



**REPORT ON THE
SUPPLEMENTARY ESTIMATES (A), 2018–19**
Standing Senate Committee on National Finance

THIRTY-FIFTH REPORT

Chair
The Honourable Percy Mockler

Deputy Chairs
The Honourable Mobina Jaffer
The Honourable André Pratte

December 2018

ORDER OF REFERENCE

The Honourable Senator Bellemare moved, seconded by the Honourable Senator Harder, P.C.:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures set out in the Supplementary Estimates (A) for the fiscal year ending March 31, 2019; and

That, for the purpose of this study, the committee have the power to sit, even though the Senate may then be sitting, with rule 12-18(1) being suspended in relation thereto.

October 30, 2018

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EXECUTIVE SUMMARY

Supplementary Estimates (A), 2018–19

As part of its oversight role, the Standing Senate Committee on National Finance considered the *Supplementary Estimates (A), 2018–19*, which were tabled in the Senate on October 25, 2018 and referred to our committee for study on October 30, 2018. These supplementary estimates request Parliament's approval for an additional \$7.5 billion in voted expenditures and increase forecasted statutory expenditures by \$555 million.

In order to examine the *Supplementary Estimates (A), 2018–19*, our committee held three meetings and questioned officials of ten organizations that are requesting total appropriations of approximately \$6.2 billion, which is 83% of the total voted amount requested in the *Supplementary Estimates (C), 2017–18*.

Our committee's observations from issues raised during our meetings include:

1. Despite several requests, the Department of National Defence continues to not provide clear information to the committee about the utilization of its 20-year capital fund outlined in *Strong, Secure, Engaged*. The committee is also concerned about delays in defence procurement.
2. Global Affairs Canada needs to be more transparent about the government's total costs associated with its campaign to land a non-permanent seat on the United Nations Security Council.
3. To enhance transparency, the Privy Council Office should clearly specify in its departmental plan how much it is planning to allocate to support each minister within its areas of responsibility. It also needs to carefully consider the budgets and timelines of national inquiries.
4. Immigration, Refugees and Citizenship Canada needs to clearly specify what provincial and municipal costs it will reimburse and at what proportion as a result of increased asylum claims.
5. Crown–Indigenous Relations and Northern Affairs Canada needs to ensure that First Nation special and specific claims are resolved in a timely manner, and to clearly specify the potential liabilities associated with their resolution.
6. Indigenous Services Canada needs to ensure that First Nation communities have the resources and the capacity to maintain drinking water systems once they are established.
7. The Treasury Board of Canada Secretariat needs to develop an overall budget and roadmap for the Back Office Transformation Initiative before undertaking further work. The government also needs to publicly disclose the costs to date of acquiring the Trans Mountain Pipeline.
8. As the opening of the Champlain Bridge has been postponed, the committee is concerned that there remain contentious issues between the government and the construction consortium that could affect the project's costs. The committee also expects that Infrastructure Canada will provide information on the overall economic impact of the Investing in Canada Plan.
9. Fisheries and Oceans Canada needs to closely monitor the costs of the Offshore Oceanographic Science Vessel, which continue to escalate.

10. Innovation, Science and Economic Development needs to ensure that its support for the steel and aluminum sectors maintains the viability of small and medium producers and manufacturers.

INTRODUCTION

The Standing Senate Committee on National Finance (our committee) has an important role to play on behalf of Parliament and Canadians in examining the federal government's spending plans, as outlined in the main and supplementary estimates. Our committee reviews and presents reports on the government's proposed spending in order to examine whether it is reasonable, takes into account value-for-money and will be effective in achieving the government's objectives.

As the main estimates do not contain all of the government's spending needs for the year, the government also presents supplementary estimates to Parliament for approval, usually in the fall and winter.

The *Supplementary Estimates (A), 2018–19* were tabled in the Senate on October 25, 2018 and referred to our committee for study on October 30, 2018.

The *Supplementary Estimates (A), 2018–19* request Parliament's approval of an additional \$7.5 billion in voted expenditures, and forecast additional statutory expenditures of \$555 million, for a total of \$8.1 billion in additional planned budgetary spending, which represents an increase of 2.9% over the *2018–19 Main Estimates*. Of the 123 organizations represented in the *2018–19 Main Estimates*, 76 have identified additional requirements as part of these supplementary estimates.

Table 1 – Main and Supplementary Estimates, 2018–2019

	Main Estimates	Supplementary Estimates (A)	Total
Budgetary			
Voted	112,866,043,852	7,547,444,901	120,413,488,753
Statutory	163,101,677,725	555,125,940	163,656,803,665
Total Budgetary	275,967,721,577	8,102,570,841	284,070,292,418
Non-budgetary			
Voted	57,103,001	...	57,103,001
Statutory	542,457,741	...	542,457,741
Total Non-budgetary	599,560,742		599,560,742

Source: Table prepared using data obtained from Treasury Board of Canada Secretariat, *Supplementary Estimates (A), 2018–19*.

In order to examine the *Supplementary Estimates (A), 2018–19*, our committee held three meetings and questioned officials of ten organizations that are requesting total appropriations of approximately \$6.2 billion, which represents 83% of the total voted amount requested in the *Supplementary Estimates (A), 2018–19*.

This report highlights issues discussed during our examination of the supplementary estimates and presents our observations on key concerns facing each organization.

Further information about our hearings can be found in the meeting transcripts, which are available on the committee's [website](#).

1 DEPARTMENT OF NATIONAL DEFENCE

The Department of National Defence (DND) defends Canada's sovereignty, participates in defence partnerships and assists in times of natural disaster or other emergencies.

Committee Observations

The Government of Canada's 2017 defence policy *Strong, Secure, Engaged* outlined capital spending of \$108 billion on an accrual basis (\$164 billion on a cash basis) over 20 years.

The committee is concerned by its continued inability to obtain clear information from the Department of National Defence about the utilization of this capital fund.

