



**SECOND INTERIM REPORT ON THE
2018–19 MAIN ESTIMATES**

Standing Senate Committee on National Finance

THIRTY-SIXTH REPORT

Chair

The Honourable Percy Mockler

Deputy Chairs

The Honourable Mobina Jaffer

The Honourable André Pratte

December 2018

ORDER OF REFERENCE

Excerpt from the *Journals of the Senate* of Wednesday, April 18, 2018:

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 Main Estimates for the fiscal year ending March 31, 2019, with the exception of Library of Parliament Vote 1; 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.

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EXECUTIVE SUMMARY

2018–19 Main Estimates

As part of its oversight role of government spending, the Standing Senate Committee on National Finance continued its consideration of the *2018–19 Main Estimates*.

Our committee tabled its first interim report on the *2018–19 Main Estimates*, which examined the estimates of fifteen federal organizations, on June 18, 2018. This report, our second interim report, examined the estimates of ten additional federal organizations who requested a combined total of \$15.5 billion in voted appropriations.

From the review of these estimates, our main observations are:

1. As completion of the new Champlain Bridge has been delayed, the Jacques-Cartier and Champlain Bridges Inc. needs to ensure that the current bridge can continue to be used safely and that it has sufficient funds for this purpose.
2. The Windsor-Detroit Bridge Authority will need to closely monitor the contracting authority to ensure that the Gordie Howe International Bridge is built to specifications and on time, as well as ensure that its tolls recoup all costs to build and maintain the bridge over 30 years.
3. The government needs to demonstrate concrete results from new approaches to program delivery being supported by the Privy Council Office's Impact and Innovation Unit.
4. Atomic Energy of Canada Limited needs to work with the Canadian Nuclear Laboratories to develop and report on performance measures for the value generated by its \$450 million annual expenditure on nuclear research.
5. The government needs to ensure that the Canadian Air Transportation Security Authority has sufficient resources to maintain its service standard, while protecting the safety of Canadian air passengers.
6. The National Research Council of Canada supports research in areas of national priority, but it needs to demonstrate how its \$1 billion annual budget leads to concrete improvements for Canadians.
7. As Canada implements additional trade agreements, Agriculture and Agri-Food Canada needs to ensure that its dairy support programs compensate all dairy farmers and producers for incurred losses and help them adjust to increased international competition.
8. The Correctional Service of Canada will need to seek additional funds to implement the government's decision to eliminate administrative segregation, and we will monitor the costs and outcomes of this policy change.
9. The Canada Revenue Agency should credibly report on the actual return of the approximately \$1 billion it is spending to crack down on tax evasion and combat tax avoidance.
10. The June 2018 G7 Summit in Charlevoix, Quebec had an overall budget of \$604.5 million. We expect that Global Affairs Canada will report on the actual costs of the summit, including compensation payments, following the end of the fiscal year.

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.

The *2018–19 Main Estimates* were tabled in the Senate on April 17, 2018 and referred to the Standing Senate Committee on National Finance for review on April 18, 2018. They provide information to support the federal government's request for Parliament's approval of spending to deliver programs and services during the fiscal year 2018–2019.

Our committee tabled its first interim report on the *2018–19 Main Estimates*, which examined the estimates of fifteen federal organizations, on June 18, 2018. We decided to continue our examination of the *2018–19 Main Estimates* and reviewed the estimates of an additional ten federal organizations who requested a combined total of \$15.5 billion in voted appropriations.

This report highlights issues discussed during our examination of the main 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 THE JACQUES-CARTIER AND CHAMPLAIN BRIDGES INC.

The Jacques-Cartier and Champlain Bridges Inc. (JCCBI) manages, operates and maintains bridges and tunnels in the Montreal area under federal jurisdiction: the Jacques Cartier Bridge, the Champlain Bridge, the Nuns' Island Bypass Bridge, the Melocheville Tunnel, and federal sections of the Honoré Mercier Bridge and the Bonaventure Expressway.

