



**SECOND INTERIM REPORT ON THE
*2012-2013 MAIN ESTIMATES***

**Standing Senate Committee on
National Finance**

TENTH REPORT

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REPORT ON THE 2012-2013 MAIN ESTIMATES

Introduction

The 2012-13 Main Estimates were tabled in Parliament on 28 February 2012, and referred to the Standing Senate Committee on National Finance. This is the Committee's second interim report on the study of the Main Estimates. To date, the Committee has met eight times to study the Estimates and has heard evidence from 19 federal departments and agencies.

Officials from the Treasury Board Secretariat of Canada (TBS) appeared on 1 May 2012: Daphne Meredith, Chief Human Resources Officer; Ross MacLeod, Assistant Deputy Minister, Governance, Planning and Policy Sector; and Marc-Arthur Hyppolite, Assistant Deputy Minister, Compensation and Labour Relations Sector.

Officials from Fisheries and Oceans Canada (DFO) – Roch Huppé, Chief Financial Officer; Kevin Stringer, Assistant Deputy Minister, Program Policy; David Balfour, Senior Assistant Deputy Minister, Ecosystems and Fisheries Management; and Jody Thomas, Deputy Commissioner, Canadian Coast Guard – appeared before the Committee on 2 May 2012, to discuss their voted appropriations and the projected level of statutory appropriations in the Main Estimates.

In the second part of the meeting of 2 May 2012, the Committee heard evidence from officials from Agriculture and Agri-Food Canada (AAFC): Greg Meredith, Assistant Deputy Minister, Strategic Policy Branch; Pierre Corriveau, Assistant Deputy Minister, Corporate Management; Rita Moritz, Assistant Deputy Minister, Farm Financial Programs Branch; and Jody Aylard, Acting Assistant Deputy Minister, Research Branch.

On 8 May 2012, the Committee heard evidence from the Department of Justice, which was represented by Donald Piragoff, Senior Assistant Deputy Minister, Policy Sector; Daniel Schnob, Chief Financial Officer; and Joel Oliver, Acting Assistant Deputy Minister, Management Sector.

On 9 May 2012, the Committee welcomed officials from Environment Canada: Andrea Lyon, Associate Deputy Minister; Carol Najm, Assistant Deputy Minister, Finance Branch; and Michael Keenan, Assistant Deputy Minister, Strategy Policy Branch. The Parks Canada Agency, represented by Alan Latourelle, Director General, also appeared.

In the meeting, the Committee continued its work by hearing evidence from Elaine Feldman, President of the Canadian Environmental Assessment Agency, and the Department of Foreign Affairs and International Trade was represented by Nadir Patel, Assistant Deputy Minister and Chief Financial Officer; Robert Dufresne, Financial Resource Planning and Management Bureau; and Andrew Stirling, Director General, Locally Engaged Staff Services Bureau.

A. Overview of the 2012-13 Main Estimates

1. Projected expenditures

The budgetary expenditures set out in the budget comprise voted and statutory appropriations.¹As Table 1 shows, the 2012-13 Main Estimates project requests for net votes of \$91.9 billion and net statutory items of \$160 billion, for total net federal expenditures of \$251.9 billion. This represents an increase of \$1.1 billion compared with the 2011-12 Main Estimates: \$1 billion for statutory items and \$100 million in net votes.

Table 1. 2012-13 Main Estimates (billions of dollars)

	2012-13	2011-12	Change (%)
Net voted appropriations	91.9	91.8	0.1
Net statutory appropriations	160	159.0	0.6
Total	251.9	250.8	0.4

Source: 2012-13 Main Estimates, p. 7

¹ **Budgetary expenditures** include the cost of servicing the public debt; operating and capital expenditures; payments to federal Crown corporations; and transfer payments and grants to other levels of government, organizations and individuals. **Non-budgetary expenditures** (loans, investments and advances) are expenditures that reflect changes in the value of the Government of Canada's financial assets. **Voted appropriations** are appropriations authorized by Parliament subsequent to a supply bill, while **statutory** items are items which Parliament authorizes through enabling legislation; they are included in budget documents for information only.