The committee is also concerned about delays in defence procurement.

1.1 Estimates Overview

In the *Supplementary Estimates (A), 2018–19*, DND is requesting additional voted appropriations of \$393,494,186 for 10 spending items:

- \$282,245,589 for capital investments;
- \$38,398,040 to maintain and upgrade infrastructure assets;
- \$24,183,114 for the North Atlantic Treaty Organization (NATO);
- \$21,980,000 for the implementation of the LGBT Purge class action settlement agreement;
- \$17,300,000 for Canadian Armed Forces health benefits;
- \$3,090,753 to address issues in pay administration;
- \$3,000,000 for the interim auxiliary oiler replenishment ship lease;
- \$2,460,854 for the Innovation for Defence Excellence and Security program;
- \$835,834 for federal contaminated sites; and
- Nominal amounts to authorize the inclusion and adjustment of an authority embedded in vote wording.

When transfers are included, this is an increase of 1.6% compared to DND's total voted authorities to date of \$19,568,189,978.

Forecasted statutory expenditures for DND are decreasing by \$163,853 through transfers. An additional \$73,031,344 is being transferred to other organizations. DND's total proposed authorities to date, including voted and statutory expenditures and transfers, are \$21,090,741,972.

1.2 Capital Investments

The Government of Canada's 2017 defence policy *Strong, Secure, Engaged* outlined capital spending of \$108 billion on an accrual basis (\$164 billion on a cash basis) over 20 years.

Officials from DND informed the committee that *Strong, Secure, Engaged* allocated \$6.1 billion in capital spending for 2017–2018 and \$6.55 billion for 2018–2019.

In 2017–2018, DND only spent \$3.7 billion on capital expenditures. The department had “efficiencies” of \$455 million, due to not using contingency amounts set aside for risks, leaving \$1.8 billion unspent. Officials pointed out that DND requests funding from its overall capital budget as required and funds that are not utilized remain in the fiscal framework. Thus, surpluses in one project can be used to fund demands in another project.

In 2018–2019, DND has received \$3.76 billion in authorities to date for capital expenditures, most of which was for major capital projects. Through the *Supplementary Estimates (A) 2018–19*, DND is requesting an additional \$313 million for minor capital projects: \$150.4 million to acquire equipment, ranging from vehicles to cranes and lab equipment; \$61.2 million for information management and technology; \$58.1 million for the modernization of the Carling campus; \$30.8 million for construction and energy projects on bases; \$10.5 million for capital upgrades of Canadian Force Intelligence Command; and \$2 million for joint capability projects.

DND expects to request another \$300 million for capital projects in 2018–2019, leaving \$2.1 billion remaining in the amount allocated for 2018–2019. They said \$760 million was due to “efficiencies” and \$1.35 billion would be unspent, due to delays in procurement or other reasons.

Some members noted the difficulty in following DND’s capital expenditures with limited information, both on the utilization of the overall budget and specific projects, and they expressed frustration that DND had not provided information that was requested during previous hearings on the estimates. Officials responded that they were reviewing the information to provide to the committee, as there were certain sensitivities associated with it.

1.3 North Atlantic Treaty Organization (NATO)

DND is requesting \$24 million for its contributions to NATO. Officials explained that the Government of Canada’s annual contribution to NATO is \$165 million, of which, \$25 million is provided by Global Affairs Canada and \$140 million by DND. Canada’s contribution is 6.6% of NATO’s military and infrastructure budgets.

The requested funds relate to NATO projects that were delayed. As NATO’s fiscal year differs from Canada’s, the funding was reprofiled from the last fiscal year to this fiscal year.

With respect to the commitment by NATO countries to spend the equivalent of 2% of their GDP on defence, officials said they have conducted an examination of what spending should be included in the calculation and determined that last year Canada spent 1.36% of its GDP on defence and expects to reach 1.4% in 2024–2025. The challenge is that as GDP grows, defence spending would also have to grow proportionally to maintain the percentage.

NATO also expects member countries to spend 20% of their defence budget on capital expenditures. Canada is currently just below 20% but should reach 32% by 2024–2025.

1.4 Oiler Replenishment

DND is requesting \$3.0 million for the lease of an interim auxiliary oiler replenishment ship.

Officials explained that DND pays approximately \$6 million per month for the ship. The budget for the lease was \$123 million, but as the ship has spent most of its time at sea, both on the East Coast and in the Pacific, costs have risen to \$126 million.

2 GLOBAL AFFAIRS CANADA

Global Affairs Canada (GAC) manages diplomatic and consular relations, encourages international trade and leads international development and humanitarian assistance.¹ It also maintains Canadian offices abroad with diplomatic and consular status on behalf of all federal government departments.

Committee Observations

Global Affairs Canada (GAC) is leading the government's efforts to secure a non-permanent seat on the United Nations Security Council.

While GAC has been internally reallocating resources for this effort, it needs to be more transparent about the government's total costs associated with the Security Council campaign.

2.1 Estimates Overview

In the *Supplementary Estimates (A), 2018–19*, GAC is requesting additional voted appropriations of \$316,638,629 for 13 spending items:

- \$189,290,000 for the International Assistance Envelope Crisis Pool Quick Release Mechanism;
- \$70,000,000 for Canada's commitment under the *Food Assistance Convention*;
- \$18,020,000 for payments to employees locally engaged outside of Canada;
- \$10,698,215 for the 2018 G7 Summit in Charlevoix, Quebec;
- \$9,013,657 for the Migrant Smuggling Prevention Strategy;
- \$8,879,573 for enhanced export diversification support;
- \$5,516,754 for the Creative Export Strategy;
- \$2,670,969 to implement the *Arms Trade Treaty*;
- \$937,013 for the purchase of armoured vehicles;
- \$863,666 to address issues in pay administration;
- \$360,000 to support Canada's candidacy for a seat on the United Nations Security Council;
- \$246,463 to support the use and protection of classified information in immigration proceedings; and
- \$142,355 to strengthen investigative and compliance capacity under the *Special Import Measures Act*.

