



**REPORT ON THE  
*SUPPLEMENTARY ESTIMATES (A), 2012-2013***

**Standing Senate Committee on  
National Finance**

**ELEVENTH REPORT**

*Chair*

The Honourable Joseph A. Day

*Deputy Chair*

The Honourable Larry Smith

June 2012

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**REPORT ON THE**  
***SUPPLEMENTARY ESTIMATES (A), 2012–13***

*The Supplementary Estimates (A), 2012–13* were tabled in Parliament on 17 May 2012 and were referred to the Standing Senate Committee on National Finance. The *Supplementary Estimates (A), 2012–13* are the first supplementary estimates for the fiscal year ending on 31 March 2013. They identify the spending authorities and the amounts to be included in subsequent appropriations.

The Committee met with officials from five federal departments to review these Supplementary Estimates. On 5 June 2012, officials from the Treasury Board Secretariat (TBS) appeared, specifically Bill Matthews, Assistant Secretary, Expenditure Management Sector, Marcia Santiago, Senior Director, Expenditure Information Division, and Darryl Sprecher, Director, Expenditure Management Portfolio.

On 6 June 2012, the Committee heard from four departments. Public Works and Government Services Canada was represented by Alex Lakroni, Chief Financial Officer, Finance Branch, and Pierre-Marc Mongeau, Assistant Deputy Minister, Parliamentary Precinct Branch.

Speaking on behalf of the Department of Transport were André Morency, Assistant Deputy Minister, Corporate Management and Crown Corporation Governance, Claude Corbin, Senior Director, Financial Management, Jane Weldon, Director General, Surface Infrastructure Programs, Catherine Higgins, Director General, Environmental Affairs – Programs, Luc Brisebois, Director, Emergency and Preparedness, Marc Brazeau, Acting Director General, Airport and Port Programs, Martin Eley, Director General, Civil Aviation, and Annette Gibbons, Director General, Surface Transportation Policy.

The Department of Natural Resources was represented by Anil Arora, Acting Assistant Deputy Minister, Corporate Management and Services Sector, and Thérèse Roy, Acting Chief Financial Officer.

Finally, Michael Wernick, Deputy Minister, and Susan MacGowan, Chief Financial Officer, spoke on behalf of the Department of Indian Affairs and Northern Development.

## Overview of the Supplementary Estimates (A), 2012-13

In federal budget documents, planned expenditures are allocated between budgetary and non-budgetary spending, and are divided into two categories: voted appropriations<sup>1</sup> and statutory expenditures.<sup>2</sup> As shown in Table 1, in the *Supplementary Estimates (A), 2012-13*, Parliament is being requested to approve \$2.1 billion in voted appropriations; as well, there is an increase of \$200 million in forecast statutory expenditures.

**Table 1 – Supplementary Estimates (A), 2012-13 (\$ billions)**

	<b>Budgetary</b>	<b>Non-Budgetary</b>	<b>Total</b>
Voted appropriations	2.1	0.0	2.1
Statutory Expenditures	0.2	0.0	0.2
Total	2.3	0.0	2.3

Source: Treasury Board of Canada Secretariat, *Supplementary Estimates (A), 2012-13*, p. 8.

The total Estimates to date for 2012-2013 will be \$254.2 billion, including \$251.9 billion in the *Main Estimates 2012-13* and \$2.3 billion in the *Supplementary Estimates (A), 2012-13*.

According to the TBS, the tabling of the federal budget on 29 March 2012 did not allow sufficient time for the inclusion of most announced measures in the *Main Estimates 2012-13*. New planned expenditures announced in the budget will be included in future Estimates documents; reductions announced in the budget are not reflected in the *Supplementary Estimates (A), 2012-13*.

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<sup>1</sup> Voted appropriations are sometimes called votes.

<sup>2</sup> **Budgetary expenditures** include the cost of servicing the public debt; operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations. **Non-budgetary expenditures** (loans, investments and advances) are outlays that represent changes in the composition of the financial assets of the Government of Canada. **Voted** appropriations are those for which parliamentary authority is sought through an appropriation bill, and **statutory** expenditures are those authorized by Parliament through enabling legislation and for which forecasts are provided for information purposes only.

## **Examination of the Supplementary Estimates (A), 2012-13**

During the Committee's examination of the *Supplementary Estimates (A), 2012-13*, senators explored the federal government's rationale for voted appropriation authorization requests and the reasons for changes to statutory appropriation levels for federal departments, agencies and corporations.

