



Department of Finance  
Canada

Ministère des Finances  
Canada

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Deputy Minister

Sous-ministre

Ottawa, Canada  
K1A 0G5

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Mr. Kevin Page  
Parliamentary Budget Officer  
Library of Parliament  
Ottawa ON K1A 0A9

Dear Mr. Page: *Kevin*

I am writing with regard to your request for the methodology used to calculate the five-year savings profile arising from the Government of Canada's operating budget freeze announced in Budget 2010. During the operating freeze, departments have the flexibility to achieve the savings anywhere within their operating budgets.

Budget 2010 indicated that \$300 million in savings would be achieved in 2010-11 by not increasing the operating budgets of departments to fund the 1.5 per-cent increase in annual wages for the federal public service. The 2010-11 Supplementary Estimates B included \$180 million in total reductions applied to departmental operating budgets to clawback salary increases that had already been allocated to departments. The remaining savings, in contrast, were not directly observable in the Supplementary Estimates because some departments were never compensated for the 1.5 per-cent increase in annual wages, thus avoiding the need to clawback any salary increases.

The savings in the remaining years of the budget forecast were calculated by assuming that during the operating budget freeze departments would not be compensated for increases in their operating votes that they would normally receive, which most notably includes future salary increases. An exception was made for certain cost pressures related to essential services such as contract policing and corrections facilities, as well as for payments that arise from liabilities and other contingencies. It is assumed that Departments will absorb increases in operating costs through a combination of

constraining the wage bill (e.g. attrition, delayed hiring) and finding efficiencies elsewhere in their operating budgets.

The continuing application of the operating budget freeze is being managed by the Treasury Board Secretariat. To date, increases in operating budgets have been limited to new budget measures and cost pressures for essential services. Departments were able to successfully absorb the 1.5 per-cent increase in annual wages within their operating budgets this past fiscal year with no major concerns being raised by departments about the continued application of the operating freeze. We are confident that departments will continue to find efficiencies and deliver their programs effectively throughout the remainder of the operating freeze.

Thank you for your correspondence.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Michael Horgan". The signature is written in a cursive, flowing style.

Michael Horgan

c.c.: Ms. Michelle D'Auray, Secretary of the Treasury Board  
Mr. Rick Stewart, Assistant Secretary to the Cabinet, Liaison Secretariat for  
Macroeconomic Policy, Privy Council Office