When transfers are included, this is an increase of 6.0% compared to GAC's total voted authorities to date of \$6,343,350,283.

Forecasted statutory expenditures for GAC are increasing by \$919,271, due to contributions to employee benefit plans. An additional \$65,963,671 is being transferred from other organizations. GAC's total proposed authorities to date, including voted and statutory expenditures and transfers, are \$7,107,231,421.

¹ The legal name of the department, and the name used in the estimates, is the Department of Foreign Affairs, Trade and Development.

2.2 International Assistance Envelope Crisis Pool Quick Release Mechanism

The *Supplementary Estimates, (A) 2018–19* include \$189.3 million for the International Assistance Envelope Crisis Pool Quick Release Mechanism. Officials from GAC told the committee that the Mechanism sets aside money to enable the government to respond to humanitarian crises on an urgent basis. GAC's reference level for the Mechanism is \$200 million. At GAC's request, an unused amount of \$189 million from the previous fiscal year was added to this year's reference level. With this request, the total amount available in 2018–2019 would be \$400 million.

With respect to the accountability of the funds in the Mechanism, officials explained that approvals from the Minister of Finance, the Minister of Foreign Affairs, and the Prime Minister are required to access the funds. After obtaining ministerial approvals, GAC has an internal due diligence process as well as external audits by GAC's partners, such as the United Nations Development Programme or non-governmental organizations.

2.3 2018 G7 Summit

GAC is requesting \$10.7 million for the 2018 G7 Summit in Charlevoix, Quebec. Officials from GAC said that the total budget of the G7 was \$604.5 million, which was less than the previous G7 summit. Since Canada's G7 presidency lasts until the end of 2018, the full accounting of the expenditures will be available once all related activities conclude.

2.4 Canada's Candidacy for a Seat on the United Nations Security Council

GAC is requesting \$360,000 to support Canada's candidacy for a non-permanent seat on the United Nations Security Council. Officials from GAC explained that this would be used for envoys in small island states to promote Canada's bid for the non-permanent seat. The bid for the UN Security Council seat has been GAC's focus for the last few years, during which they reprioritized internal resources instead of requesting new funds.

2.5 Canada's Commitment Under the Food Assistance Convention

Officials explained to the committee that the \$70 million requested to fulfill Canada's commitment under the Food Assistance Convention is an ongoing restoration of the time-limited funding that was decreased in the *2017-18 Main Estimates*. Officials further indicated that the main recipients are the United Nations World Food Programme and non-governmental organizations, such as the Canada Food Grains Bank. Canada's treaty obligation is about \$250 million, however, typically, a higher amount is spent due to increased needs. For example, in 2017, the actual spending was \$344 million.

3 PRIVY COUNCIL OFFICE

The Privy Council Office (PCO) provides non-partisan advice to the Prime Minister and ministers whose functions lie within the Prime Minister's portfolio, supports Cabinet decision-making processes, and acts as the principal link between the Prime Minister and the public service.

Committee Observations

The Privy Council Office (PCO) provides support to four ministers, including the Prime Minister. However, costs associated with supporting these ministers is only identified at the end of the fiscal year in the Public Accounts of Canada.

To enhance transparency, the PCO should clearly specify in its departmental plan how much it is planning to allocate to support each minister.

As the budget of the National Inquiry into Missing and Murdered Indigenous Women and Girls has increased from \$53 million to \$92 million, the PCO also needs to carefully consider the budgets and timelines of national inquiries.

3.1 Estimates Overview

In the *Supplementary Estimates (A), 2018–19*, the PCO is requesting additional voted appropriations of \$57,692,954 for five spending items:

- \$46,958,741 for the National Inquiry into Missing and Murdered Indigenous Women and Girls;
- \$6,180,655 to support ministers for which the PCO has responsibility;
- \$3,882,746 for the management and oversight of Governor in Council appointments;
- \$571,616 to strengthen the physical security of systems and buildings; and
- \$99,196 to address issues in pay administration

This is an increase of 36.6% compared to the PCO's total voted authorities to date of \$157,613,415.

Forecasted statutory expenditures for the PCO are increasing by \$2,730,151, due to additional contributions to employee benefit plans. The PCO's total proposed authorities to date, including voted and statutory expenditures, are \$234,112,970.

3.2 National Inquiry

Officials explained that the original budget for the National Inquiry into Missing and Murdered Indigenous Women and Girls was \$53 million over three fiscal years. The six-month extension to the inquiry, along with a higher workload than expected, has increased the overall budget to \$92 million, though actual expenses may be lower.

Last year, in the *Supplementary Estimates (A), 2017–18* the PCO requested \$33 million for the inquiry. In these supplementary estimates, the PCO is requesting an additional \$47 million, for total funding to date in the estimates of \$80 million.

3.3 Support for Ministers

The PCO is requesting \$6.2 million to support ministers for which the PCO has responsibility. The PCO provides support to the Prime Minister of Canada and Minister of Youth, the Minister of Intergovernmental and Northern Affairs and Internal Trade, the Leader of the Government in the House of Commons, and the Minister of Democratic Institutions.

Officials said the funding is required due to the creation of the new Minister of Intergovernmental and Northern Affairs and Internal Trade. The funds would be used to acquire and renovate office space, as well as hire additional PCO staff to support the minister, although officials were unable to specify at the hearing the number of new staff required.

3.4 Physical Security

The PCO is requesting \$570,000 to strengthen the physical security of systems and buildings. Due to security concerns, officials were reluctant to be precise about the use of funds, but they indicated that the funds would be used to make it more difficult for unauthorized people to get into buildings, as well as for information technology security.

