



June 29, 2009

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

Dear Mr. Wright:

Thank you for your letter of April 28, 2009. I was disappointed to learn that the information my office initially requested on December 1, 2008 (PBO Information request 001), as well as that requested on February 24, 2009 (PBO information request 005) will not be provided as it has been declared a Cabinet confidence by the Privy Council Office. We appreciate the work that you have done to release this data.

I view the Privy Council Office's stance identifying the detailed data underlying the fiscal projections contained in updates and budgets as Cabinet confidences to be a change in policy.¹ I can assure you that, in the interests of Parliamentarians and the Canadian public I will continue to insist that the Government clarify this decision.

I am very encouraged that the internal forecast has not been declared a Cabinet confidence and welcome, and accept, your offer to share it under the same terms that apply to the Bank of Canada and the OECD. I would appreciate receiving the internal forecasts and information that were provided following the release of the third-quarter 2008 National Income and Expenditure Accounts (NIEA) as well as that which was provided following the fourth-quarter 2008 NIEA release.

With respect to the apparent misunderstanding regarding those elements of the Department of Finance's forecast, either internal or those based on private-sector averages, that have been shared in the past with the OECD, the Bank of Canada and individual private-sector forecasting firms, it seemed apparent to me and my staff that in your initial response to our data request that when you stated that your department was '*consulting with the Privy Council Office on whether additional details of the Department's internal forecast and its underlying assumptions represent a Confidence of Cabinet*' that it was the Cabinet-confidence status of the Department of Finance's *internal* forecast that was in question. As a result, references I made regarding how widely that data set had been shared outside the Department of Finance were in relation to that, (the internal) data set.

¹ I note that the detailed update forecast we requested (or a subset of the forecast) has been provided to private sector organizations in the past, specifically over the period 1999-2003. This fact is highlighted in a report by PEAP and CIRANO, 'Forecasting Processes and Performance of the Department of Finance', which describes the sharing of the detailed update forecasts in previous years. '*both the private-sector average aggregates, and the details on GDP expenditures and income components, employment and unemployment, all determined in the Department of Finance model [i.e. the private sector DSET], are passed over to the forecasting organizations, who then input all this detail into their models (on a quarterly basis).*' (see <http://www.fin.gc.ca/wp/Freview-eng.asp>, page 14)

I continue to stand by my statement in the February 23, 2009 letter that *'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.'* In the past, this information has been provided. For example, as you mentioned in your letter, Budget 2004 referred to the planned gain from sale of the Government's remaining shares in Petro-Canada and at that time the Government did provide appropriate details by identifying the asset in question and how its value had been determined (that the planned gains from sale were based on the value of the Government's outstanding shares based on an average of recent prices). This appears to be consistent with OECD best practices of budget transparency. The booking of approximately \$2 billion in gains from sale of as-yet-to-be-identified assets in Budget 2009 does not.

Also, I am surprised to hear that the Department of Finance no longer produces National Accounts-Public Accounts reconciliations. It is my office's understanding that such reconciliations are necessary when moving from a National Accounts based model, such as ours and the Department of Finance's, to a Public Accounts based fiscal forecast, such as that included in budgets and updates. Members of my staff would be interested to learn more about how this is accomplished by the department and would welcome an opportunity to discuss this with your officials in the near future.²

Sincerely,

[Signed]

Kevin Page
Parliamentary Budget Officer
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c.c.: Timothy Sargent, Assistant Secretary to the Cabinet, Privy Council Office, Liaison Secretariat for Macroeconomic Policy

² One of the key recommendations of the 2005 Review of Canadian Fiscal Forecasting (http://www.fin.gc.ca/activity/pubs/Oneil/PDF/Oneil_e.pdf) to increase transparency in budget-related information was "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". IMF staff have 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" (<http://www.imf.org/external/pubs/ft/wp/2005/wp0566.pdf>).