### **1. Treasury Board Secretariat**

In the *Supplementary Estimates (A), 2012-13*, the TBS is requesting a total of \$862.4 million in gross voted appropriations. Of this amount, \$850.0 million is requested for allocations to eligible departments and agencies for the payment of accumulated severance pay benefits, \$7.8 million is for the modernization of human resources services in departments and agencies, and \$4.6 million is for the implementation of Canada's Cyber Security Strategy to protect digital infrastructure.

Officials from the TBS highlighted three changes to the Supplementary Estimates document. Firstly, the TBS added a high-level analysis of the voted expenditures in the *Supplementary Estimates (A), 2012-13* that presents the largest monetary changes to individual departments. Secondly, the *Supplementary Estimates (A), 2012-13* contain information on current planned expenditures for all organizations, not just the 44 organizations that requested additional spending authorities. Finally, officials from the TBS informed the Committee that additional information, such as summaries of changes to statutory forecasts for the *Supplementary Estimates (A), 2012-13*, is available online.

Additionally, officials from the TBS told the Committee that the request of \$850.0 million for allocations to eligible departments and agencies for the payment of accumulated severance pay benefits represented their estimates of the amount that will be cashed out in 2012-2013 by federal public servants. According to them, the estimate is based on an assumed cash-out rate of 75%. They reminded the Committee that they made a request of \$1.1 billion in 2011-2012 for the same purpose.

In responding to questions from some senators about the total federal liability associated with the cessation of the accumulation of severance benefits for voluntary departures from the federal public service, officials from the TBS responded that this liability was approximately \$6.0 billion. Thus, Parliament should expect to see requests related to this item over the coming years. They also mentioned that some provinces had taken or were taking steps to eliminate similar severance benefits for voluntary departures.

With respect to a request of \$203.0 million for Canada's fast start financing commitments under the Copenhagen Accord, officials from the TBS mentioned that \$171.1 million of that amount was requested by the Canadian International Development Agency (CIDA). According to them, about \$150.0 million of the \$171.1 million requested by CIDA would be allocated to unconditionally repayable contributions to two international development banks. Environment Canada, the Department of Foreign Affairs and International Trade, and Parks Canada also requested funding under this item.

Officials from the TBS provided the Committee with an update regarding the ongoing study by the House of Commons Standing Committee on Government Operations and Estimates (OGGO) on the format and the content of the Estimates document. According to them, OGGO is drafting its report, following hearings that focused on accrual versus cash accounting, the right format for the Estimates documents, and the current vote structure based on operating expenditures, capital expenditures, and grants and contributions.

In responding to questions from some senators about the TBS's preferred approach regarding accrual accounting and cash accounting, officials from the TBS indicated that they did not have a preferred approach, but did their best to ensure that OGGO understood the implications associated with recommending either option. According to them, moving from cash accounting to accrual accounting would require the federal government to change all of the current systems underlying the appropriations.

Some senators posed questions about a request of \$51.0 million for federal government advertising programs. Officials from the TBS provided a breakdown in relation to the request:

- the Department of Finance requested \$16.0 million for advertising programs in relation to some measures announced in the 2012 federal budget;
- the Department of Human Resources and Skills Development requested \$13.0 million for advertising programs in relation to changes to the Old Age Security program and for programs for better jobs;
- the Department of Citizenship and Immigration requested \$5.5 million for advertising programs in relation to services for new Canadians, a citizenship guide campaign and foreign skilled workers;
- the Department of Foreign Affairs and International Trade requested \$5.0 million for advertising programs in relation to promotion of the travel.gc.ca website and for support of Canadian businesses in foreign markets;
- Health Canada requested \$5.0 million for advertising programs in relation to the health and safety of Canadians;
- the Department of Natural Resources requested \$5.0 million for advertising programs in relation to the promotion of responsible resource development;
- the Department of Canadian Heritage requested \$1.3 million for advertising programs in relation to commemorative events for the War of 1812; and
- the Office of the Co-ordinator, Status of Women requested \$250,000 for advertising programs in relation to the prevention of violence against women.

In responding to questions from a number of senators about the information in the Main Estimates and the Supplementary Estimates regarding the performance-based compensation paid to federal public service executives, officials from the TBS said that there was no vote in the Main Estimates or the Supplementary Estimates that presented this information. The representatives from the TBS have undertaken to provide the Committee with more information on this issue.

