



**FINAL REPORT ON THE  
2013–2014 MAIN ESTIMATES**

**Standing Senate Committee on  
National Finance**

**SEVENTH REPORT**

*Chair*  
The Honourable Joseph A. Day

*Deputy Chair*  
The Honourable Larry Smith

March 2014

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# **FINAL REPORT ON THE 2013–2014 MAIN ESTIMATES**

## **Introduction**

Continuing its study of the expenditures set out in the Main Estimates for the fiscal year ending 31 March 2014, the Standing Senate Committee on National Finance (“the Committee”) held seven meetings to study the Estimates in January and February 2014. In total, the Committee will have submitted three reports, including this one, and held twenty-one meetings for its study of the *Main Estimates 2013–2014*.

On 28 January 2014, the Committee heard the following officials from the Office of the Parliamentary Budget Officer:

- Jean-Denis Fréchette, Parliamentary Budget Officer;
- Mostafa Askari, Assistant Parliamentary Budget Officer, Economic and Fiscal Analysis;
- Jason Jacques, Director, Economic and Fiscal Analysis;
- Trevor Shaw, Analyst, Economic and Fiscal Analysis; and
- Peter Weltman, Acting Assistant Parliamentary Budget Officer, Expenditure and Revenue Analysis.

On 29 January 2014, the Committee heard the following officials from the Office of the Superintendent of Financial Institutions:

- Marie-France Caron, Acting Chief Financial Officer, Managing Director of Finance, Finance and Corporate Planning; and
- Philippe-A. Sarrazin, Managing Director, Legislation and Policy Initiatives.

On 4 February 2014, officials from the Office of the Conflict of Interest and Ethics Commissioner and the Canada Border Services Agency appeared before the Committee. The officials from the respective organizations were:

*Office of the Conflict of Interest and Ethics Commissioner*

- Mary Dawson, Conflict of Interest and Ethics Commissioner;
- Denise Benoit, Director, Corporate Management; and
- Lyne Robinson-Dalpe, Assistant Commissioner, Advisory and Compliance.

#### *Canada Border Services Agency*

- Claude Rochette, Vice President, Comptrollership Branch; and
- Caroline Xavier, Associate Vice President, Operations Branch.

On 5 February 2014, the Committee heard from the Public Health Agency of Canada and the Office of the Commissioner of Lobbying of Canada. The officials from the respective organizations were:

#### *Public Health Agency of Canada*

- Dr. Gregory Taylor, Deputy Chief Public Health Officer;
- Carlo Beaudoin, Chief Financial Officer;
- Kim Elmslie, Acting Assistant Deputy Minister, Health Promotion and Chronic Disease Prevention Branch;
- Sylvain Segard, Acting Assistant Deputy Minister, Strategic Policy, Planning and International Affairs Branch; and
- Dr. Theresa Tam, Branch Head, Health Security Infrastructure Branch.

#### *Office of the Commissioner of Lobbying of Canada*

- Karen E. Shepherd, Commissioner of Lobbying of Canada;
- Johanne Blais, Special Financial Advisor to the Commissioner; and
- Gillian Cantello, Director of Registration and Client Services.

On 11 February 2014, one agency and two departments appeared before the Committee: the Canada Mortgage and Housing Corporation, Employment and Social Development Canada,<sup>1</sup> and Foreign Affairs, Trade and Development Canada.<sup>2</sup> The officials from these respective organizations were:

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<sup>1</sup> Under Bill C-4, A second act to implement certain provisions of the budget tabled in Parliament on March 21, 2013 and other measures, Human Resources and Skills Development Canada was renamed Employment and Social Development Canada.

### *Canada Mortgage and Housing Corporation*

- Debra Darke, Acting Vice President, Regional Operations and Assisted Housing; and
- Brian Naish, Chief Financial Officer.

### *Employment and Social Development Canada*

- Catherine Demers, Executive Director, Federal, Provincial, Territorial Partnerships, Employment Programs and Partnerships Skills Employment Branch;
- Jacques Paquette, Senior Assistant Deputy Minister, Income Security and Social Development Branch; and
- Alain P. Séguin, Chief Financial Officer.

### *Foreign Affairs, Trade and Development Canada*

- Nadir Patel, Assistant Deputy Minister and Chief Financial Officer, Corporate Planning, Finance and Information Technology; and
- Arun Thangaraj, Director General, Financial Resource Planning and Management Bureau.

On 12 February 2014, the following officials from the Public Service Commission of Canada appeared before the Committee:

- Anne-Marie Robinson, President;
- Jacqueline Bogden, Vice President, Audit and Data Services; and
- Gerry Thom, Acting Senior Vice President, Policy.

Lastly, on 25 February 2014, the Committee heard the following officials from the Office of the Privacy Commissioner of Canada:

- Chantal Bernier, Interim Privacy Commissioner;

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<sup>2</sup> Under Bill C-60, Economic Action Plan 2013 Act, No. 1, Foreign Affairs and International Trade Canada and the Canadian International Development Agency were merged to create Foreign Affairs, Trade and Development Canada.

- Daniel Nadeau, Director General and Chief Financial Officer; and
- Maureen Munhall, Director, Human Resources Management.

As part of its study, the Committee also received a brief from the Canadian Bankers Association, which interacts with the Office of the Superintendent of Financial Institutions.