4 IMMIGRATION, REFUGEES AND CITIZENSHIP CANADA

Immigration, Refugees and Citizenship Canada (IRCC) screens and approves for admission immigrants, foreign students, visitors and temporary workers; resettles refugees; manages settlement and integration services for newcomers; and grants citizenship.²

Committee Observations

Canada has experienced an increase in irregular migration and asylum claims in recent years. This has led to increased costs for provinces and municipalities who provide services, such as temporary housing, to asylum claimants.

While Immigration, Refugees and Citizenship Canada reimburses provinces for some costs, it needs to clearly specify what costs will be covered and at what proportion.

4.1 Estimates Overview

In the *Supplementary Estimates (A), 2018–19*, IRCC is requesting additional voted appropriations of \$68,780,786, for eight spending items:

- \$50,000,000 to compensate provinces for the temporary housing of asylum seekers;
- \$5,937,205 to expand biometric screening in the immigration system;
- \$3,047,018 for the Temporary Foreign Worker Program and International Mobility Program;
- \$3,000,000 for the Migrant Smuggling Prevention Strategy;
- \$2,692,344 for the Entry/Exit Project;
- \$2,078,535 to support the use and protection of classified information in immigration proceedings;
- \$1,089,863 for addressing irregular migration at the Canada–US border; and
- \$935,821 to address issues in pay administration.

When transfers are included, this is an increase of 2.7% compared to IRCC's total voted authorities to date of \$2,239,962,967.

Forecasted statutory expenditures for IRCC are increasing by \$542,047 due to contributions to employee benefit plans. Transfers to other organizations total \$9,403,096. IRCC's total proposed authorities to date, including voted and statutory expenditures and transfers, are \$2,456,222,379.

4.2 Irregular Migration

Officials informed the committee that in 2017, Canada received 50,000 requests for asylum, of which, 20,500 were intercepted crossing the Canada-U.S. border irregularly at non-designated ports of entry. So far in 2018, Canada has received 46,000 requests for asylum, of which, 17,000 were made by individuals who crossed the border irregularly.

² The legal name of the department, and the name used in the estimates, is the Department of Citizenship and Immigration.

Officials said IRCC spent \$24 million on irregular migration in 2017–2018, and to date has spent \$34.2 million in 2018–2019.

In these supplementary estimates, IRCC is requesting \$50 million to compensate provinces for the temporary housing of asylum seekers, as well as \$1 million to address irregular migration at the Canada–US border.

Officials clarified that the compensation is broken down as follows: \$11 million for the City of Toronto, \$3 million for the Province of Manitoba and \$36 million for the Province of Quebec. They said the \$50 million is intended as an initial payment for provincial and municipal costs, based on negotiations with provinces to reimburse costs incurred in 2017 for temporary housing. The government may decide to reimburse additional costs, but it has not made any public commitments to date.

4.3 Biometric Screening

IRCC is requesting \$5.9 million to expand biometric screening in the immigration system. This funding would support operating and capital expenditures to procure and deploy equipment and systems, as well as develop training material.

As of the summer of 2018, when visitors to Canada apply for a visa, study or work permit, or permanent residence, they need to provide their fingerprints and a photo. The information is collected at visa application centres, which are managed by private sector partners on IRCC's behalf. The information is used by IRCC and the Canada Border Services Agency to confirm people's identity when they request visas to come to Canada and when they enter the country. In some circumstances, the information may be shared with Canada's security partners.

Officials indicated that they have undertaken privacy impact assessments in consultation with the Office of the Privacy Commissioner and have strict rules about the retention, disposal and onward use of biometric information.

5 CROWN-INDIGENOUS RELATIONS AND NORTHERN AFFAIRS CANADA

Crown–Indigenous Relations and Northern Affairs Canada (CIRNAC) manages the relationship between the Government of Canada and First Nations, Inuit and Métis; works with Indigenous peoples to build capacity for self-determination; and leads the government’s activities in the North.³

Committee Observations

Crown–Indigenous Relations and Northern Affairs Canada (CIRNAC) is working with First Nations to resolve special and specific claims, some of which have been outstanding for many years.

CIRNAC needs to ensure that special and specific claims are resolved in a timely manner, and to clearly specify the potential liabilities associated with their resolution.

5.1 Estimates Overview

In the *Supplementary Estimates (A), 2018–19*, CIRNAC is requesting additional voted appropriations of \$1,686,256,173, for 17 spending items:

- \$666,000,000 to settle special claims under the Williams Treaties;
- \$239,422,052 to settle the Treaty 8 Agricultural Benefits specific claim with the Little Red River Cree Nation;
- \$155,000,000 for the Sixties Scoop settlement;
- \$139,049,404 for infrastructure projects in Indigenous communities;
- \$129,181,000 to support the implementation of a renewed relationship with the Métis Manitoba Federation;
- \$115,613,758 for specific claims settlements;
- \$54,896,248 related to the assessment, management and remediation of federal contaminated sites;
- \$53,872,790 for out-of-court settlements;
- \$47,351,958 to continue to fulfill Canada’s obligations under the *Indian Residential School Settlement Agreement*;
- \$43,400,000 to reform the Negotiation Support Funding Program;
- \$13,468,488 for on-reserve waste management infrastructure;
- \$9,277,924 for the Canadian High Arctic Research Station Project;
- \$9,000,000 to implement the *Canadian Heritage Rivers Inuit Impact Benefit Agreement*;
- \$5,345,520 to address sex-based inequities in Indian status registration;
- \$2,645,943 for the Matrimonial Real Property Program;

³ The legal name of the department, and the name used in the estimates, is the Department of Indian Affairs and Northern Development.

- \$2,184,924 to transition to new impact assessment and regulatory processes; and
- \$546,164 to address issues in pay administration.

When transfers are included, this is an increase of 55% compared to CIRNAC's total voted authorities to date of \$3,046,471,258.

