204. Expenditure and Program Review, Treasury Board Canada, Annex D.
205. Connolly interview, op cit.
206. Treasury Board circular 1985-23 797096, April 10th, 1983, p. 1.
207. Ibid., p. 1.
208. Weese interview, op cit.
209. Interview with Carl Sonnen, Informetrica, July 11th, 1985.
210. Informetrica study, op cit., p. 14.
211. Ibid., p. 14.
212. Sonnen interview, op cit.
213. Choate and Walter, op cit., pgs. 25 to 26.
214. Comments made in interviews by these individuals.

215. Johnston interview, op cit.
216. An Annual Procurement Plan and Strategy, 1983-84,
p. 1.
217. Dawson interview, op cit. This is one of Mr.
Dawson's principal responsibilities on the
support group designed to assist the Task Force.

INTERVIEWS

Bob Dawson, Neilson Task Force on Government Expenditures

Ian Galbraith, Supply and Services

Bob Irvine, Supply and Services

Hon. Donald J. Johnston, House of Commons

Andy Leif, Treasury Board

David McCracken, Treasury Board

Harry Swain, Privy Council Office

Greg Traversey, Finance

Bob Weese, Supply and Services