## **1. Office of the Parliamentary Budget Officer**

The officials from the Office of the Parliamentary Budget Officer told the Committee that their budget is included in the Library of Parliament's budget, which is why it does not appear in the estimates documents. The Office's budgets are prepared by the Library of Parliament Executive Committee. The budgets are then submitted by the Parliamentary Librarian to the speakers of the Senate and the House of Commons. Both speakers act as the ministers responsible for the Library of Parliament.

The Committee learned that the Office of the Parliamentary Budget Officer's total budget was \$2.8 million for 2013–2014, the same level of funding since it was created in 2008. The organization has a total of 15 employees, including support staff.

The officials described the Office of the Parliamentary Budget Officer's mandate as very broad. Generally, its mandate is to provide analysis on the state of the nation's finances, the government's estimates and trends in the Canadian economy.

The Office of the Parliamentary Budget Officer conducts independent analyses of Canada's economic and financial situation such as fiscal sustainability reports, analyses of certain specific sectors, and estimates of the fiscal impact of senators' and private members' bills. All analyses prepared by the organization are published and accessible to everyone.

The officials also told the Committee that the organization is committed to supporting parliamentarians in their task as legislators and to holding the government to account for the good stewardship of public funds.

The Committee learned that, given its limited resources, the Office of the Parliamentary Budget Officer must prioritize requests from parliamentarians as follows:

1. motions requesting the costing of a bill adopted by one of the three committees<sup>3</sup> referred to in section 79.2 of the *Parliament of Canada Act*, which sets out the mandate of the Office of the Parliamentary Budget Officer;
2. based on their fiscal impact; and
3. based on how politically controversial they are.

The officials told the Committee that in the past and particularly in recent months, the Office has had difficulty getting federal departments and agencies to provide the information it needs to fulfill its mandate. To address this, the previous Parliamentary Budget Officer had launched legal proceedings against the federal government, with Justice Harrington ruling against him. However, Justice Harrington did provide a number of remedies that could help the Office of the Parliamentary Budget Officer obtain the information it requires. Further to these recommendations, the Parliamentary Budget Officer discussed the challenges of obtaining the information with the Parliamentary Librarian and met with the speakers of the Senate and the House of Commons, who appreciated the situation and offered their support. It was also brought to the Committee's attention that this is in addition to the Office's ongoing efforts to develop and maintain good relationships with federal departments and agencies.

In answer to a question from a Committee member, the officials from the Office of the Parliamentary Budget Officer said that another available option for obtaining the missing data would be to submit access to information requests, a tool that the organization has used in the past.

In answer to a question from the Committee regarding the savings identified within the public service as part of the spending review launched in the 2012 federal budget, the officials from the Office of the Parliamentary Budget Officer said that, in general, efficiency gains are normally linked to investment. The Committee learned that the information requested from federal departments and agencies concerned the inflows

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<sup>3</sup> These three committees are the Standing Senate Committee on National Finance, the House of Commons Standing Committee on Finance and the House of Commons Standing Committee on Public Accounts.

and outflows of money related to their various programs in order to determine whether investments generating efficiency gains had been made. The Office's officials told the Committee they had noted that the service levels and performance targets for some of the program activities affected by cuts announced in the 2012 federal budget had not changed.

The officials from the Office of the Parliamentary Budget Officer said that another challenge lies in the lack of data in the government's reports on certain program activities in order to evaluate their performance. In an effort to evaluate the impact of the spending review launched in the 2012 federal budget, the Office tried to use the information published by the government on program activities. However, they determined that for 40% of the 1,300 activities reviewed, there was insufficient information in the government reports to determine whether they were performing in accordance with government criteria.

## **2. Office of the Superintendent of Financial Institutions**

In the *2013–2014 Main Estimates*, the Office of the Superintendent of Financial Institutions requested funding of \$909,000, the same as for the previous fiscal year.

In response to questions from the Committee, the officials explained that the Office of the Superintendent of Financial Institutions received a parliamentary appropriation of \$909,000 from the federal government for actuarial valuation and advisory services provided by the Chief Actuary relating to various public sector pension and benefit plans.

Continuing their testimony, the officials stated that the Office of the Superintendent of Financial Institutions is a cost-recovery organization, meaning that it must generate revenue to cover its costs. The total budget for the Office of the Superintendent of Financial Institutions is \$140.3<sup>4</sup> million for the 2013–2014 fiscal year, which includes \$7.6 million in expenditures for the Office of the Chief Actuary. However, this amount is not in the *2013–2014 Main Estimates* because, in addition to the parliamentary

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<sup>4</sup> Total revenue for the Office of the Superintendent of Financial Institutions can be found in the following Treasury Board Secretariat document: [2013–2014 Budgetary Expenditures by Standard Objects](#).



appropriation of \$909,000, revenue of \$139.4 million is generated through fees paid by financial institutions and a user-pay program for selected services. Officials also noted that the *Office of the Superintendent of Financial Institutions Act* gives the Office the power to spend revenue collected from financial institutions.

Again in response to questions from the Committee, the officials said that the Office of the Superintendent of Financial Institutions currently employs 647 people, a hundred more than during the global financial crisis in 2007–2008. Following the collapse of the financial markets in 2007–2008, the organization added to its supervisory team and increased its ability to identify risks by having more presence in the field and at each institution. The organization also increased its supervisory intensity by a notch, resulting in more time and more staff.