Committee Observations

The Jacques-Cartier and Champlain Bridges Inc. (JCCBI) is responsible for maintaining the current Champlain Bridge, which connects the island of Montreal with surrounding communities.

As completion of the new Champlain Bridge has been delayed, the JCCBI needs to ensure that the current bridge can continue to be used safely and that it has sufficient funds for this purpose.

1.1 Estimates Overview

In the *2018–19 Main Estimates*, JCCBI requested a total voted appropriation of \$250,127,000, with no forecasted statutory expenditures.

JCCBI's authorities are decreasing by \$81.7 million, or 25%, compared to the *2017–18 Main Estimates*. The decrease is primarily due to the end of the 10-year program to maintain the Champlain Bridge.

Budget 2018 also allocated an additional \$91 million to the corporation for "protecting the integrity of transportation infrastructure in Montreal," which would be provided through Treasury Board Secretariat Vote 40–Budget Implementation.

1.2 Maintaining the Champlain Bridge

A key part of the JCCBI's mandate is to maintain the safety of the existing Champlain Bridge. The corporation has set aside \$132 million in 2018–2019 for this purpose. It should be noted that the corporation does not manage the construction for the new Champlain Bridge, which is the responsibility of Infrastructure Canada.

However, officials said that most of these funds are part of a reserve in the event of delays in the construction of the new bridge. The planned maintenance expenditures until June 2019 are approximately \$50 million, and if the new bridge is not ready at that time, \$10 million is planned to cover the period from June to December 2019.

Since 2014, total maintenance expenditures on the Champlain Bridge have been \$328 million.

1.3 Demolition of the Champlain Bridge

The current Champlain Bridge is scheduled to be demolished when the new bridge is complete.

When asked about the timeline for the demolition of the existing Champlain Bridge, officials noted that the corporation will conduct an environmental assessment for this purpose. With respect to the budget, a

pre-feasibility study released in April 2017 estimated that approximately \$400 million would be required for demolition.

1.4 Benchmarking

The JCCBI's vision is to become a leader in the management of major infrastructure based on a sustainable development approach. When asked how they measure their leadership, officials indicated that the corporation has begun to do some benchmarking with different organizations to determine where it stands in terms of its leadership in transportation.

However, some members were surprised that after forty years of existence, the JCCBI was only beginning to develop indicators to assess its performance.

2 WINDSOR–DETROIT BRIDGE AUTHORITY

The Windsor–Detroit Bridge Authority manages the process for designing, building, financing, operating, and maintaining the new Gordie Howe International Bridge between Windsor, Ontario and Detroit, Michigan.

Committee Observations

In September, the Windsor-Detroit Bridge Authority (WDBA) announced a \$5.7 billion contract for the design, construction, operations and maintenance of the Gordie Howe International Bridge.

The WDBA will need to closely monitor the contracting authority to ensure that the bridge is built to specifications and on time, as well as ensure that its tolls recoup all costs to build and maintain the bridge over 30 years.

2.1 Estimates Overview

In the *2018–19 Main Estimates*, the Windsor–Detroit Bridge Authority requested a total voted appropriation of \$195,992,153, with no forecasted statutory expenditures. The Windsor–Detroit Bridge Authority's authorities are decreasing by \$81.7 million, or 24%, compared to the *2017–18 Main Estimates*.

The 2018–2019 funding will support:

- the completion of the procurement process for the selection of the private partner for the project;
- project construction, which will begin in 2018–2019;
- property acquisition in Michigan; and
- continued site preparatory work, including relocation of utilities, perimeter access road construction and plaza fill work.

2.2 Construction and Maintenance

On September 28, 2018, the WDBA announced a \$5.7 billion contract with Bridging North America, which includes Fluor Canada, ACS Infrastructure Canada and Aecon, for the design and construction of the bridge, financing costs, as well as operations and maintenance for 30 years. The bridge is expected to be operational by the end of 2024.

Officials said a value-for-money analysis was done on the P3 model, which indicated savings of 10% compared to the traditional methods of contracting and construction.