Forecasted statutory expenditures for CIRNAC are increasing by \$2,790,524 due to contributions to employee benefit plans. An additional \$380,461 is being transferred from other organizations. CIRNAC's total proposed authorities to date, including voted and statutory expenditures and transfers, are \$4,831,984,446.

5.2 Infrastructure in Indigenous Communities

In the *Supplementary Estimates (A), 2018–19*, CIRNAC is requesting \$139 million for infrastructure projects in Indigenous communities as well as \$13 million for on-reserve waste management infrastructure. Officials from CIRNAC said that these funds would support investments in Inuit housing, waste management facilities, as well as clean energy to alleviate communities' dependence on diesel.

5.3 Settlement Under the Williams Treaties

CIRNAC is requesting \$666 million for a settlement that was reached between the Government of Canada, the Province of Ontario and the seven Williams Treaties First Nations to resolve a litigation regarding the First Nations' treaty harvesting rights. One of the terms of the negotiated settlement is a financial compensation of \$1.11 billion, shared by Canada (\$666 million) and Ontario (\$444 million).

Officials from CIRNAC said that this settlement is a historic accomplishment. The First Nations have approximately 11,000 acres available to add to their reserve, following departmental policies, including purchase on a willing-buyer, willing-seller basis, an environmental assessment, and the addition to their reserve by ministerial order. Officials explained that the division of compensation between Canada and Ontario was a matter of negotiation, and Ontario has been a significant partner in reaching the settlement.

Officials from the Treasury Board of Canada Secretariat (TBS) said this settlement dates back to 1923, when the Government of Canada and seven First Nations entered into the Williams Treaties, resulting in the surrender of lands. In 1992, the First Nations sued the Government of Canada, seeking \$5 billion in damages. There has been a series of judicial rulings and negotiations since then. The final settlement was reached in March 2018, which is expected to address all outstanding litigation with the Williams Treaties First Nations.

5.4 Treaty 8 Agricultural Benefits Specific Claim

CIRNAC is requesting \$239 million to settle the Treaty 8 Agricultural Benefits specific claim with the Little Red River Cree Nation. Officials from the TBS stated that the Little Red River Cree Nation filed a claim in 1994 to request agricultural benefits for their nation. A settlement offer was accepted by the Little Red River Cree Nation in April 2017 and ratified on August 25. Officials from CIRNAC said that this settlement would help to right past wrongs, honour treaty obligations, and advance reconciliation with the Little Red River Cree Nation.

6 INDIGENOUS SERVICES CANADA

Indigenous Services Canada (ISC) works with First Nations, Inuit and Métis to provide them access to various services, including primary health care, education, water and wastewater systems, housing, community infrastructure, social programs, and emergency management.

Committee Observations

Indigenous Services Canada (ISC) is aiming to eliminate all long-term drinking water boil advisories on First Nation reserves by March 2021.

Although there has been progress on this issue, ISC needs to ensure that communities have the resources and the capacity to maintain drinking water systems once they are established.

6.1 Estimates Overview

In the *Supplementary Estimates (A), 2018–19*, ISC is requesting additional voted appropriations of \$1,223,816,027, for 11 spending items:

- \$423,093,838 for the First Nations Water and Wastewater Enhanced Program and to monitor and test on-reserve drinking water;
- \$323,261,749 for health, social and education services and support for First Nations children under Jordan's Principle;
- \$287,438,678 for infrastructure projects in Indigenous communities;
- \$56,074,345 to build healthier First Nations and Inuit communities;
- \$49,931,803 for Operation Return Home: Manitoba Interlake Flood Remediation and Settlement;
- \$49,744,386 for First Nations health facilities;
- \$20,000,000 for internal support services;
- \$9,633,937 to address sex-based inequities in Indian status registration;
- \$3,000,000 for Indspire to support Indigenous post-secondary students;
- \$1,029,120 for the Indigenous Early Learning and Child Care Framework; and
- \$411,283 to transition to new impact assessment and regulatory processes.

When transfers are included, this is an increase of 13% compared to ISC's total voted authorities to date of \$9,574,480,414.

Forecasted statutory expenditures for ISC are increasing by \$6,235,021 due to contributions to employee benefit plans. An additional \$196,888 is being transferred from other organizations. ISC's total proposed authorities to date, including voted and statutory expenditures and transfers, are \$10,887,470,686.

6.2 The Creation of Indigenous Services Canada

Indigenous Services Canada (ISC) was created in November 2017 through an order in Council. While the government committed to developing legislation for the new department, officials said no date has been set for tabling the legislation in Parliament.

Officials from ISC also told the committee that through the creation of ISC, there has been no decrease in funding for programs and the intent is to introduce new departmental legislation for ISC. They committed to providing the committee with a reconciliation of program funding under the old department and the two new departments.

6.3 Jordan's Principle

ISC included \$323 million in the *Supplementary Estimates (A), 2018–19* for health, social and education services and support for First Nations children under Jordan's Principle, which ensures that First Nations children living on and off reserve have equitable access to government services. Officials from ISC stated that between July 1, 2016, and September 30, 2018, about 4%, just over \$12 million, of the funding under the Jordan's Principle was specific to education. ISC keeps count of the number of services but not the number of children in the program, since a child could be accessing multiple services.

Officials explained that although there is no wait for funding, it might take some time to implement certain services. For this reason, ISC is shifting towards community requests to help bring services to communities.

Regarding the awareness of Jordan's Principle, officials said that a service coordination function was established to create awareness and help families access the program as well as document their needs; nevertheless, requests have to come from communities and family members.

6.4 Infrastructure in Indigenous Communities

In the *Supplementary Estimates (A), 2018–19*, ISC is requesting \$287 million for infrastructure projects in Indigenous communities. Officials from ISC told the committee that they are working to help First Nations develop the ability to maintain infrastructure by giving them funds for training and access to qualified inspectors.