Asked about staff increases and, in particular, increased expenditures, which rose from \$113 million to \$140 million between 2009 and 2013, the officials replied that the Office consults industry to discuss the priorities of the Office and the concerns of the industry. The Office presents its budget at the same time.

According to the officials, there has never been any concern about the organization's budget. They indicated that industry stakeholders were satisfied with the work of the Office of the Superintendent of Financial Institutions and understand the increased resources in order to supervise and make the financial system right.

In this regard, the Canadian Bankers Association stated as follows in its letter of 24 February 2014:

It is important that the banking prudential regulator have adequate resources in place to understand risks and set out appropriate rules and guidelines for how they should be managed to a high level of competence. While we certainly support and encourage sound cost control and expenditure management of all public sector organizations, the [Canadian Bankers Association] and its members understand why the costs of regulating and supervising the Canadian banking industry have increased in recent years. While base assessments for the deposit-taking institutions industry have

increased by over 60% since 2007-08, we expect further increases to be minimal given that [Office of the Superintendent of Financial Institutions] has largely been successful in bolstering its competence and capacity since the global financial crisis.

### **3. Office of the Conflict of Interest and Ethics Commissioner**

Officials from the Office of the Conflict of Interest and Ethics Commissioner told the Committee that since their organization was created in 2007, expenditures have been maintained well within an unchanged operating budget of \$7.1 million. Following a spending review, the Office of the Conflict of Interest and Ethics Commissioner identified opportunities for efficiencies and reduced the amount set aside as a reserve. The officials referred to such measures as eliminating one position, using email instead of postal mail, centralizing certain services such as the purchase of supplies, and removing individual printers.

The Committee also learned that last year the Office of the Conflict of Interest and Ethics Commissioner cut its operating budget by 3%. In 2014–2015 it plans to achieve additional efficiencies equivalent to 4% of its total budget, which should total \$6.9 million, compared to \$7.035 million for 2013-2014.

The Committee asked the officials to explain why the Office of the Conflict of Interest and Ethics Commissioner maintains a reserve and to state how large it is. The officials answered that a reserve was created with the arrival of the new commissioner since there was some uncertainty as to the number of investigations to be conducted and that this reserve was about half a million dollars. To date, the Office has never drawn from the reserve.

The Committee was told that the Office of the Conflict of Interest and Ethics Commissioner has up to 49 full-time employees and that most of its budget was for payroll. In answer to a question from the Committee regarding the Office's statutory expenditures, the officials said that these expenditures were for employee benefits.

In answer to a question from the Committee, the officials said that as an entity of Parliament, the Office submits its estimates to the Speaker of the House of Commons,

who then submits them on to the Treasury Board. The Office of the Conflict of Interest and Ethics Commissioner also appears before the House of Commons Standing Committee on Access to Information, Privacy and Ethics once a year to defend its estimates.

The Committee heard that the organization shares certain services, including information technologies services, with the House of Commons under a memorandum of understanding signed by both parties. There are also other agreements in place with the Library of Parliament and with Public Works and Government Services Canada for finance and compensation services. The only external services used when looking into a complaint are those provided by official court reporters.

The officials went on to talk about the Office's mandate, which is to administer the *Conflict of Interest Act*, applicable to over 2,500 public office holders, and the *Conflict of Interest Code for Members of the House of Commons*, applicable to the 308 members of the House of Commons.

Reporting public office holders are also subject to reporting and public disclosure provisions, as well as some additional rules of conduct. More than 1,100 public office holders are designated as reporting public office holders, including ministers, ministers of State, parliamentary secretaries, ministerial staff and full-time Governor-in-Council appointees.

The Committee was told that the Office of the Conflict of Interest and Ethics Commissioner has the authority only to impose penalties of up to \$500 for failure to meet deadlines; imposing penalties for serious offences is outside its powers. As part of the five-year review of the *Conflict of Interest Act*, the Office of the Conflict of Interest and Ethics Commissioner recommended that penalties also be imposed for other types of offences.

#### **4. Canada Border Services Agency**

In the 2013–2014 *Main Estimates*, the Canada Border Services Agency requested funding of \$1.68 billion, a decrease of \$95.9 million (5.4%) from the previous fiscal year.

The Officials told the Committee that the total funding submission was \$1.397 billion in operating expenditures, \$104 million in capital and \$179 million in employee benefit plans. According to them, this allocation of funds reflects some of the key investments made by the federal government in the past few years to keep borders open to the free flow of legitimate trade and travel.

In response to questions from the Committee, the officials explained that, in its *2013–2014 Main Estimates* submission, the Canada Border Services Agency sought an increase of \$124.2 million in order to:

- continue providing integrated border services that meet the federal government objectives;
- invest in building a smarter, more secure and trade-efficient border that relies on advance information, innovations, science and technology; and
- meet key business and administrative priorities, including those outlined in the *Beyond the Border Action Plan*.