B. Study of the 2012-13 Main Estimates

As part of their study of the 2012-13 Main Estimates, the committee has, to date, assessed requests for votes and projected statutory items for selected federal departments and agencies. These are preliminary studies that will continue with presentations from other departments, agencies and Crown corporations throughout the year.

1. Public Service Commission and Treasury Board Secretariat of Canada

As part of its study of the 2012-13 Main Estimates, the Committee wanted to discuss the impact of the cuts announced in the budget tabled in Parliament on 29 March 2012, more specifically the provisions surrounding the reduction in the number of person-years in the public sector, and the tools available to employees who learn that their position is being declared as surplus. The Committee wanted to familiarize itself with the process that is expected to lead to the elimination of approximately 19,200 positions (4.8%), and result in 12,000 public servants being laid off over a period of three years beginning this fiscal year. With that objective in mind, the Committee met simultaneously with the Treasury Board Secretariat (TBS) and the Public Service Commission (PSC), two key players that have complementary responsibilities in implementing this important government decision. The senators took great interest in the subject and asked the TBS and PSC officials a number of questions.

The Committee began by inquiring about the methodology behind the figures presented in Budget 2012 concerning the reduction in the number of government employees. The TBS officials told the Committee that the plans departments submitted to the government through TBS indicate that implementing the staff cuts proposed by the government will result in the elimination of approximately 19,200 jobs over three years.

In response to the senators' questions, the TBS officials told the Committee that the government is going to try, through the departments, to minimize the impact of the staff cuts. TBS's latest estimate is that 12,000 government employees will be declared surplus by the end of the three years of workforce reduction. The officials added, however, that the projections are subject to change.

The Committee learned from the witnesses that approximately 12,000 people are expected to leave the public service voluntarily in each of the next three years, for a total of 36,000 voluntary departures; most of those leaving will be retiring. The Committee asked the TBS officials why a projected 12,000 employees are being laid off when 36,000 people are expected to leave the public service voluntarily over the next three years.

The TBS officials replied that attrition is an effective means of workforce adjustment. However, because decisions are made by program and by service, there is often no perfect match between the skills of employees in a given place of work whose positions are declared surplus, and the skills required for jobs available in programs and services the government wants to continue delivering.

Some senators asked for more details about the mechanism the government will be using to reduce the size of the public service, in order to ensure that the process that may terminate the employment relationship between 12,000 public servants and the government is fair and equitable.

The witnesses representing TBS and the PSC told the Committee that their respective organizations are working on the matter together and communicating weekly with departments regarding management of the impact on the workforce. The goal of this approach is to ensure that the government respects the agreements on workforce adjustment it has negotiated with its employees and the provisions of the Public Service Employment Act.

The Senators asked the witnesses how the merit principle, one of the pillars of fairness in the selection of public servants, will be applied in this sweeping exercise.

The PSC witnesses replied that when a group of employees performs similar duties and the government decides to make the group smaller, the decision to keep some employees and lay others off requires a merit-based process. The PSC has the means to monitor those activities and ensure that they respect the values set out in the Public Service Employment Act.

The witnesses went on to say that the PSC is also responsible for managing the Priority Administration System. When a department wants to staff new positions, it must first request an authorization number from the PSC. The witnesses told the Committee that an authorization number is issued to a department only if there are no surplus employees in the priority system.

One senator asked the witnesses how many full-time federal government positions are currently vacant. To the Committee's surprise, the witnesses from both TBS and the PSC replied that the total number of vacant positions in the government is not tracked. Departments manage their own vacant positions.

Some senators questioned whether TBS is enforcing the directive regarding staffing of consultants and temporary help through staffing agencies during the workforce reduction exercise. There was a question as to whether temporary help were being cut before permanent employees were declared surplus. Some senators wondered what measures were being taken to protect permanent government employees. TBS representatives informed the Committee that deputy heads would still be able to hire on contract, which they may need to do to meet temporary or special needs.