With regard to broadband internet access in Indigenous communities, officials explained that ISC is working with Innovation, Science and Economic Development, which has a broadband infrastructure fund to connect remote communities, including remote Indigenous communities, to broadband internet.

6.5 First Nations Water and Wastewater Enhanced Program

ISC is requesting \$423 million for the First Nations Water and Wastewater Enhanced Program and to monitor and test on-reserve drinking water. Officials stated that they are on track to eliminate all long-term drinking water boil advisories by March 2021, even though the government's obligations were expanded based on a revised definitional scope of drinking water advisories.

7 TREASURY BOARD OF CANADA SECRETARIAT

The Secretariat (TBS) supports the Treasury Board of Canada in its role as the government's management board: overseeing the operations of the federal government as a whole, providing oversight of the financial management of departments and agencies, and acting as the employer of the core public service.

Committee Observations

The Treasury Board of Canada Secretariat (TBS) is undertaking the Back Office Transformation Initiative to consolidate departmental human resources, financial and information management systems.

While the TBS has spent \$130 million since 2014–2015 on this initiative, it does not know its expected final cost. According to the committee, the TBS needs to develop an overall budget and roadmap for the Back Office Transformation Initiative before undertaking further work.

The government also needs to publicly disclose the costs to date of acquiring the Trans Mountain Pipeline.

7.1 Estimates Overview

In the *Supplementary Estimates (A), 2018–19*, the TBS is requesting additional voted appropriations of \$815,527,426 for eight spending items:

- \$541,377,556 for compensation adjustments;
- \$128,020,000 for the implementation of the LGBT Purge class action settlement agreement;
- \$119,500,000 for the Indigenous Early Learning and Child Care Framework;
- \$18,051,280 for the Back Office Transformation initiative;
- \$5,034,131 for the stabilization of the pay system;
- \$2,833,525 to settle claims arising from the White class action settlement agreement;
- \$500,000 to complete a comparability study for the border services job classification; and
- \$210,934 to address issues in pay administration.

This is an increase of 8.9% compared to the TBS's total voted authorities to date of \$9,212,263,209.

Forecasted statutory expenditures for the TBS remain unchanged. The TBS's total proposed authorities to date, including voted and statutory expenditures, are \$10,396,465,925.

7.2 Vote 40 - Budget Implementation

In the *2018–19 Main Estimates*, the TBS included a new Vote 40 – Budget Implementation, which included all new funding announced in Budget 2018 in a central vote managed by the TBS. Once the Treasury Board approves departmental submissions related to the initiatives outlined in Vote 40, the TBS releases the funding for the specified purposes.

As of October 31, 2018, the TBS had allocated \$2.9 billion (or 40%) of the \$7.0 billion available under the vote. Officials said the next update would show that 60% of the initiatives included in the vote had received funding.

Officials explained that some Budget 2018 items appear in the *Supplementary Estimates (A), 2018–19* because Vote 40 included several initiatives for which allocations had not been determined at the time of the main estimates. Now that the departmental allocations are known, they have been included in the supplementary estimates.

7.3 Trans Mountain Pipeline

In August 2018, the Government of Canada, through Trans mountain Corporation – a subsidiary of the Canada Development Investment Corporation, purchased the Trans Mountain Pipeline for \$4.5 billion. The purchase was financed by a loan from the Canada Account managed by Export Development Canada.

Officials said that the purchase was not disclosed in the *Supplementary Estimates (A), 2018–19* because it was a non-budgetary loan undertaken through Export Development Canada's statutory authority. They also stated that as Export Development Canada only has statutory authorities, it has not been listed in the estimates for a long time. They committed to providing the committee with information on the structure of the acquisition.

7.4 Back Office Transformation

The TBS is requesting \$18.1 million in funding for the Back Office Transformation initiative, which seeks to replace the myriad departmental human resources management, financial management and information management systems with government-wide systems.

Officials informed the committee that the TBS has spent \$130 million on this initiative since it began in 2014–2015. However, they did not have a final cost estimate, budget, completion date, or implementation date for the initiative because it has been “reset.” Originally, the TBS had planned to implement the initiative in many departments, but they are now focusing on 18 departments that are currently operating on Free Balance, a financial system that will soon be obsolete. Further steps are still in the planning phase.

7.5 Phoenix Pay System

The TBS is requesting \$5.0 million for the stabilization of the Government of Canada's pay system. Officials indicated that this funding would support hiring employees to examine the current process and clean the information on the Phoenix Pay System.

The TBS also received \$15.4 million through the *2018–19 Main Estimates* to stabilize and transform the government's pay administration. According to officials, this funding has been used to establish a temporary team of 25 employees that are undertaking planning for a new pay system, including inviting vendors to bid on a replacement project and testing possible solutions.

8 INFRASTRUCTURE CANADA

Infrastructure Canada (IC) works with provinces, territories, municipalities, and other partners to invest in core public infrastructure.

Committee Observations

Infrastructure Canada (IC) is managing the process to replace the Champlain Bridge connecting the Island of Montreal with communities on the South Shore.

As the opening of the bridge has been postponed from its scheduled date of December 21, 2018 to June 2019, the committee is concerned that there remain contentious issues between the government and the construction consortium that could affect the project's costs.

The committee also expects that the Infrastructure Canada will provide information on the overall economic impact of the Investing in Canada Plan.

8.1 Estimates Overview

In the *Supplementary Estimates (A), 2018–19*, IC is requesting additional voted appropriations of \$548,157,655 for four spending items:

- \$291,756,955 for the New Champlain Bridge Corridor Project;
- \$210,350,000 to assume the P3 Canada Fund commitments of PPP Canada;
- \$43,751,700 for the Disaster Mitigation and Adaptation Fund; and
- \$2,299,000 for the Investing in Canada Infrastructure Program.

When transfers are included, this is an increase of 13.8% compared to IC's total voted authorities to date of \$3,981,844,555.