In their testimony, the officials also noted that the increase sought to achieve the following objectives:

- improve the integrity of the agency's front-line operations;
- increase the funding for a shared infrastructure platform to ensure the agency has a sound information management and information technology infrastructure that houses and protects information technology assets;
- arm the agency's border services officers and eliminate work-alone situations;
- enhance activities relating to the cessation and vacation of refugee claims pursuant to the *Protecting Canada's Immigration System Act*;
- implement the Postal Modernization Initiative, which aims to update the infrastructure and systems used to process domestic and international mail;
- re-engineer, streamline and modernize revenue and trade processes through the agency's assessment and revenue management project;
- develop electronic applications for trusted travellers and trusted traders programs and expand NEXUS by nine lanes; and

- invest in the procurement of high-valued equipment to detect illegal goods for seizure.

The officials noted that these increases would allow the agency to continue to support ongoing public safety and trade priorities as well as government priorities.

In response to Committee questions, the officials said that, in the *2013–2014 Main Estimates*, the Canada Border Services Agency sought a decrease of \$220.1 million. This reduction is due primarily to a decrease in its operating expenditures by \$72.6 million for measures identified through the spending review launched in the 2012 federal budget, the re-profiling of funding for certain program initiatives, and initiatives that have phased out or were fully operational.

Regarding the *Beyond the Border Action Plan*, the Committee learned that Canada was working with the United States in four key areas:

- addressing threats early;
- facilitate trade, economic growth and jobs;
- enforce the cross-border law e; and
- ensure critical infrastructure and cybersecurity.

Continuing their testimony, the officials noted that the *Beyond the Border Action Plan* was signed by President Obama and the Prime Minister of Canada<sup>5</sup> and that the Canada Border Services Agency was leading on 10 of the 32 initiatives in the action plan. According to officials, all of these 10 initiatives aim to advance the government's ability to address threats early, facilitate trade, address infrastructure issues, protect Canadian interests beyond our borders and ensure a more integrated border between Canada and the United States.

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<sup>5</sup> The *Beyond the Border Action Plan* was signed in December 2011.

## 5. Public Health Agency of Canada

Officials from the Public Health Agency of Canada told the Committee that their budget for 2013–2014 is \$579.2 million. This budget is divided among the four program activity areas:

- \$308 million for health promotion and disease prevention;
- \$133 million for public health infrastructure;
- \$47 million for health security; and
- \$90 million for internal services.

The Public Health Agency of Canada's *2013–2014 Main Estimates* show a net reduction of \$37.2 million over the *2012–2013 Main Estimates*. Agency officials explained that this was the result of the spending review launched in the 2012 federal budget and the elimination of, or funding adjustments to, certain programs. They said that the 2012 federal budget resulted in efficiencies by streamlining administrative functions, reducing travel and administration, and restructuring administrative offices. For example, \$28 million in savings were identified in the health promotion and disease prevention program. They also said that in the 2012 federal budget, internal restructuring of the Public Health Agency of Canada and the sharing of corporate services with Health Canada resulted in reduced funds for internal services in 2013–2014.

The Committee learned that the Public Health Agency of Canada's two main budget reductions were:

- \$6.1 million for the early completion of construction on the JC Wilt Infectious Diseases Research Centre in Winnipeg, which will be used in infectious disease research and training; and
- \$11.1 million in connection with the short-term replenishment of the National Antiviral Stockpile, the stockpile of influenza medications that contributes to Canada's pandemic preparedness.

Canada has two antiviral stockpiles: the National Antiviral Stockpile maintained by the provinces and territories, and the federally administered emergency stockpile to support the provinces in the event of a vaccine shortage. The Committee learned that the National Antiviral Stockpile was used during the A(H1N1) influenza pandemic and that the federal government covered 60% of the cost of replenishing the stockpile. Each province and territory is free to determine how many antiviral doses to stock for its population. Some provinces and territories cover 20% of their population, while others have chosen to cover only 5%. This variation between provinces and territories resulted in reducing the National Antiviral Stockpile budget. There was also a drop in the cost of antivirals as patents run out and their shelf life gets longer.

The Committee was interested in the reduction of close to 55% over the *2012–2013 Main Estimates* in the grant to graduate students, post-doctoral students and postsecondary institutions in support of public health. Officials said that these grants were reduced because of a lack of uptake and student interest.

Officials also mentioned the following three main spending increases:

- a transfer of \$15.2 million to the Public Health Agency of Canada from Health Canada for the assessed contribution to the Pan-American Health Organization and the International Health Grants Program, which allows Canada to participate in various international forums and strengthen its bilateral and multilateral relations in public health;
- \$5.4 million for the collective agreements of Public Health Agency of Canada employees; and
- \$3.8 million to support the installation of automatic external defibrillators in recreational hockey rinks across Canada and provide training on how to use them. This program is administered by the Heart and Stroke Foundation of Canada and has total funding of \$10 million over four years.

In answer to Committee questions, the Public Health Agency of Canada officials said that the agency now had 2,500 employees following the elimination of about 300 positions as part of the spending review launched in the 2012 federal budget.

The Committee was told that the Public Health Agency of Canada's main objective is to empower Canadians to improve their health. The agency's three core business lines are health promotion and disease prevention, public health infrastructure, and health safety.