A senator asked whether it would be possible for the TBS to add interactive features on its website that would allow Canadians to construct their own spreadsheets with the information contained in the Main Estimates and the Supplementary Estimates. Officials from the TBS explained that they were aware of the frustration experienced by some users of the Estimates

documents and were working on making information more user-friendly through TBS's open data strategy.

Some senators requested additional information about a request of \$150.0 million by the Department of Indian Affairs and Northern Development for specific claims settlements. Officials from the TBS told the Committee that the federal government had announced a fund of \$2.6 billion over several years to address specific claims settlements. As of January 2012, approximately \$900.0 million of the \$2.6 billion had been spent. They indicated that more information about the federal liability associated with the unsettled land claims could be found in the Volume I of the Public Accounts of Canada. According to the *Public Accounts of Canada, 2010–2011*, the federal government's total liability associated with comprehensive land claims was estimated at \$3.8 million in 2011.<sup>3</sup>

In responding to questions from some senators about the accountability mechanism for the Copenhagen Accord, officials from the TBS explained that the accountability mechanism used depended on the recipient of the funds. For example, most of the funds requested by the Department of Foreign Affairs and International Trade will be given to some local non-governmental organizations (NGOs), which will be accountable to the federal government. On the other hand, the majority of the funds requested by CIDA will be allocated to unconditionally repayable contributions to the Inter-American Development Bank and the International Bank for Reconstruction and Development, which will have an accountability relationship with the beneficiaries of the funds.

Some senators questioned why the funds requested by CIDA for unconditionally repayable contributions to the Inter-American Development Bank and the International Bank for Reconstruction and Development were presented as budgetary expenditures instead of non-budgetary expenditures. Officials from the TBS responded that loans are typically non-budgetary expenditures, while contributions are typically budgetary expenditures. They also noted that when repayable contributions are reimbursed, funds are either reinvested in other programs or allocated to the budgetary balance of the federal government.

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<sup>3</sup> Public Works and Government Services Canada, *Public Accounts of Canada, 2010–2011, Volume I*, <http://www.tpsgc-pwgsc.gc.ca/recgen/pdf/49-eng.pdf>, p. 2.31.



A senator sought additional details about a request of \$2.7 million by the Royal Canadian Mounted Police Public Complaints Commission to maintain service standards under continuing workload pressures and for outreach activities. Officials from the TBS told the Committee that they did not know if the number of complaints had increased, but offered to contact the Public Complaints Commission and provide the Committee with precise information on the number of complaints.

In responding to questions from a senator about the reasons why funding provided to the Royal Canadian Mounted Police (RCMP) for First Nation community policing was not presented in the Main Estimates or the Supplementary Estimates, officials from the TBS said that this funding was presented in the *Supplementary Estimates (A), 2012–13* as a transfer from the Department of Public Safety and Emergency Preparedness to the RCMP.

## **2. Public Works and Government Services Canada**

In the *Supplementary Estimates (A), 2012–13*, Public Works and Government Services Canada (PWGSC) requested \$237.2 million in net voted appropriations. Of this amount, a request of \$242.9 million was made for projects to rehabilitate the parliamentary precinct buildings and \$3.6 million was to be transferred from various federal departments and agencies for the consolidation of all federal government pay administration services in Miramichi, New Brunswick. These increases were to be offset in part by a transfer of \$9.3 million to Shared Services Canada.

Some senators questioned why PWGSC requested \$242.9 million for projects to rehabilitate the parliamentary precinct buildings in the *Supplementary Estimates (A), 2012–13*, compared to a request of \$4.7 million in the *Main Estimates 2012–13*. Officials from PWGSC explained that the Parliamentary Precincts Program was project-based and contained multiple projects, with the requirements for each of these projects defined on an annual basis. According to them, approvals for these projects are obtained from the TBS after the Main Estimates are tabled, which explains why funding requests are sometime presented in the Supplementary Estimates.

In responding to questions from a senator about improvements made by PWGSC to the governance of the rehabilitation projects related to the parliamentary precinct buildings since the

2010 report of the Auditor General of Canada, officials from PWGSC indicated that the report provided the department with a “good grade” for their management of the rehabilitation projects. Officials also explained that they have been working since 2010 to improve the governance of these rehabilitation projects by improving communication among PWGSC’s teams and by looking at the best practices in other countries, such as the United States and the United Kingdom.

