



February 23, 2009

Mr. Rob Wright
Deputy Minister, Finance
Finance Canada
140 O'Connor
Ottawa ON K1A 0G5

Re: Follow-up to PBO Information Requests 001 and 002

Dear Mr. Wright:

Thank you for your December 24, 2008 letter containing your partial response to our information requests (001 and 002) which we have posted on our web-site.

I would like to provide some additional clarification that should help you and your officials to satisfy request 001 and 002 pertaining to the detailed National Accounts economic and fiscal projections underlying the 2008 Economic and Fiscal Statement (EFS) and the release of information on which the recorded gains from the proposed sale of assets were based.

To clarify, we are seeking to obtain the detailed EFS economic and fiscal projections (on a National Accounts basis, before EFS actions), based on the November 2008 Department of Finance survey of private sector forecasters, as well as the corresponding Public Accounts reconciliation. These series were identified and listed in request 001 and underlie the projected changes in budgetary revenues, program expenses and public debt charges presented in Table 2.1 of the Economic and Fiscal Statement. These economic and fiscal projections have been published in previous Economic and Fiscal Updates (e.g., see the 2004 and 2005 Economic and Fiscal Updates (<http://www.fin.gc.ca/ec2004/eca4-eng.asp> and <http://www.fin.gc.ca/ec2005/ec/eca3-eng.asp>)). Further, although elements of your Department's internal forecast may have been used to develop these detailed projections, you may recall that the Department's internal forecast is routinely shared with Bank of Canada officials as well as representatives of the OECD and member countries. Therefore, it is my view that the information that I am requesting should not represent a Cabinet Confidence.

In addition, your letter seems to suggest that since our office has generated fiscal projections that were only 'slightly more optimistic' than the Government's, we do not require the requested information. However, there are two major reasons why the apparent convergence of outcomes may not reflect the underlying need for the data. First, although the projected budgetary balances were relatively close under the average scenario in the EFS (before actions) and my office's Economic and Fiscal Assessment (EFA) – significant differences do exist in the underlying projections, in particular with respect to important revenue components. Given these underlying differences between the PBO and the Department of Finance, simulating shocks using our own baseline would not necessarily produce information similar to that of the Department.

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Second, and more importantly, satisfying request 001 would also be consistent with meeting the recommendations by external reviews of the Government's forecasting process. You may recall that following the 2005 Review of Canadian Fiscal Forecasting (http://www.fin.gc.ca/activity/pubs/Oneil/PDF/Oneil_e.pdf), the key recommendations on transparency noted the "need for Finance to provide a detailed breakdown of the linkages between the (external) economic and (internal) National Accounts fiscal forecasts and of the reconciliation of the National Accounts to the Public Accounts fiscal projections". The IMF (<http://www.imf.org/external/pubs/ft/wp/2005/wp0566.pdf>) has also noted that the Government "could enhance the understanding of budgetary forecasts by providing more information on the assumptions and methods underlying the translation of the macroeconomic outlook into fiscal projections".

Indeed, it is my opinion that public policy would be better served if the reasons for differences between the PBO's and the Department of Finance's fiscal forecast were known (whether resulting from differing effective rate assumptions or assumed growth in respective bases for example or related to accrual adjustments or other National Accounts – Public Accounts reconciliation issues) and were well understood by the PBO, parliamentarians and private sector forecasters. As mentioned above, details regarding these projections and adjustments have been previously published as well as provided to organizations outside of the federal government. As a result, it is my belief that this request should not be overly burdensome as I am only asking, at this point, that your Department maintain past levels of transparency, not to extend them.

Also with respect to maintaining past levels of transparency, PBO request 002 regarding the details underpinning estimates of revenues recorded from asset sales to be achieved through the newly launched Corporate Asset Review process was submitted with the intention of improving our ability to assess the likelihood of achieving the government's balanced budget projection and to inform parliamentarians as to the nature of the assets the government is planning to sell. In previous budgets, when proposed savings and revenues associated with reviews have been recorded by this and previous governments, such details were made available in the document. If such a list does exist, beyond what is simply published annually in the public accounts, we believe it to be consistent with past practices of transparency to provide it publicly.

Our continued efforts to seek relevant and timely economic and financial information should be seen in the context of our mutual desire to support Parliament and parliamentarians. I want to thank officials at the Department of Finance for their efforts and look forward to strengthening the relationship.

Yours truly,

[Signed by S. Khan for K. Page]

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c.c.: Timothy Sargent, Assistant Secretary to the Cabinet, Privy Council Office, Liaison Secretariat for Macroeconomic Policy