The officials stated that the Public Health Agency of Canada works to improve health outcomes for Canadians by promoting positive mental, social and physical health for all ages and by enabling the development of healthy communities. Activities under this business line are related to the prevention and control of both chronic and infectious diseases, mental health and injury prevention. The Committee heard that when developing its programs, the agency considers vulnerable or at-risk populations such as Aboriginal and Northern populations, which have higher rates of chronic and infectious diseases than other Canadians.

In an effort to address this situation, the Committee learned that the Public Health Agency of Canada administers various programs aimed at improving the health of vulnerable children and families at risk, as well as helping them stay healthy. For example, agency officials referred to the Community Action Plan for Children established in 1993, the Canada Prenatal Nutrition Program and Aboriginal Head Start in Urban and Northern Communities Program.

Regarding public health infrastructure, the Committee heard that this business line enables Canada to detect and respond to public health trends and threats. The officials also said that surveillance is one of the agency's core functions. They explained that the collection, analysis, interpretation and targeted dissemination of high-quality data on diseases and public health threats is essential to guiding effective decision making and public health action.

Lastly, the officials discussed the Public Health Agency of Canada's role in ensuring public health security through emergency preparedness and response, improving border health security and regulating pathogens and toxins. The Public Health Agency of Canada is responsible for responding to public health emergencies involving natural and human-induced disasters, including infectious disease outbreaks such as pandemic influenza.



## **6. Office of the Commissioner of Lobbying of Canada**

In the *2013–2014 Main Estimates*, the Office of the Commissioner of Lobbying requested funding of \$4.4 million, a decrease of roughly \$205,000 dollars (4.4%) from the previous fiscal year.

According to the officials, the Office of the Commissioner of Lobbying requested \$4 million for operating expenditures and \$400,000, as statutory expenditures, for the employee benefits plan. They also said that the salary envelope represents about 63% of the total budget, while the remaining 37% is for operating costs.

In answer to Committee questions, the officials explained that the Registration of Lobbyists program maintains the public registry of lobbyists and provides guidance and support to registrants. The registry is the primary source of information on who is lobbying federal public office holders and about which topics. Approximately 5,000 lobbyists are registered, and this figure has remained stable since 2008. There are no registration fees.

Continuing their testimony, the officials noted that funding for the Registration of Lobbyists program was reduced by 28% in 2013–2014. This decrease was the result of the 5% budget cut in 2012. To fulfil its mandate, the Office decided to target this program to absorb the budget cut. A management analyst was also hired to reduce the Office's dependence on consultants and the development of registration activities was put off.

The officials added that, for the 2013–2014 fiscal year, the priority for the Registration of Lobbyists program is to improve online tools for lobbyists.

The officials also told the Committee that the purpose of the Education and Research program is to create awareness of the *Lobbying Act* and foster compliance. According to the officials, employees of the Office of the Commissioner of Lobbying meet regularly with lobbyists, public office holders, parliamentarians and academics to help them understand the Act and the *Lobbyists' Code of Conduct*.

In their testimony, the officials also informed the Committee about the Reviews and Investigations program. According to this program, the Office must meet its compliance and enforcement function under the *Lobbying Act* and the *Lobbyists' Code of Conduct*. According to the officials, since June 2009:

- more than 100 administrative reviews have been initiated;
- 10 reports on investigation in Parliament finding that 12 lobbyists had breached the *Lobbyists' Code of Conduct* have been tabled; and
- 11 referrals to the Royal Canadian Mounted Police were made when there were reasonable grounds to believe that an offence had occurred.

The Committee also learned that, in 2013, there was a first conviction for a breach under the *Lobbying Act* and that an individual was fined \$7,500 for failing to register his lobbying activities. In addition to the monetary penalty, the lobbyist was prohibited from lobbying for a period of four months, though the Act provides for a period of up to two years.

In answer to Committee questions, the officials noted that the Organisation for Economic Co-operation and Development has 10 principles that touch on ensuring transparency and integrity in marketing. According to the officials, Canada meets all of them clearly. Countries therefore seek out Canada to learn from its experience in administering the *Lobbying Act* and how it has changed over the last couple of decades.

## **7. Canada Mortgage and Housing Corporation**

In the *2013–2014 Main Estimates*, the Canada Mortgage and Housing Corporation requested funding of \$2.1 billion for budgetary expenditures. Just over \$2 billion of this amount will be used to provide assistance to Canadians in housing need, including low-income families, seniors, people with disabilities, Aboriginal people and victims of family violence. This funding supports close to 600,000 households living in existing social housing.

The balance of Canada Mortgage and Housing Corporation's appropriations from Parliament, or \$46.9 million, will support the organization's housing market analysis work and policy, research and information transfer activities.

In answer to Committee questions, officials from the Canada Mortgage and Housing Corporation confirmed that this funding request represented a net decrease of \$39.2 million (1.8%) from the previous fiscal year's main estimates. The decrease is mainly due to savings as a result of the spending reductions in the 2012 federal budget, reduced expenditures due to the maturing of long-term housing project operating agreements, and changes in the timing of funding requirements for new commitments of affordable housing.

According to the *2013–2014 Main Estimates*, the Canada Mortgage and Housing Corporation estimates repaying \$41.9 billion to the Consolidated Revenue Fund in 2013–2014. These non-budgetary repayments are due primarily to loan repayments under the Insured Mortgage Purchase Program<sup>6</sup> and will be more than the amount borrowed from the Consolidated Revenue Fund in 2013–2014.