The WDBA requested \$196 million in 2018–2019 to assist with the final acquisition of U.S. properties, the relocation of utilities in the U.S. and Canada, and the completion of early works on the Canadian side. From April 1, 2006 to March 31, 2018, the federal government has invested \$559 million on the project.

The WDBA will oversee the contractor to ensure that the bridge is delivered in accordance with the contract, all milestones are met, and the bridge and associated buildings are appropriately maintained.

2.3 Cost Recovery

The Gordie Howe International Bridge will require the payment of a toll to cross it. The tolls have not yet been determined. Officials indicated that the WDBA will undertake studies to ensure that all costs of construction and maintenance are recouped through tolls, and that the tolls are competitive.

2.4 Benchmarking

When asked about benchmarking, WBDA officials stated that lessons learned in various infrastructure projects at critical stages of their development have been incorporated into the way the corporation conducts its operations. They regularly visit other major infrastructure projects to understand what has worked well and what led to significant challenges.

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's (PCO) Impact and Innovation Unit helps departments develop new program delivery models.

While the committee supports innovation, it is important that departments and the PCO demonstrate concrete results from new approaches, such as the Smart Cities Challenge.

3.1 Estimates Overview

In the *2018–19 Main Estimates*, the PCO requested a total voted appropriation of \$150,284,051, with forecasted statutory expenditures of \$16,076,450, which is primarily for contributions to employee benefit plans.

The PCO's total budgetary authorities are increasing by \$21.5 million, or 15%, compared to the *2017–18 Main Estimates*. The increase is primarily due to:

- supporting the National Inquiry into Missing and Murdered Indigenous Women and Girls;
- supporting the PCO's information technology modernization project;
- implementing the Impact Canada Initiative;
- establishing a secretariat to support the working group of ministers on the review of laws and policies related to Indigenous peoples; and
- establishing a LGBTQ2 secretariat.

These increases are offset by a decrease in funding for the Access Control and Physical Security Project.

Budget 2018 also allocated an additional \$745,000 in 2018–2019 to the PCO for “a new process for federal election leaders' debates,” which would be provided through Treasury Board Secretariat Vote 40–Budget Implementation.

3.2 Impact Canada Initiative

The PCO manages the Impact Canada Initiative, which was announced in Budget 2017. The PCO's Impact and Innovation Unit acts as a centre of expertise for the Initiative, which supports innovative programming approaches in priority areas.

Officials said the centre of expertise is a small team with a budget of less than \$1 million per year. The staff have expertise in social finance and impact measurement. They support departments that want to participate in the Initiative, but departments must have their own budgetary authority and are responsible for the programs. The goal is to help departments experiment with new forms of program delivery, as well as improve their ability to measure progress.

3.3 Governor-in-Council Appointments

The PCO supports the Governor-in-Council appointment process on behalf of the prime minister.

When asked about delays in the appointment process, officials responded that the PCO has assisted in the staffing of 940 appointments in the past couple of years. They said a focus has been diversity, noting that 53% of the appointments were women, 12% were visible minorities, 9% were Indigenous, and 3.5% were persons with disabilities.

The efficiency of the appointment process, however, is a shared responsibility among the PCO, the Prime Minister's Office, the department responsible for the position, and the responsible minister's office.

3.4 Budget Increases

Officials said that the PCO's funding has remained stable, except for increases for information technology and accommodation upgrades, the provision of internal service support to the National Inquiry into Missing and Murdered Indigenous Women and Girls, and the establishment of a LGBTQ2 secretariat within the PCO.

With respect to the National Inquiry, officials said that they have an excellent relationship with the commission, helping them lease office space, set up contracts, hire staff, and pay bills.

The LGBTQ2 Secretariat has been involved in the apology to the LGBTQ2 community, the class action settlement, and intersectional social policy.

4 ATOMIC ENERGY OF CANADA LIMITED

Atomic Energy of Canada Limited (AECL) is a federal Crown corporation responsible for the long-term contractual arrangement with the Canadian National Energy Alliance for the management and operation of Canadian Nuclear Laboratories.