A senator posed questions about the PWGSC’s track record in terms of on-time completion of the rehabilitation projects in relation to the parliamentary precinct buildings. Officials from the PWGSC responded that, over the past years, the PWGSC had a good track record regarding on-time and on-budget completion of large rehabilitation projects. For example, rehabilitation of the La Promenade building, which had a budget of about \$84.0 million, was completed at a cost of \$77.5 million. The rehabilitation of the building located at 1 Wellington Street was completed on-time and on-budget. According to them, rehabilitation of the Sir John A. MacDonald building will be completed in 2014, as will rehabilitation of the Bank of Montreal Building; rehabilitation of the building located at 180 Wellington Street will be completed in 2015–2016.

In responding to questions from a senator about where Canadians could find information regarding the cost of the rehabilitation projects in relation to the parliamentary precinct buildings, officials from the PWGSC said that there was no web site that listed the actual cost of these rehabilitation projects to date. They also mentioned that a recent article in the Hill Times provided a good overview of the planned costs and the deadline for each project. They indicated that they will provide the Committee with a high-level briefing note on the current five-year plan for the rehabilitation projects in relation to the parliamentary precinct buildings.

### **3. The Department of Transport**

*In the Supplementary Estimates (A), 2012–13*, the Department of Transport requested \$16.6 million in net voted appropriations. This amount included \$16.1 million to finance the Regional and Remote Passenger Rail Services Class Contribution Program until March 2013, \$2.9 million to support regulatory reviews and to modernize the regulatory system for major resource projects, \$1.0 million to support the sustainability and the maintenance of the Port of Churchill in Manitoba, \$693,000 to provide essential federal services for the 2015 Pan Am and Parapan Am

Games, \$199,000 to finance incremental costs relating to the Evergreen light rail transit project in British Columbia, and a \$7.9 million transfer from the Jacques Cartier and Champlain Bridges Inc. to the Department of Transport for the planning of a new bridge for the St. Lawrence River. These increases would be offset by a \$12.2 million transfer from the Department of Transport to Shared Services Canada and a \$30,000 transfer from the Department of Transport to Industry Canada.

VIA Rail Canada Inc. requested \$89.5 million in the *Supplementary Estimates (A), 2012–13*, including \$68.0 million for incremental pension requirements and \$21.5 million reprofiled from a 2011–2012 frozen allotment into 2012–2013 in order to complete capital projects that were delayed for a variety of reasons outside of VIA Rail Canada Inc.’s control.

A senator requested more details about the \$7.9 million transfer from the Jacques Cartier and Champlain Bridges Inc. to the Department of Transport. Officials from the Department of Transport explained that this transfer was linked to the transfer of responsibility regarding the planning for the construction of the new Champlain Bridge.

In responding to questions from a senator about a request of \$1.0 million to support the sustainability and the maintenance of the Port of Churchill in Manitoba, officials from the Department of Transport said that the funds were to support various repairs and maintenance in an effort to ensure the Port’s continued vitality, given the recent amendments to the *Canadian Wheat Board Act* that eliminated the requirement for farmers to sell to the Canadian Wheat Board. They also noted that this request was part of a \$4.1 million contribution program over a three-year period.

A senator posed questions about a request of \$68.0 million by VIA Rail Canada Inc. to finance incremental pension requirements. Officials from the Department of Transport responded that VIA Rail Canada Inc. had reduced its pension costs by \$192.0 million over the last five years by looking at early retirement provisions and other measures, and that the \$68.0 million request would ensure the solvency of VIA Rail Canada Inc.’s pension plan for this year.

#### **4. The Department of Natural Resources**

In the *Supplementary Estimates (A), 2012–13*, the Department of Natural Resources requested \$8.7 million in net voted appropriations. This amount included \$73.2 million for implementation of the Port Hope Area Initiative, \$5.0 million for federal government advertising programs, \$3.4 million to support regulatory reviews and to modernize the regulatory system for major resource projects, and a transfer of \$9.8 million from the Department of National Defence to the Department of Natural Resources for construction of the Canadian Forces Arctic Training Centre in Resolute Bay, Nunavut. These increases would be partially offset by a transfer of \$30,000 from the Department of Natural Resources to Industry Canada and a transfer of \$1.0 million from the Department of Natural Resources to PWGSC to consolidate all federal government pay administration services in Miramichi, New Brunswick.