In answer to Committee questions, the officials explained that a large portion of Insured Mortgage Purchase Program activity took place in late 2008 and the first half of 2009, with borrowing terms of five years. As a result, corresponding repayments are due in 2013–2014. They added that the terms of those borrowings were matched to the repayment terms associated with the underlying mortgage pools. There is a match between the repayment from the financial institutions and the maturity of the debt and payment to the government. The officials noted that the funds were borrowed from the federal government and that the capital and interest would be reimbursed to the Minister of Finance.

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<sup>6</sup> The Insured Mortgage Purchase Program was a temporary measure introduced by the government at the height of the global economic downturn in 2008. Under this program, the Canada Mortgage and Housing Corporation purchased, on behalf of the Government of Canada, \$69.4 billion worth of insured mortgage pools to help Canadian financial institutions raise longer term funds and make them available to consumers, homebuyers and businesses in Canada.

Some senators asked questions about the decrease of \$24.2 million due to the results of the 2012 deficit reduction action plan. According to the officials, these savings resulted from cuts in the following areas:

- \$13 million relates to the cessation of Canada Mortgage and Housing International. This agency does not deliver any programs in Canada.
- A \$7 million reduction relates to the Housing Policy, Research and Information Transfer program. This measure will not directly affect Canadians, as research activities will be re-focused on high-priority items only.
- \$3 million relates to efficiencies gained in the administration of the programs.

## **8. Employment and Social Development Canada**

The Employment and Social Development Canada officials told the Committee that their department's Main Estimates totalled \$50.5 billion for 2013–2014. The Committee learned that most of this budget, \$48.1 billion, was for direct transfers to Canadians through the following six programs:

- the Old Age Security Program;
- the Universal Child Care Benefit;
- Canada Student Loans grants;
- the Canada Education Savings Program;
- the Canada Disability Savings Program; and
- the Wage Earner Protection Program.

In answer to a question from the Committee, the Employment and Social Development Canada officials promised to later provide the number of beneficiaries and the amounts provided for each of these six programs. At the time of writing, the Committee was still waiting for this information.

According to officials, forecasted spending on the Old Age Security program increases year over year because of the aging population and higher monthly benefit payments. Between 2009 and 2016, it is estimated that there will be an increase of

more than 1 million beneficiaries for both the Canada Pension Plan and the Old Age Security programs. Between fiscal years 2012–2013 and 2013–2014, the number of Old Age Security beneficiaries is expected to rise from 5.1 million to 5.3 million.

This rise in the number of beneficiaries is expected to result in an annual program cost increase of \$1.2 billion. However, in answer to a question from the Committee, the Employment and Social Development Canada officials said that the Department of Finance estimates annual savings of \$10 billion will be achieved starting in 2030 as the age for program eligibility rises from 65 to 67.

The Committee learned that the budget for the Guaranteed Income Supplement, a non-taxable monthly benefit paid to low-income Old Age Security beneficiaries, is expected to increase by \$536 million in 2013–2014 over the previous year. This increase is due mainly to the higher number of beneficiaries, rising from 1.7 million to 1.8 million over the two years. Departmental officials said that in recent years the growth in the number of program beneficiaries has slowed somewhat. One reason appears to be the arrival of women on the job market; they now have more end-of-career income than before.

The Employment and Social Development Canada officials then went on to discuss two consecutive reductions in Vote 1 – Operating Expenditures: \$115 million between 2011-2012 and 2012-2013, and \$27 million between 2012-2013 and 2013-2014. The Committee learned that these decreases are due mainly to

- \$31.7 million for the transfer of activities to Shared Services Canada; and
- \$84.5 million for the allocation from Treasury Board central votes to cover off certain expenditures such as immediate settlement payments for severance pay for federal public servants after it was dropped from the collective agreements.

The Committee learned that Vote 5 – Grants and Contributions increased by \$1 million in the *2013–2014 Main Estimates* over the previous year's Main Estimates. This increase is due to initiatives announced in the 2012 federal budget, including the Youth Employment Strategy to assist young people in gaining tangible skills and experience. However, the Committee was told that this increase is offset by reductions

attributable to the expiration of certain programs and a strategic review, that took place in 2010 and in which 12 federal organizations took part to identify potential efficiencies.

Regarding Supplementary Estimates (A) and (B), tabled in Parliament on 10 May and 7 November 2013 respectively, officials said that their department had drawn on these budgets mainly to fund the following programs:

- the Enabling Accessibility Fund, a federal program to finance the capital costs for construction and renovation work to make facilities more accessible to disabled persons, whose funding was made permanent at \$15 million as announced in the 2013 federal budget;
- the Homelessness Partnering Strategy;
- training to on-reserve income assistance clients;
- 5,000 paid internships to support recent graduates; and
- the Skills and Partnership Fund for Aboriginal labour market development projects.

The Committee asked officials for further details about the Homelessness Partnering Strategy. The Committee was told that the current program, which ends on 1 April 2014, does not include an emphasis on housing. However, the 2013 federal budget renewed the program for five years, this time with a focus on housing.

Lastly, in response to a question from the Committee about funding for the Temporary Foreign Worker Program, officials said that total funding was \$24 million in 2013–2014.

