



April 3, 2009

Mr. Robert Fonberg
Deputy Minister
National Defence Canada
101 Colonel By Drive
Ottawa ON K1A 0K2

**Re: PBO Information Request 007
Victoria In-Service Support Contract (VISSC)**

Dear Mr. Fonberg:

I am writing to you today to request information to support an inquiry my office has received from a Member of Parliament (M.P.) regarding the accounting classification of the VISSC contract (i.e. whether the contract is capital or operating in nature). The expenditure classification could have an impact on the Estimates and the Fiscal Framework as well as the management and allocation of the government's resources.

I would like to request from your Department a copy of the contract for the VISSC which was awarded to the Canadian Submarine Management Group (CSMG). If possible, my office would like to review the Department's assessment of the contract which would provide an analysis of the work and parts that would be considered capital in nature. The capital component is the work and parts provided under the contract that could be considered an enhancement to the submarine(s) or necessary to extend the life of the submarine(s). I anticipate the analysis would require the expertise of a specialist such as an engineer to provide the appropriate split between capital and operating expenditures. I hope you may have the information in your current files. If the analysis is not readily available, perhaps an estimate could be prepared by an expert within your Department in order that we may be able to prepare an analysis of the impact on the Estimates and Fiscal Framework.

Thank you for your attention to this matter. Please contact me if any part of this request requires clarification.

Yours truly,

[signature]

Kevin Page
Parliamentary Budget Officer
Email: PageK@parl.gc.ca

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



PBO Information Request

1) Request Number:	007
2) PBO Contact Name:	Sheryl Urie (613-996-0791 or uries@parl.gc.ca)
3) Type of Request:	One-time
4) PBO Objective:	The data will be used to complete the PBO's analysis of the accounting approach for the classification of capital versus operating expenditures.
5) Relation to Mandate:	To provide independent analysis to the Senate and House of Commons on estimates and the fiscal framework.
6) Information and Data Requested:	An analysis of the VISSC contract to provide the appropriate split between capital and operating expenditures for the work undertaken.
7) Priority:	Normal
8) Date Request Sent:	April 3, 2009
9) Response Requested By:	April 17, 2009