Some senators also asked where surplus employees rank on the priority list. The PSC witnesses replied that the legislation establishes three absolute priorities: employees who are declared surplus in their own department; employees returning from leave without pay; and employees who are currently laid off. These are followed by a series of priorities defined by regulation. Those priorities are all treated on equal footing. Priorities defined by regulation include employees who are declared surplus, but outside their own department; employees whose spouse has been relocated; and members of the Canadian Forces and the RCMP who become disabled or are discharged for medical reasons. These employees all have the same level of priority but still rank lower than the three groups identified in the Act.

The PSC officials told the Committee that the number of surplus positions increased from 226 to 576 last fiscal year. They attributed the jump to the fact that the government had begun implementing its budget cuts. However, some of the increase was the result of decisions that may have been made last fall or earlier this year in connection with cost-cutting measures arising from strategic and operational reviews.

Some senators wanted more details about the impact of this exercise in the provinces. The TBS and PSC witnesses were unable to provide the information but undertook to do so. In response to questions from some senators, the TBS witnesses told the Committee that surplus employees can be

given work to do even if it is different from the work they are accustomed to doing, provided they have the proper skills. That said, surplus employees continue to be part of the staff, are free to look for a new permanent job, and continue to be paid for 12 months.

The PSC and TBS witnesses told the Committee that employees affected by the workforce reduction get one of two letters. One states that they are now surplus, while the other states that they will be affected. If their letter says they have been declared surplus, which means their position is being eliminated, they have a certain amount of time to decide whether they want to stay in the public service another year and remain in the priority system, or whether they would prefer to receive transition support, in which case they get financial assistance.

The witnesses went on to say that basically, employees have three options if they are declared surplus:

- remain in the priority system in the hope that they will be considered when a public service position becomes vacant, and continue to draw a salary. If one year passes, the employee has the option of remaining on the priority list for another 12 months, but with no salary.
- take advantage of transition support, with the accompanying financial assistance, which can be as much as 12 months' salary. The total amount of this benefit increases with years of service, to a maximum of 16 years. An employee with 16 years in the public service may be entitled to his or her salary for 12 months; and
- receive financial assistance plus education allowances as well as career advice for planning their future. Surplus employees can take up to \$11,000 to continue their education. To qualify for that assistance, employees must produce receipts issued by an educational institution showing that they have taken one or more courses.

Finally, some senators wanted to know if the government plans to pay severance or termination allowances to employees and if those expenditures are included in the Main Estimates. The witnesses from TBS replied that the decision to pay severance is up to each deputy head. TBS did point out, however, that severance pay does not come out of departmental budgets, in contrast to transition support related to workforce adjustment.

The Committee will continue its work on the impact of the cuts announced in Budget 2012 when it sees fit to do so.

2. Fisheries and Oceans Canada

In the 2012-13 Main Estimates, Fisheries and Oceans Canada (DFO) projects budgetary expenditures of \$1.67 billion, down \$156.8 million or almost 9% from last year.

According to the officials from DFO, the decrease in the department's budgetary resources is generally attributable to projected decreases in operating expenditures, 65% of which are salary expenditures. That item comes to just over \$1.1 billion in the 2012-13 Main Estimates, down \$71 million from last fiscal year. Capital expenditures, more specifically expenditures for major upgrades and construction projects, total \$313 million, \$14 million less than last year. Grants and contributions total \$61.8 million, compared with \$127.7 million a year ago, a decrease of \$59 million or 50%.

The senators asked the witnesses from DFO about the expenditure items that had changed, upward or downward, from last year to this year. The Committee was told that the biggest change in the 2012-13 Main Estimates is a \$40-million decrease in funds for the Pacific Integrated Commercial Fisheries Initiative. However, because Budget 2012 renews funding for the initiative for one year after this year's Main Estimates were prepared, the Committee expects to get that funding request in the 2012-13 Supplementary Estimates.

The second item is a decrease of \$23.4 million in transfers from DFO to fund Shared Services Canada.

The third item is a decrease of almost \$20 million related to the Divestiture of Non-Core Harbours Program, which ended in March 2012.

The fourth item is an \$18.9-million decrease related to Strategic Review resources, as announced in Budget 2011.