Forecasted statutory expenditures for IC are unchanged. IC's authorities are decreasing by \$100,000 through a transfer to another organization. IC's total proposed authorities to date, including voted and statutory expenditures and transfers, are \$6,708,366,768.

8.2 Champlain Bridge

IC is managing the process to replace the Champlain Bridge connecting the Island of Montreal with communities on the South Shore. IC is requesting \$292 million in additional funding for the New Champlain Bridge Corridor Project.

Officials said this amount is composed of \$57 million in funding that was reprofiled from the last fiscal year to this fiscal year, as well as \$235 million for a settlement agreement between the Government of Canada and the private sector partner construction consortium, the Signature on the Saint Lawrence Group. The agreement covered measures taken by the consortium in 2016–2017 to mitigate construction delays caused by the transportation of oversized parts and a number of strikes that took

place on the work site. The government also asked the consortium to undertake acceleration measures, such as increasing the number of workers, which resulted in additional costs. The government completed its negotiations with the consortium in the spring of 2018.

On October 25, 2018, the government announced that the Champlain Bridge would not open as planned on December 21, 2018, and the opening would take place in the new year, no later than June 2019. Officials acknowledged that the contract included significant penalties for delays in completing the bridge. However, as there were some events that occurred outside of the construction consortium's control, IC is undertaking discussions with the consortium.

8.3 Investing in Canada Plan

To date, more than \$18.5 billion in funding has been committed through the Investing in Canada Plan for projects across the country.

Officials were unable to provide information on the global economic impact of this investment, but they committed to follow up with the committee.

With respect to delays in providing funds to municipalities, officials said they have been working with the Federation of Canadian Municipalities to build capacity in small communities, which may have challenges with asset management.

9 FISHERIES AND OCEANS CANADA

Fisheries and Oceans Canada (Department of Fisheries and Oceans, DFO) is responsible for managing Canada's fisheries, oceans and freshwater resources. It supports economic growth and innovation in the marine and fisheries sectors.

Committee Observations

As part of the National Shipbuilding Strategy, Fisheries and Oceans Canada (DFO) is funding the construction of the Offshore Oceanographic Science Vessel for the Canadian Coast Guard.

The estimated cost of the vessel has risen from \$144 million in 2009 to \$331 million in 2017, but the budget is still under review. DFO needs to closely monitor the cost for this vessel, which continues to escalate.

9.1 Estimates Overview

In the *Supplementary Estimates (A), 2018–19*, DFO is requesting additional voted appropriations of \$978,246,693 for 13 spending items:

- \$827,314,981 to procure three icebreakers for the Canadian Coast Guard;
- \$57,794,552 for the Canadian Coast Guard Offshore Oceanographic Science Vessel Project;
- \$33,850,030 to advance reconciliation on Indigenous and treaty rights issues;
- \$21,471,042 to implement an amended *Fisheries Act*;
- \$15,000,000 to support negotiations on fisheries and marine matters with Indigenous stakeholders;
- \$5,300,000 for the Oceans Protections Plan;
- \$4,976,588 to transition to a new impact assessment and regulatory process;
- \$3,189,119 to implement treaty obligations under the Tla'amin Final Agreement and the Nisga'a Final Agreement;
- \$2,731,643 to reinvest revenue received from polluters;
- \$2,667,268 to reinvest royalties from intellectual property;
- \$1,581,070 to address issues in pay administration;
- \$1,500,000 for the Whale Innovation Challenge; and
- \$870,400 to protect Canada's nature, parks and wild spaces.

When transfers are included, this is an increase of 37.3% compared to DFO's total voted authorities to date of \$2,628,469,339.

Forecasted statutory expenditures for DFO are increasing by \$3,148,380 due to contributions to employee benefit plans. DFO's authorities are increasing by \$1,755,293 through transfers from other organizations. DFO's total proposed authorities to date, including voted and statutory expenditures and transfers, are \$3,750,658,430.

9.2 Icebreakers for the Canadian Coast Guard

In the *Supplementary Estimates (A), 2018–19*, DFO is requesting \$827 million related to the acquisition and conversion of three medium commercial icebreakers for the Canadian Coast Guard. Officials from DFO stated that they have now acquired the three icebreakers. One of them will enter service before December 2018 and undergo a conversion package at a later date, while the other two will undergo the conversion and enter service in 2019 and 2020 respectively. Officials further explained that \$610 million of the requested funds represents the purchase price and the regulatory work for the first vessel. The remaining \$217 million are for import tariffs, as well as the costs of personnel, operations, surveys and inspections.

9.3 Canadian Coast Guard Offshore Oceanographic Science Vessel Project

DFO included \$57.8 million in the *Supplementary Estimates (A), 2018–19* for the Canadian Coast Guard Offshore Oceanographic Science Vessel Project. Officials from DFO indicated that this project would replace the aging Canadian Coast Guard ship Hudson which is 55 years old and accruing significant maintenance costs. The requested amount would be used for the advance purchase of material, facilitate the design of the vessel and obtain critical vendor-furnished information.

Officials said that the cost of the vessel was estimated to be \$144 million when the project was envisioned in 2009. However, since the release of the National Shipbuilding Strategy annual report, the estimate has now been preliminarily raised to \$331 million, while a new estimate of the costs will be released sometime next year. The vessel should be completed in 2022 or 2023.

9.4 Small Craft Harbours Program

When questioned about the Small Craft Harbours Program, officials from DFO explained that the program is intended to renew and repair the existing harbour system, as well as divesting harbours that are not essential to the commercial fishing industry. A two-year, \$250 million program was announced in Budget 2018 to focus on divestiture activities.

10 INNOVATION, SCIENCE AND ECONOMIC DEVELOPMENT

Innovation, Science and Economic Development Canada (ISED) seeks to improve conditions for investment, enhance Canada's innovation performance, increase Canada's share of global trade and build a fair, efficient and competitive marketplace.