Committee Observations

Through a government-owned, contractor-operated model, Atomic Energy of Canada Limited (AECL) works with the Canadian Nuclear Laboratories (CNL) to deliver its mandate of managing nuclear waste and supporting nuclear science.

AECL needs to work with the CNL to develop and report on performance measures for the value generated by its \$450 million annual expenditure on nuclear research.

4.1 Estimates Overview

In the *2018–19 Main Estimates*, AECL requested a total voted appropriation of \$1,043,539,640, with no forecasted statutory expenditures. AECL's budgetary authorities are decreasing by \$72 million, or 7.5%, compared to the *2017–18 Main Estimates*. AECL's appropriation is composed of two main elements:

- nuclear decommissioning and radioactive waste management – \$592.8 million; and
- nuclear laboratories – \$450.7 million.

4.2 Government-owned, Contractor-operated (GoCo) Model

Since 2015, AECL has been delivering its mandate through a Government-owned, Contractor-operated (GoCo) model. Under the GoCo model, AECL entered a contract with the Canadian National Energy Alliance (CNEA), through which the CNEA-owned Canadian Nuclear Laboratories (CNL) is responsible for the day-to-day management of AECL's sites.

In the GoCo model, AECL retains the ownership of properties, facilities, and assets of the nuclear sites as well as responsibility for Canada's \$7.5 billion liability for legacy radioactive waste across its sites.

Officials explained that the rationale behind the transition to the GoCo model is that it allows the Government of Canada to take advantage of international expertise in the private sector while retaining the responsibility for setting priorities.

For example, AECL works with CNL to decide the areas for decommissioning. After AECL approves CNL's work plans, it systematically monitors and assesses CNL's performance against terms set out in the plans, including full compliance with the Canadian Nuclear Safety Commission's requirements.

4.3 Nuclear Technology Research

Through its mandate in nuclear science and technology, AECL is responsible for the management of the Federal Nuclear Science and Technology Work Plan. In the *2018–19 Main Estimates*, AECL is requesting \$450.7 million for the modernization of its nuclear laboratories at Chalk River.

Officials from AECL said that one of the projects being explored is small modular reactors, or SMRs, which have the potential to be an ideal source of energy for resource businesses and remote communities. AECL plans to host demonstration SMRs in Canada by 2026. As to the deployability of SMRs in northern Canada, officials said it would also depend upon community interest.

When questioned about the value generated from the research funding, officials replied that the value is manifested in the \$6-billion-per-year Canadian nuclear industry, mainly from the electricity that is produced. They also hope that SMRs could be the next chapter of Canada's nuclear industry.

5 CANADIAN AIR TRANSPORT SECURITY AUTHORITY

The Canadian Air Transport Security Authority (CATSA) conducts security screening of passengers, carry-on baggage, checked baggage, and non-passengers, and it administers access control to restricted areas at Canada's major airports.

Committee Observations

While the Canadian Air Transport Security Authority (CATSA) is meeting its service standard of having 85% of air passengers screened by security in 15 minutes or less, CATSA's base level of funding is insufficient to maintain this standard. For the past four years, it has required additional funding through the supplementary estimates.

The government needs to ensure that CATSA has sufficient resources to maintain its service standard, while protecting the safety of Canadian air passengers.

5.1 Estimates Overview

In the *2018–19 Main Estimates*, CATSA requested a total voted appropriation of \$586,157,871, with no forecasted statutory expenditures. CATSA's authorities are increasing by \$1.6 million, or 0.3%, compared to the *2017–18 Main Estimates*.

The increase is primarily attributable to higher cash requirements to support the deployment of the Hold Baggage Screening system. The increase is partially offset by a decrease in capital investments at pre-board screening checkpoints.

Budget 2018 also allocated an additional \$241 million in 2018–2019 to CATSA for “protecting air travellers,” which would be provided through Treasury Board Secretariat Vote 40—Budget Implementation.