The fifth item is a decrease of \$14.3 million related to the Atlantic Integrated Commercial Fisheries Initiative, a contribution program that ended in March 2012. Again, Budget 2012 renews

the funding for one year (2012-13), and as stated earlier, even though the 2012-13 Main Estimates identify this spending reduction, the Committee expects to receive a funding request with the 2012-13 Supplementary Estimates.

The sixth item is a decrease of \$13.1 million in a five-year contribution program that provides support for Quebec and Atlantic Canada lobster harvesters. The witnesses told the Committee that their department has received almost \$65 million to date for the program, which will continue to operate until the end of 2013-14. The decrease is simply due to a year-over-year variation in cash flow.

The seventh item is a decrease of \$11.9 million in activities to support science and sustainable fisheries. The DFO witnesses stated that the department received \$104 million over five years in Budget 2007; the allocation included both permanent and temporary funding. The \$11.9 million in temporary funding ended in March 2012. Again, Budget 2012 renews funding for one year (2012-13).

The last item is a decrease of \$10.2 million for implementation of the Species at Risk Act. In Budget 2007, the department received \$73.4 million over five years. The \$10.2 million is temporary funding that ended in March 2012. Budget 2012 includes \$8.2 million in funding for this item in each of the next three years.

In response to questions from senators, DFO told the Committee that these decreases in expenditures, some of which may be cancelled out by the requests for votes that will appear in the 2012-13 Supplementary Estimates in accordance with the announcements made in Budget 2012, will also be partly offset by initiatives, funding for which was announced in Budget 2011, in particular a \$14.3-million increase in funds for the department in Budget 2011. This increase appears in the 2012-13 Main Estimates because that expenditure could not be included in the 2011-12 budget documents because of production delays.

The second item is an increase of \$8.2 million related to the Federal Contaminated Sites Action Plan. Again, this is an expenditure that was announced in Budget 2011.

The third item is an increase of \$5.1 million to help Canadians adapt to the impacts of climate change under the Government of Canada's Clean Air Agenda. This funding was announced in Budget 2011.

Some senators wanted more details about DFO's revenue of almost \$45 million. The witnesses told the Committee that the revenue was from the commercial shipping industry, more specifically fees for marine navigation services and ice breaking. They added that fees for marine navigation services usually generate the projected revenue, but every year there is a shortfall of about \$8 million from fees for ice breaking. To remedy the situation, DFO has set up a working group to review the fee structure and the way the system is managed in order to identify the changes needed to make up the shortfall. Some senators asked for more details, and the witnesses undertook to provide the Committee with the information.

The Committee also asked questions about contaminated sites under DFO's authority. The witnesses undertook to provide the Committee with the information.

3. Agriculture and Agri-Food Canada

In the 2012-13 Main Estimates, Agriculture and Agri-Food Canada (AAFC) projects budgetary expenditures of \$2.4 billion, down \$152.9 million (6%) from last year. Of that amount, \$1.1 billion must be approved by Parliament. The remaining \$1.3 billion represents budgetary forecasts for statutory items that do not require additional approval.

According to AAFC, the factors that contributed to this change in projected expenditures are a decrease of \$107.9 million related to the phasing out of administrative funding and projected decreases in statutory grants and contributions required for business risk management programs; a decrease of \$74.5 million related to the Agricultural Flexibility Fund; a decrease of \$29.6 million related to the sunseting of the Slaughter Improvement Program (to strengthen the competitiveness of Canada's red meat packing and processing industry); and a decrease of \$22.6 million related to the transfer to Shared Services Canada to consolidate and transform IT infrastructure across government.

AAFC told the Committee that these decreases in expenditures will be partly offset by a number of increases, including \$38.4 million for the Agricultural Innovation Program; \$29.0 million for non-business risk management funds under Growing Forward; \$26.5 million to extend the ecoAgriculture Biofuels Capital Initiative; and \$8.9 million to extend disease control in the hog industry.