Committee Observations

Innovation, Science and Economic Development (ISED) has been allocated \$250 million to help producers and manufacturers respond to the United States' tariffs on steel and aluminum.

ISED needs to ensure that its support helps maintain the viability of small and medium producers and manufacturers, and not just new capital investments.

10.1 Estimates Overview

In the *Supplementary Estimates (A), 2018–19*, ISED is requesting additional voted appropriations of \$158,816,411 for eight spending items:

- \$125,000,000 for steel and aluminum producers through the Strategic Innovation Fund;
- \$15,042,926 for the Strategic Innovation Fund, under the Innovation and Skills Plan;
- \$12,731,791 for the Connecting Canadians program;
- \$2,420,000 for government advertising;
- \$1,204,358 for the reinvestment of royalties from intellectual property;
- \$1,160,762 for the CanCode Program;
- \$731,837 for the Connecting Families initiative; and
- \$524,737 to address issues in pay administration.

When transfers are included, this is an increase of 5.8% compared to ISED's total voted authorities to date of \$2,748,007,188.

Forecasted statutory expenditures for ISED are increasing by \$298,000 due to contributions to employee benefit plans, and allocations for the salary and motor car allowance for the Minister of Science and the Minister of Small Business and Tourism. ISED's authorities are increasing by \$214,386 through transfers from other organizations. DFO's total proposed authorities to date, including voted and statutory expenditures and transfers, are \$3,102,878,973.

10.2 Connecting Canadians Program

In the *Supplementary Estimates (A), 2018–19*, ISED is requesting \$12.7 million for the Connecting Canadians program. The program's objective is to provide at least 280,000 households with high-speed Internet access in rural and remote communities. Officials from ISED told the committee that they negotiate with private suppliers to implement projects, but they were not able to provide the criteria used to select projects.

When questioned about the quality of Internet connections in smaller communities, officials indicated that depending on the location, the technological capabilities are different. ISED tracks broadband access through mapping, which helps them maximize the use of funds.

10.3 Strategic Innovation Fund

ISED is also requesting \$15.0 million for the Strategic Innovation Fund, under the Innovation and Skills Plan. Officials stated that five sectors were selected for investment in Budget 2017, including advanced manufacturing, digital industries, health and biosciences, clean technology and clean resources. Officials clarified that while the Strategic Innovation Fund is specifically designed to fund projects that are proposed by private sector enterprises, it covers a wide range of activities, such as research and development, capital equipment and staff training.

10.4 Funding for the Steel and Aluminum Producers

ISED is requesting \$125 million for steel and aluminum producers through the Strategic Innovation Fund. Officials said that this funding would be used to maintain producers' capital plans, thereby alleviating their uncertainty. Along with the recently introduced immediate write-off of capital costs for productive equipment, the aim is to diversify product lines and open new markets and opportunities. They also said workforce commitments are integral to the arrangements.

APPENDIX – WITNESSES WHO APPEARED BEFORE THE COMMITTEE

Crown-Indigenous Relations and Northern Affairs Canada

Alex Lakroni, Chief Finances, Results and Delivery Officer
 Karen Turcotte, Director General, Resolution and Individual Affairs Sector
 Joe Wild, Senior Assistant Deputy Minister, Treaties and Aboriginal Government
 (2018-11-21)

Department of National Defence

Rob Chambers, Acting Assistant Deputy Minister (Infrastructure and Environment)
 Patrick Finn, Assistant Deputy Minister (Materiel)
 Major-General Hercule Gosselin, Chief of Programme
 Claude Rochette, Chief Financial Officer/Assistant Deputy Minister
 (2018-11-20)

Fisheries and Oceans Canada

Luc Boucher, Director, Harbour Development, Policy and Planning, Fisheries and Oceans
 Jen O'Donoghue, Chief Financial Officer
 Andy Smith, Deputy Commissioner, Strategy and Shipbuilding, Canadian Coast Guard
 (2018-11-22)

Global Affairs Canada

Arun Thangaraj, Assistant Deputy Minister and Chief Financial Officer, Corporate Planning,
 Finance and Information Technology
 (2018-11-20)

Immigration, Refugees and Citizenship Canada

Mike MacDonald, Associate Assistant Deputy Minister, Strategic and Program Policy
 Christopher Meyers, Director General, Finance
 Daniel Mills, Assistant Deputy Minister, Chief Financial Officer, Finance
 Bruce Scoffield, Director General, Immigration Program Guidance Branch
 (2018-11-21)

Indigenous Services Canada

Marie Doyle, Regional Executive Director, Northern Region, First Nations and Inuit Health
 Branch
 Claudia Ferland, Director General, Regional Infrastructure Delivery Branch
 Paul Thoppil, Chief Finances, Results and Delivery Officer
 (2018-11-21)

Infrastructure Canada

Nathalie Bertrand, Assistant Deputy Minister and Chief Financial Officer, Corporate Services
Marc Fortin, Assistant Deputy Minister, Program Operations
(2018-11-22)

Innovation, Science and Economic Development Canada

Mitch Davies, Senior Assistant Deputy Minister, Innovation Canada
Lisa Setlakwe, Senior Assistant Deputy Minister, Strategy and Innovation Policy Sector
Philippe Thompson, Assistant Deputy Minister and Chief Financial Officer, Corporate
Management Sector
(2018-11-22)

Privy Council Office

Michael Hammond, Executive Director and Deputy Chief Financial Officer, Finance, Planning
and Administration Directorate
Matthew Shea, Assistant Deputy Minister, Corporate Services and Chief Financial Officer
(2018-11-21)

Treasury Board of Canada Secretariat

Karen Cahill, Assistant Secretary and Chief Financial Officer
Brian Pagan, Assistant Secretary, Expenditure Management Sector
Glenn Purves, Assistant Secretary Designate, Expenditure Management Sector
Marcia Santiago, Executive Director, Expenditure Management Sector
(2018-11-22)