Atomic Energy of Canada Limited (AECL) requested \$166.2 million in voted appropriations. This amount included \$160.0 million to meet operational requirements and ongoing programs, such as ensuring isotope production, to address legacy costs associated with the winding-down of the Dedicated Isotope Facilities, and to address urgent health, safety, security and environmental priorities at Chalk River Laboratories. It also included \$6.2 million for costs associated with workforce transition.

In responding to questions from a senator about a request of \$166.2 million by AECL, officials from the Department of Natural Resources indicated that \$160.0 million of the amount requested would be spent on the Chalk River facility and the nuclear laboratories division and isotope production. The remaining \$6.2 million would be allocated to workforce adjustment costs related to the divestiture of the CANDU reactor division to SNC-Lavalin.

A senator sought additional details about the transfer of \$9.8 million from the Department of National Defence to the Department of Natural Resources for the construction of the Canadian Forces Arctic Training Centre in Resolute Bay, Nunavut. Officials from the Department of Natural Resources said that this transfer would finance the construction of a new wing. They mentioned that building in Resolute Bay provided the federal government with a good return on its investment because it was used by the researchers from the Department of Natural Resources during the summer and by the Department of National Defence during the winter.

In responding to questions from a senator about a request of \$73.2 million for implementation of the Port Hope Area Initiative, officials from the Department of Natural Resources indicated that the Port Hope Area Initiative is an agreement between the Government of Canada and local communities to develop and implement a safe, long-term management solution for the historic low-level radioactive waste stored in the Port Hope area. This radioactive waste resulted from the operation of the Crown corporation Eldorado Nuclear Ltd., which is now called Cameco.

## **5. The Department of Indian Affairs and Northern Development**

In the *Supplementary Estimates (A), 2012–13*, the Department of Indian Affairs and Northern Development requested \$159.3 million in net voted appropriations. This amount included a request of \$150.0 million for specific claims settlements, \$3.4 million for renewal and implementation of Self-Government Financial Transfer Agreements, \$2.5 million for First Nations SchoolNet Youth Initiatives, \$2.0 million for the First Nations Child and Family Services Program Information Management System, \$1.6 million for implementation and self-government costs of *Sechelt Indian Band Self-Government Act*, \$1.4 million to support regulatory reviews and to modernize the regulatory system for major resource projects, \$185,000 for compensation related to the transfer of provincial Crown land pursuant to the McLeod Lake Indian Band Treaty No. 8 Adhesion and Settlement Agreement, a transfer of \$630,000 from Health Canada to the Department of Indian Affairs and Northern Development to fund Sechelt Indian Band health programs, a transfer of \$20,571 from Health Canada to the Department of Indian Affairs and Northern Development for the Self-Governing Yukon First Nations Programs and Services Transfer Agreement on health. These increases were to be partially offset by a transfer of \$497,000 from the Department of Indian Affairs and Northern Development to the Department of Human Resources and Skills Development to support the Kativik Regional Government to streamline delivery of youth programming and a transfer of \$1.2 million from the Department of Indian Affairs and Northern Development to PWGSC to consolidate all federal government pay administration services in Miramichi, New Brunswick.

Regarding the request of \$150.0 million for specific claims settlements, officials from the Department of Indian Affairs and Northern Development mentioned that these claims

settlements would allow the federal government to honour its legal obligations and allow the First Nations to have access to the resources they need to develop their full potential. According to them, the average value of a claim settlement can range from \$100,000 on a small issue to \$350.0 million for certain large issues.

Officials from the Department of Indian Affairs and Northern Development also told the Committee that the request of \$2.0 million for the First Nations Child and Family Services Program Information Management System was to be allocated to the development of a system designed to track and manage very large investments that are made in the funding of child and family services programs.

A senator posed questions about the total amount of funding for First Nations education provided by the Department of Indian Affairs and Northern Development. Officials from the Department of Indian Affairs and Northern Development responded that the Main Estimates 2012-2013 and the department's *Report on Plans and Priorities* contain \$1.4 billion for k-to-12 education for First Nations and \$300 million to fund post-secondary education. They also explained that there is additional funding that finances the building of schools and physical infrastructure for First Nations.

Another senator expressed some concerns about the adequacy of funding for First Nation education. Officials from the Department of Indian Affairs and Northern Development indicated that the amount of funding provided by the federal government was adequate, and suggested that gaps in the quality of the education received by some Aboriginal students in certain Aboriginal communities was mainly attributable to governance problems in these communities, and to poor targeting and design of some education programs. Officials explained that there is currently no consensus among First Nations on an alternative design for federal funding for First Nations education.