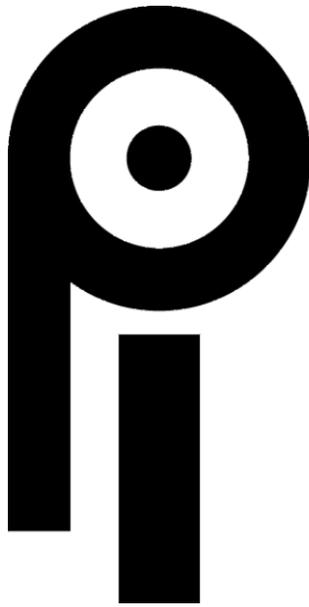


# **2017-18 Pre-Budget Consultation Submission**



**Professional Institute of the  
Public Service of Canada  
(PIPSC)**

**August-2016**

# Introduction

The Professional Institute of the Public Service of Canada (PIPSC) represents approximately 55,000 public sector scientists, auditors, IT experts and other professionals across the country, most of them employed by the federal government. Our members make vital contributions to Canada and Canadians every day. They inspect the food we eat, the toys and products we use and the vaccines and medications we depend on; they issue weather forecasts, ensure transportation safety and respond to critical emergencies that threaten lives and the environment; they contribute to innovation through world-renowned discoveries and by contributing to solutions to global problems such as climate change, pandemics, sustainable development and feeding a hungry planet. They maintain government IT systems and services, and investigate tax avoidance and evasion at home and offshore.

We are grateful for the opportunity to submit our comments in advance of the federal budget. It is our opinion that the budget needs urgently to address the following priorities:

## Deliver on Public Science

Public science requires rebuilding after nearly 10 years of Harper government muzzling and cuts. A significant gap in the number of scientists, engineers and researchers must be filled to meet ongoing, let alone additional, national needs.

Budget 2016 was a promising step forward for government science. Investments were made at Environment and Climate Change, Health Canada and the National Research Council, Fisheries and Oceans, and millions more went to other departments to inform decision making, protect health, enhance competitiveness, support innovation and renew infrastructure. We were given a clear indication that the new government is serious about science.

But many details have yet to be revealed and there remain many longstanding concerns to be addressed. The budget was silent, for example, on the previously announced position of Chief Science Officer. Canada lags seriously behind other countries in its investment in innovation. Among 35 OECD countries, Canada is one of only six whose gross domestic expenditure on research and development has *decreased* since 2000. OECD data for 2013 also show that Canada's gross domestic expenditure on R&D, as a percentage of GDP, was just 1.6% — lower than the OECD average of 2.4%, and significantly lower than the U.S. (2.7%), Korea (4.2%), Germany (2.9%), Sweden (3.3%), Finland (3.3%) and other countries.

Scientific integrity remains an active concern. A communications policy was issued by Treasury Board with the intention to end “muzzling,” but its implementation remains uneven across science-based departments. Scientists are still being prevented from participating in conferences that allow them to engage with the broader scientific community. Moreover, there has been no indication that the government intends to enshrine the principles of scientific integrity in collective agreements, meaning there are no enforceable safeguards to protect against future anti-science governments.

## Recommendations for Budget 2017-18:

- Hire 1,500 federal scientists to reverse the impact of damaging cuts
- Invest in innovation and pure science at the federal level, make Canada a global innovation leader
- Increase funds available for conference attendance
- Enshrine scientific integrity in collective agreements

## Reduce outsourced services now, increase training

The contract between public employees and the federal government is breaking down as more and more services are outsourced for longer and longer periods of time. This is resulting in higher costs to Canadians, less transparency and accountability, fewer checks and balances, a loss of institutional knowledge, and the circumvention of federal employment standards of bilingualism, inclusiveness, and merit-based hiring. Budget 2016 announced the intention to begin reducing public spending on outside consultants to 2005/06 levels, but more aggressive targets need to be achieved. The 2016 Budget estimates \$170 million in savings for the current year alone. As the *Toronto Star* has reported,<sup>1</sup> at that rate it will take another 10 years before spending is reduced to 2005/06 levels, after which the government will still spend several billions every year on outsourcing. Reducing outsourcing must be given a greater government priority for the following reasons:

- The federal government currently spends over \$10 billion a year on outsourced services, more than the budgets of Statistics Canada, Health Canada, Fisheries and Oceans, Environment Canada, the National Research Council of Canada, the Canadian Food Inspection Agency, the Public Health Agency of Canada, and the Canadian Nuclear Safety Commission combined.<sup>2</sup>
- This includes money that would be better spent hiring and training both new and existing government employees. Over 8 in 10 (83%) of all PIPSC members surveyed in 2015 said that no training was offered to existing employees before vacancies were filled by a contracted worker.<sup>3</sup>
- A 2010 study by the Public Service Commission (PSC) provided compelling evidence that government managers are misusing outsourcing provisions and circumventing the hiring practices set out in the Public Service Employment Act (PSEA). The PSEA exists to ensure staffing

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<sup>1</sup> ["Liberals commit to cutting bill on consultants, adverts," Alex Boutilier, Toronto Star, March 27, 2016 \(https://www.thestar.com/news/canada/2016/03/27/liberals-commit-to-cutting-bill-on-consultants-adverts.html\).](https://www.thestar.com/news/canada/2016/03/27/liberals-commit-to-cutting-bill-on-consultants-adverts.html)

<sup>2</sup> Budgetary Expenditures (2015-16 Estimates).

<sup>3</sup> *Programmed to Fail: How outsourcing is costing the federal government money, jobs, morale, accountability and productivity*, PIPSC, June 2016.

in government agencies is guided by principles such as merit, integrity, transparency, regional and ethnic diversity, and bilingualism.

- A subsequent 2012 Auditor General's report echoed these concerns, concluding, among other things, that government departments conduct very limited assessments of the benefits, costs and risks of contractor use.
- Outsourcing does not save money. The threats of "scope creep" and "change fees" are significant, hidden cost escalators in outsourcing contracts. Many contracts in the areas of management consulting, IT consulting, and temporary help services are revised at least once.
- Outsourcing projects, such as Shared Services Canada's current \$400-million Bell-CGI consolidation of federal government email, run serious risks of lengthy delays, security lapses, and cost overruns. The Bell-CGI project, for example, is currently more than 18 months behind schedule. A recent audit of SSC outsourcing practices found that the most common missing documentation among the procurement files sampled had been confirmation that contractors met government security requirements.<sup>4</sup> The most recent Auditor General's report found SSC does not adequately measure, track or report on its costs, progress or savings related to its IT infrastructure transformation and the consolidation of government email.<sup>5</sup>
- The Phoenix pay system fiasco is another, as-yet-unresolved example of the high cost to government, taxpayers and, especially, employees of over-reliance on outsourced products and services.
- The government's Information Technology (IT) Strategic Plan was released in June of 2016. It identifies requirements but has left money and resources unplanned. These factors are already the source of many of the current problems at Shared Services Canada.
- We are also deeply concerned that the Cloud Adoption Strategy will move IT services out of government. The use of these Cloud services will affect servers, storage, backups, networks, and other IT functions currently provided by public servants.

Contrary to current practice, outsourcing government services does not ensure Canadians get the best expertise available, when it's needed, more efficiently, or at less cost. The best, most efficient and usually least expensive expertise for public services already exists within the public service and should remain there. Canadians deserve the highest standards of government expertise possible. They deserve public services that are second-to-none, accountable, secure, cost effective, and transparent. Federal public hiring processes ensure the best-qualified are hired and paid fairly and transparently. HR shortcuts – such as outsourcing – short change public employees, public services and Canadians.

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<sup>4</sup> "Snail mail? New federal government email system six months behind schedule," Kathryn May, *Ottawa Citizen*, June 26, 2014 (<http://ottawacitizen.com/news/national/snail-mail-new-federal-government-email-system-six-months-behind-schedule>).

<sup>5</sup> 2015 Fall Reports of the Auditor General of Canada, Report 4—Information Technology Shared Services ([http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_201602\\_04\\_e\\_41061.html](http://www.oag-bvg.gc.ca/internet/English/parl_oag_201602_04_e_41061.html)).

## **Recommendations for Budget 2017-18:**

- Reduce reliance on outside IT and other professional services to 2005-06 levels by 2019-20.
- Reinvest a portion of the savings into training to enhance the government's internal capacity.
- Eliminate internal barriers that incentivize outsourcing such as internal hiring freezes and onerous staffing requirements.