Some senators asked the witnesses about Bill C-18, which puts an end to the Canadian Wheat Board's monopoly. The AAFC officials told the Committee that Bill C-18 is going to change Canada's grain sector dramatically. On 1 August 2012, all businesses operating in the grain industry will be able to buy, sell and export wheat. The officials stated that the new marketing framework will enable businesses to compete in wheat and barley markets, which is intended by the government to bring new energy to the sector. The officials also reminded the Committee that the government has promised farmers that it will give the Canadian Wheat Board the resources it needs to continue offering marketing options for producers in western Canada.

Some senators wanted to know if the Wheat Board can fulfill its mandate given that according to the Main Estimates, its budget is reduced 84%, from \$35 million to approximately \$5 million.

The witnesses told the Committee that because Budget 2012 was tabled after the 2012-13 Main Estimates were produced, the Main Estimates do not take into account that the government has reinvested \$44 million in the board over two years. According to AAFC, the board will continue to fulfill its mandate, which is primarily to ensure quality grain.

The Committee wanted to learn more about the way the \$35 million allocated to risk management systems related to food safety and biosafety is used. The witnesses replied that their department and the Canadian Food Inspection Agency share responsibility in this area. AAFC offers food safety programs that entail the development of food safety systems, and those programs will remain intact in 2012-13. Some senators asked for more details about the programs. The Committee may continue its study of this subject in the near future.

The AAFC officials told the Committee that agri-food research is very profitable. They said many studies have shown that investment in agri-food research yields 10 to 15 times the initial

outlay. They pointed out Canada's solid performance on this front and added that they would provide more information about research in order to answer all of the senators' questions.

Asked by the senators about the Slaughter Improvement Program, the witnesses replied that the three-year program ended on 31 March 2012. The aim of the \$50-million program was to help slaughterhouses and similar facilities introduce more modern, more effective and more profitable standards.

4. Department of Justice

In the 2012-13 Main Estimates, the Department of Justice (Justice) projects budgetary expenditures of \$694.6 million, a decrease in the department's net authority of \$42.99 million (6%) compared with last year. Of that amount, \$614.4 million must be approved by Parliament. The remaining \$80.2 million represents budgetary forecasts for statutory items that do not require additional approval. According to the department, the decrease in net authority is mainly attributable to a decrease of \$19.78 million that represents the transfer for the establishment of Shared Services Canada; a decrease of \$14.42 million in funding for activities related to legal aid; a decrease of \$12.30 million in funding for the Aboriginal Justice Strategy; a decrease of \$9.74 million in funding related to the management of immigration cases involving classified information under Division 9 of the Immigration and Refugee Protection Act; and a decrease of \$1.72 million to reflect the decrease in Employee Benefit Premium costs.

The witnesses told the Committee that the decrease in expenditures will be partly offset by an increase of \$7.98 million in funding for renewal of the Federal Victim Strategy; an increase of \$5.3 million in funding for renewal of Canada's war crimes programs; and an increase of \$2.5 million in funding for renewal of anti-gang, gun and drug activities for youth in conflict with the law.

The witnesses told the committee that like many federal departments, Justice is actively involved in the government's efforts to reduce the deficit. As announced in the 2012 Economic Action Plan, the department will save \$12.3 million in the 2012-13 fiscal year, \$60.2 million in 2013-14 and \$67.5 million 2014-15, which represents approximately 10% of the department's net authority.

Some senators asked the witnesses how the department handles equity matters and how it goes about consulting NGOs. The senators also inquired about the horizontal initiatives their department is involved in, particularly with the Department of Foreign Affairs and International Trade, the Department of National Defence and the Canadian International Development Agency. The Justice officials did not have the information the senators were looking for, but undertook to provide it to the Committee in writing.

Some senators asked the witnesses about the projected decrease in expenditures related to legal aid. The witnesses replied that the Main Estimates do show a decrease of \$14.4 million for that item, but the Minister of Justice announced on 30 April 2012, that funding for the Legal Aid Program and the Aboriginal Justice Strategy will continue at the current levels in 2012-13 and 2013-14.

Some senators asked about the funding and operation of drug treatment courts, particularly now that Bill C-10 is in force.² The witnesses replied that the government is funding six drug treatment courts of law as pilot projects. Other courts are funded by the provinces.