## **9. Foreign Affairs, Trade and Development Canada**

The *2013–2014 Main Estimates* were tabled on 25 February 2013, nearly a month before the introduction of Bill C-60, which proposed to amalgamate the Department of Foreign Affairs and International Trade Canada and the Canadian International Development Agency. These two departments were amalgamated on 21

March 2013,<sup>7</sup> formally creating the new Department of Foreign Affairs, Trade and Development Canada, which was allocated \$5.17 billion for 2013–2014. This figure represents the combined authorities that were approved by Parliament for each of the two former departments. Funding of \$663 million, representing the first three months of expenditures related to Canadian International Development Agency activity, is not included in the previously mentioned \$5.17 billion, as these expenditures occurred before the amalgamation.

That is why, in the *2013–2014 Main Estimates*, the Department of Foreign Affairs and International Trade Canada and the Canadian International Development Agency submitted separate funding requests for approval by Parliament.

### **9.1. Foreign Affairs and International Development**

According to the *2013–2014 Main Estimates*, the Department of Foreign Affairs and International Trade Canada requested funding of \$2.31 billion, a net decrease of \$270.5 million (10.5%) from the previous fiscal year.

In response to Committee questions, the officials explained that the net decrease of \$270.5 million is broken down as follows:

- a decrease of \$152.7 million in grants and contributions;
- a decrease of \$99.3 million in operating expenditures;
- a decrease of \$33.7 million in capital expenditures;
- an increase of \$14.6 billion in respect of pensions for employees engaged outside Canada; and
- an increase of \$0.5 million for statutory expenditures such as contributions to employee benefit plans.

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<sup>7</sup> Bill C-60, An Act to implement certain provisions of the budget tabled in Parliament on March 21, 2013 and other measures was introduced in Parliament on 21 March 2013 and received Royal Assent on 26 June 2013.

## **9.2 Canadian International Development Agency**

The officials confirmed that, according to the *2013–2014 Main Estimates*, the agency requested funding of \$3.16 billion, a net decrease of \$252 million (7.4%) from the previous fiscal year. This decrease is attributable to:

- a decrease of \$234.7 million in grants and contributions;
- a decrease of \$13.0 million in operating expenditures; and
- a decrease of \$4.7 million for statutory expenditures such as contributions to employee benefit plans and payments to international financial institutions.

## **9.3 The new Department of Foreign Affairs, Trade and Development Canada**

Continuing their testimony with respect to the new Department of Foreign Affairs, Trade and Development Canada, the officials explained that the new department's total budget was \$5.17 billion, comprised of the following:

- \$3.26 billion in grants and contributions;
- \$1.47 billion in operating expenditures;
- \$229 million in capital expenditures;
- \$65 million in payments to employees locally engaged outside of Canada; and
- \$150 million in statutory expenditures.

Some senators asked questions to learn more about the financial planning tied to the announcements of Canadian assistance to other countries. The officials replied that, in general, announcements are planned and that the announcement or confirmation is often done when a minister or the prime minister is visiting the country in question. They added that, occasionally, their department requests additional funds through supplementary estimates for specific projects, which was recently the case with aid to Syria, where funding was requested through the *Supplementary Estimates (B), 2013–2014*.



In response to a series of questions from the Committee, the officials explained that no humanitarian or other assistance was cut as a result of the amalgamation of the Department of Foreign Affairs and International Trade Canada and the Canadian International Development Agency. The total spending of \$319 million over three years is the result of the spending review, which began in the 2012 federal budget. They added that the amalgamation provided an opportunity to bring together strengths and best practices and leverage a broader pool of talent and resources.

#### **10. Public Service Commission of Canada**

During their appearance before the Committee, the Public Service Commission of Canada officials reported that the Commission's *2013–2014 Main Estimates* totalled \$89.9 million. They said that the difference between the \$95.1 million in the *Supplementary Estimates (B), 2013–2014* and the total amount in *2013–2014 Main Estimates* for the Commission were due to the following two factors:

- \$4.7 million carried forward from 2012–2013 to the following year; and
- \$500,000 transferred to the Public Service Commission of Canada from Parks Canada and the Canadian Food Inspection Agency to cover their share of Public Service Resourcing System costs.

The Committee learned that the Public Service Commission of Canada has the authority to recover up to \$14 million of the cost of staffing and assessment services and products related to federal departments and agencies. In response to a question from the Committee about service fees, the Commission officials explained that these fees had decreased in recent years. The Committee also learned that the two types of services provided to federal departments and agencies are the optional staffing services, demand for which has decreased significantly in recent years, and personal psychology centre services, demand for which continues to grow.

The officials said that as part of the spending review launched in the 2012 federal budget, \$8.9 million in efficiencies will be implemented over three fiscal years: \$2.2 million in reductions for each of the fiscal years 2012–2013 and 2013–2014 and \$4.5 million in reductions for 2014–2015. According to officials, these reductions are the

result of creating a virtual library to replace the physical library; leveraging technology, particularly for electronic testing as part of public service staffing processes; and closing two regional offices.

The Committee learned that since April 2012, the Public Service Commission of Canada managed to place over 2,000 priority persons under the Priority Administration Program. However, the officials pointed to a drop in the placement of persons in other priority categories, including Canadian Armed Forces veterans who have been medically released.