## **Establish a world-class tax fairness initiative: \$600 million investment, \$6 billion in revenue**

The legitimacy of an advanced democracy's tax system is predicated on its integrity and fairness. The release of the Panama Papers has shed light on the subject in recent months. The Harper government's legacy of budget cuts and organizational missteps have contributed to an increasingly dysfunctional tax system. Restructuring efforts aimed at streamlining auditing processes and shifts in policy direction have resulted in reduced capacity and a loss of expertise.

In the five years between 2012 and 2017, the CRA closed regional offices and scheduled the elimination of over 4,000 positions and nearly \$1 billion from its annual budget.<sup>6</sup> These cuts hindered the Agency's ability to properly investigate and reclaim lost revenue from tax cheats. Over 600 PIPSC positions have been affected so far, resulting in significant lost capacity to units such as Criminal Investigations, Special Enforcement, Offshore Tax Evasion and Aggressive Tax Planning.

Budget 2016 offered encouraging signs that positive change was coming and an era of revitalization was on the horizon. The first budget of the new Liberal government committed to increasing average annual spending at the Canada Revenue Agency by \$160 million over a five-year span. The federal government also committed to participating in international efforts to curb tax evasion such as adopting the OECD/G20 Base Erosion and Profit Shifting (BEPS) measures. Additionally, in July 2016, CRA released its first "Tax Gap" estimate to measure the difference between how much revenue the government actually collects compared to how much it should be collecting.

Restoring public faith in the fairness and integrity of our tax system demands investing in the staff and structure needed at the Canada Revenue Agency (CRA) to catch international tax cheats and provide much-needed revenue for federal government programs. Canadians for Tax Fairness currently estimates the revenue lost from tax havens alone to be \$7.8 billion, and that close to \$199 billion of corporate

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<sup>6</sup> Canada Revenue Agency Report on Plans and Priorities, 2011-2012 & 2015-16.

Canadian money now sits in tax havens.<sup>7</sup> It's been reported that Canada has only collected \$13.4 million in penalties related to offshore tax evasion while during the same period Australia has collected \$600 million and the United Kingdom \$3.5 billion.<sup>8</sup>

Fewer resources at CRA means reduced capacity and less tax revenue. The Harper government's cuts did not make sense when they were announced and don't make sense now. The finance department's own numbers show a \$10 return for every dollar invested in combating international tax evasion and avoidance.

Budget 2016 announced new spending expected to yield more than \$12 in revenue for every \$1 invested at the CRA. This new money is welcome but does not go far enough; there remains a \$600-million gap between current capacity and what was available 5 years ago.

Bringing spending back to 2011 levels would result in Canada being able to establish a world-class tax fairness initiative and become an international role model. A country where wealthy corporations and individuals, those who can afford paying taxes the most and who too often try the hardest to avoid them, are required to pay their fair share. The investment would work to stop the shady practices that allow large corporations and wealthy individuals to circumvent their tax responsibilities and allow auditors to investigate complex cases, prioritize them and provide the evidence needed to prosecute offenders. Canada could lead global efforts to tackle international tax havens and restore public trust at home by making sure Canadian tax laws are applied in a fair and impartial way. The best part is enforcement pays for itself!

### **Recommendation for Budget 2017-18:**

- Establish a world-class tax fairness initiative: \$600 million investment, \$6 billion in revenue
- Investigate complex cases and prosecute offenders
- Target corporate tax cheats
- Reopen regional offices

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<sup>7</sup> Canadians for Tax Fairness Presentation to the House of Commons Finance Committee, February 14, 2013, <http://tackletaxhavens.ca/sites/tackletaxhavens.ca/files/attach/brief%20to%20FINA%20on%20tax%20havens.pdf>.

"Tax Havens: Canada's \$199 Billion Problem," Canadians for Tax Fairness, July 27, 2015, <http://www.taxfairness.ca/en/node/802>.

<sup>8</sup> "CRA convicts a fraction of offshore tax evaders," Marco Chown Oved, *Toronto Star*, August 1, 2016 (<https://www.thestar.com/news/world/2016/08/01/cra-convicts-a-fraction-of-offshore-tax-evaders-exclusive.html>).