The Justice officials went on to tell the Committee that funding for the federal government's six pilot projects has been extended for another year, so that there is more time to evaluate their effectiveness.

Regarding the adjustment of its workforce, the Department of Justice told the Committee that letters were sent to approximately 162 employees informing them that their status was affected. More information about the geographic distribution and classification of the affected employees will be sent to the Committee. In response to questions from senators, the witnesses stated that their forecast expenditures in the Main Estimates total \$884 million: \$694 million in appropriations authorized by Parliament and \$290 million in revenue generated by the services the department provides to government departments and agencies.

Some senators asked about the Federal Victim Strategy. The witnesses replied that the strategy has grown incrementally over the years. They went on to say that one of the key elements of the

² Bill C-10 was assented to on 13 March 2012 and is available at:
<http://www.parl.gc.ca/LegisInfo/BillDetails.aspx?Mode=I&billId=5120829&Language=E>.

strategy is the Victims Fund, which is administered by the Department of Justice and other partners, more specifically Public Safety Canada and the Royal Canadian Mounted Police.

Parliament has been renewing funding for the strategy since 2007, allocating \$13 million annually. On 23 April of this year, the Minister of Justice announced a \$1.4-million increase in funding for the Victims Fund; that money will go to children's support centres.

5. Environment

In the 2012-13 Main Estimates, Environment Canada projects budgetary expenditures of \$972.7 million, up \$100.6 million (12%) from last year. According to the department, this net increase in budgetary expenditures is mainly attributable to an increase of \$90.3 million in funding related to renewal of the Clean Air Agenda; an increase of \$27.8 million in funding for renewal of Canada's Chemical Management Plan initiative; an increase of \$19.4 million in funding to improve Canada's weather services; and an increase of \$7.6 million in funding for renewal of the accelerated contaminated sites action plan initiative. These increases are partly offset by a decrease of \$48.7 million due to the transfer to Shared Services Canada of control and supervision of the email, data centre, network services and support units.

The officials from Environment Canada stated that their department will be contributing to federal deficit reduction by reducing its expenditures by approximately 5% between now and 2014-15. To meet that objective, the department is planning to reduce its staff by 200 over that period.

Some senators asked about the \$7.6-million increase for renewal of the contaminated sites initiative. The witnesses replied that federal departments are responsible for a portion of the cost of cleaning up their contaminated sites. Funding related to the accelerated contaminated sites initiative supports the expenditures incurred by federal departments to clean up their contaminated sites.

In response to senators' questions about the \$37.5-million increase in grants to the Canada Foundation for Sustainable Development Technology, the witnesses stated that the increase is mainly attributable to the deferral of \$31 million in budgetary appropriations not used in 2010-11.

6. Parks Canada Agency

In the 2012-13 Main Estimates, the Parks Canada Agency projects budgetary expenditures of \$648.2 million, down \$42.3 million (6.1%) from last year. According to the agency, the net decrease in budgetary expenditures is mainly attributable to a decrease of \$45.0 million for the planned completion of a section of the Trans-Canada Highway in Banff National Park, and a decrease of \$15.7 million due to the transfer of email, data centre and network services to Shared Services Canada. These decreases are partly offset by an increase of \$7.5 million for emergency response to natural disasters, an increase of \$5.9 million for the assessment, management and remediation of federal contaminated sites, and an increase of \$4.5 million to support building the Trans-Canada Trail.

A Parks Canada official stated that his agency is responsible for 43 national parks, 167 national historic sites and four national marine conservation areas. Since 2006, Parks Canada has been taking measures that will increase the network of national parks and protected areas by 50% in the next few years.

The official added that the Main Estimates also include \$9.4 million for national awareness and commemorative events related to the War of 1812 that will take place at 20 Parks Canada sites.

Addressing the concerns of some senators that some national parks could close as a result of the budget cuts identified in the Main Estimates, a Parks Canada official stated that none of the sites managed by the agency would be closed in the next few years. He added that the agency will be concentrating its expenditures in peak periods like summer at national and historic sites that draw more visitors and therefore require more staff.