Based on the information provided to the Committee, there are two different levels of priority:

1. statutory priority, which consists of surplus employees, employees on a leave of absence for more than a year whose positions have been filled behind them, and persons who have been laid off; and
2. other types of priorities created by the Public Service Commission of Canada's regulations.

Statutory priorities must be appointed before the other priorities. Medically released veterans of the Canadian Armed Forces are included in the other priorities and are therefore not included in the first wave of priorities.

In addition, Bill C-11, An Act to amend the Public Service Employment Act with respect to priority hiring for medically released veterans, was introduced in the House of Commons and passed first reading in November 2013. The Public Service Commission of Canada officials confirmed that this bill would give statutory priority to medically released veterans and put them at the top of the priority system. They also assured the Committee that their organization was ready to implement the proposed amendments in the bill.

As of 5 February 2014, there were 2,310 people in the priority system, all categories combined. This is less than the almost 3,000 at the height of public service downsizing, but higher than the level before the downsizing exercise, which was between 1,500 and 1,800.

## 11. Office of the Privacy Commissioner of Canada

The Committee heard that the budget of the Office of the Privacy Commissioner of Canada for 2013-2014 was \$29.1 million, representing an increase of \$4.1 million over the previous year. Of this, \$10.2 million was allocated to internal services. Officials from the Office of the Privacy Commissioner of Canada said that their organization's increased spending was due to the relocation of their offices on 14 February 2014. To fund this relocation, the Department of Finance Canada provided the organization with an interest-free loan payable over the next 15 years at \$300,000 per year. This will be done by deducting an amount equivalent to each year's annual payment from the organization's future budgets until the loan is repaid in full.

During a meeting with officials from the Treasury Board of Canada Secretariat on the *Supplementary Estimates (C), 2013–2014*, the Committee took the opportunity to question officials about the loan granted to the Office of the Privacy Commissioner of Canada, a funding mechanism rarely used. The officials explained that when an organization is not able to absorb an extraordinary expense within its financial framework, the Treasury Board of Canada Secretariat may grant what is called a "one-time interest-free loan", which will then be repaid by the borrowing organization over a number of years. This kind of arrangement is often used to accommodate organizations with small-scale budgets. The Committee was informed that the total expenditures in relation to the loan are shown in the organization's *2013–2014 Main Estimates* because the estimates are presented using a cash basis of accounting. However, in the Public Accounts of Canada, the expenses in relation to the loan will be amortized over the useful life of the asset as the Public Accounts are presented on an accrual basis of accounting.

The Committee was interested in the breakdown of the relocation costs. The Office of the Privacy Commissioner of Canada officials replied that they were working on sorting out the costs with Public Works and Government Services Canada since some services such as office fit-up, architectural fees and design fees were billed to that department, which then bills the organization. Other relocation costs include furniture and equipment, such as information technology and building security.

The Office of the Privacy Commissioner of Canada has 181 full-time equivalent employees and shares office space with three other organizations: the Office of the Commissioner of Official Languages, the Office of the Information Commissioner of Canada, and Elections Canada. According to information heard by the Committee, this relocation with other agents of Parliament increases efficiency by pooling resources among the organizations. For example, the four organizations created a shared library and mail room.

The Committee was told that the Office of the Privacy Commissioner of Canada's estimates are combined with those of the Office of the Information Commissioner of Canada since the *Financial Administration Act* does not distinguish between the two.

The Committee also learned that as part of the spending review launched in the 2012 federal budget, the Office of the Privacy Commissioner of Canada managed to reduce its total budget by \$1.1 million (5%) per year by 2014–2015 by rationalizing its operations.

Officials told the Committee about the challenges brought by a heavier and more complex workload without additional resources. The organization took the following approaches to meet this challenge while maintaining service quality:

- modernizing the investigation process;
- taking a calibrated approach to dealing with incidents;
- making greater use of early resolution of complaints;
- focussing on reviewing privacy impact assessments.

The Office of the Privacy Commissioner of Canada's role is to monitor compliance with the *Personal Information Protection and Electronic Documents Act*, which applies to the private sector. Section 29 of the Act states that the Act must be reviewed every five years by a committee of the House of Commons or of both the Senate and the House of Commons. The Committee learned that a first review was conducted and that a bill to amend the *Personal Information Protection and Electronic Documents Act* was introduced but died on the Order Paper when Parliament was prorogued in September 2013.

The Committee was told that the Office of the Privacy Commissioner of Canada would like to see certain amendments made to the *Personal Information Protection and Electronic Documents Act*. For example, the organization would like to see additional provisions for mandatory reporting of privacy breaches, greater enforcement powers, and requirements for private companies to report the number of personal information requests received from law enforcement and national security agencies.

Lastly, officials answered a question from the Committee about the Canadian system compared to what is in place in the other G20 countries. They said that the Canadian system is a hybrid of the European and American systems. Like the European system, it has global privacy laws and a privacy commission. By way of comparison, the Committee learned that the American system does not have an overall privacy act, although each department does have a chief privacy officer. Like the United States, Canada has separate privacy laws for the private and public sectors. However, unlike the Office of the Privacy Commissioner of Canada, the American and European counterparts have the power to impose fines. Such a power, according to the organization's officials, would help them resolve certain issues more quickly.