Some senators asked for more details about the \$4-million decrease for the Habitat Stewardship Contribution Program. The officials from Environment Canada stated that the decrease is related to funds that were not approved in time to be included in the Main Estimates. The officials went on to say that the funds should be presented in the 2012-13 Supplementary Estimates.

In response to questions from some senators about the number of layoff letters sent to Parks Canada employees, an official from the agency stated that letters were sent to 638 employees whose position will be abolished, and 1,051 employees whose work hours will be reduced.

Some senators asked the witnesses from Parks Canada why the revenue collected by the agency is not in the Main Estimates. The witnesses promised to discuss with the Treasury Board Secretariat the possibility of including information about their revenue in future budget documents.

7. Canadian Environmental Assessment Agency

In the 2012-13 Main Estimates, the Canadian Environmental Assessment Agency (CEAA) projects budgetary expenditures of \$17.0 million, down \$13.0 million (43.3%) from last year. The decrease is attributable to a decrease of \$10.2 million related to the sunseting of the Budget 2007 initiative to improve Canada's regulatory framework for major resources projects; a decrease of \$1.1 million for the reprofile of the Participant Funding Program funds; a decrease of \$1.1 million due to the sunseting of funding to proactively lead Aboriginal consultations during environmental assessments; and a decrease of \$0.5 million related to environmental assessment litigation costs.

A CEAA official told the Committee that Budget 2012 includes an additional \$1.5 million to enable the agency to hold consultations with Aboriginal peoples on projects assessed under the Canadian Environmental Assessment Act. The official explained that the additional funds will be included in the 2012-13 Supplementary Estimates.

In response to the senators' questions about the number of layoff letters sent to agency employees, an official stated that no letters were sent because the CEAA has too small a workforce to have been part of the federal deficit reduction plan.

8. Department of Foreign Affairs and International Trade

In the 2012-13 Main Estimates, the Department of Foreign Affairs and International Trade (DFAIT) projects budgetary expenditures of \$2.6 billion, a net decrease of \$32.9 million (1%) from last year. According to the department, the net decrease in budgetary expenditures is attributable to a decrease of \$52.8 million in operating costs; a decrease of \$12.1 million in capital costs; a decrease of \$31.6 million in grants, contributions and other transfer payments; and a decrease of \$9.4 million

in statutory expenditures related to contributions to employee benefit plans. These decreases are partly offset by an increase of \$50.8 million in payments in respect of pension insurance and social security programs for employees locally engaged outside Canada and an increase of \$22.2 million in statutory expenditures related to the Passport Office Revolving Fund³.

In response to the senators' questions about the savings realized from the sale of some federal government residences abroad in recent years, the officials from DFAIT stated that the revenue generated by the sale of federal government residences abroad was generally used to buy or rent smaller residences, which would reduce maintenance costs.

Some senators asked about the way DFAIT manages the risks associated with fluctuations in currencies used by its employees outside Canada. The DFAIT officials replied that currency gains are returned to the Consolidated Revenue Fund and losses are covered by the Fund.

In response to the senators' questions about the \$50.8-million increase in respect of pension insurance and social security programs for employees locally engaged outside Canada, the DFAIT officials stated that some foreign countries have laws requiring the federal government, as the employer, to participate in certain types of pension or health insurance plans for locally engaged employees.

Some senators asked for more details about the \$35.5-million increase for the strengthening of security at missions abroad through risk-based initiatives to reinforce and professionalize mission security teams and strengthen physical infrastructure. The witnesses replied that the increase in expenditures will make it possible to increase the physical infrastructure and the security of DFAIT employees in high-risk areas.

The senators inquired about the \$1.0-million increase in annual financial support for the host country for the United Nations Convention on Biological Diversity. The witnesses replied that the UN chose Montreal as the host city for the convention and that the selection, in accordance with

³ The Passport Office operates on a [revolving fund](#) basis and is self-financing through user fees charged for various travel documents. Unlike government departments, it has no annual parliamentary appropriation for operations and must generate sufficient revenues to meet its expenses. It has a significant degree of autonomy in administering its operations.

Canada's commitments to the United Nations, was accompanied by an increase in federal funding for biodiversity.