5.2 Funding Model

In addition to the \$586 million that CATSA requested in the *2018–19 Main Estimates*, CATSA also received \$240.6 million for 2018–2019 from Budget 2018. Combined, this amount is \$67 million greater than the previous year, due to increases in air passenger traffic and screening contractor billing rates.

Officials from CATSA said that the amounts they received from the main estimates for the last four years have been insufficient for CATSA to meet its commitment of having 85% of passengers screened in 15 minutes or less. As a result, they have been receiving additional funding through the supplementary estimates.

5.3 Benchmarking

Officials from CATSA said that in the period of April 1 to September 30 they exceeded their service standard, with 92.8% of passengers screened within 15 minutes.

When asked about complaints concerning the behaviour of screening officers, officials said they receive 1.31 complaints per 50,000 passengers, which they consider very low. In addition, according to a third-party survey, the satisfaction rate is 89% among passengers, the highest since they started the survey

16 years ago. They added that they have started training programs for courtesy and official languages, which they believe have led to improvements in these areas.

5.4 Relationship with Airports

Officials said that they meet regularly with the managers of Canada's major airports and have invested over \$169 million at the Toronto Pearson International Airport to accommodate the growth of passengers.

They also said they have a good relationship with the management of regional and smaller airports regarding infrastructure, equipment, and investment.

6 NATIONAL RESEARCH COUNCIL OF CANADA

The National Research Council of Canada (NRC) undertakes research and development in areas of strategic national priority; delivers services associated with the transfer, adoption and diffusion of technology to businesses; offers technology assistance to small and medium-sized enterprises in the innovation process; and provides businesses with access to research facilities.

Committee Observations

The National Research Council of Canada supports research in areas of national priority, but it needs to demonstrate how its \$1 billion annual budget leads to concrete improvements for Canadians.

6.1 Estimates Overview

In the *2018–19 Main Estimates*, the NRC requested a total voted appropriation of \$806,761,134, with forecasted statutory expenditures of \$220,258,447, of which \$182 million is for the spending of revenues and \$38 million is for contributions to employee benefit plans. The NRC's total budgetary expenditures are \$1,027,019,581.

The NRC's total budgetary authorities are increasing by \$26.7 million, or 3%, compared to the *2017–18 Main Estimates*. The increase is primarily due to:

- \$37.2 million for the construction and commissioning of the International Thirty Meter Telescope Observatory;
- \$14.0 million related to statutory revenue; and
- \$10.0 million for the Youth Employment Strategy.

The increases are offset by several decreases:

- \$14.2 million for the sunseting of the 2016 Federal Infrastructure Initiative;
- \$12.8 million for the 2014 Federal Infrastructure Program; and
- \$7.6 million for the Canadian Accelerator and Incubator Program.

Budget 2018 allocated an additional \$208 million to NRC in 2018–2019, which would be provided through Treasury Board Secretariat Vote 40—Budget Implementation.

6.2 Cybersecurity

In 2014, the NRC was the subject of a cyberattack. Officials from the NRC said that attack was traumatic for the organization and led to significant costs and changes within the organization.

In the short-term, the NRC shut down its information technology (IT), reverted to paper-based transactions, and used fax machines to transmit documents.

Since then, the NRC spent considerable effort training its staff on how to respond to threats and minimize risks, physically reconfigured its IT systems, invested in newer equipment, and worked with Shared Services Canada to improve the security of its IT.

6.3 Research Priorities

Since 2000, a portion of the NRC's funding was renewed every five years. Budget 2018 increased the NRC's budget by \$258 million per year on average and made the funding permanent, providing more stability to the NRC.

Officials said the government doesn't select research projects but outlines priority areas for research. The NRC is going to launch three new challenge-based programs this year, and then launch another three programs after three years. The programs would be in areas such as the low-carbon economy, a changing natural environment, and living lightly on the planet.

7 AGRICULTURE AND AGRI-FOOD CANADA

7.1 Introduction

Agriculture and Agri-Food Canada (AAFC) provides programs and services to support the competitiveness of the agriculture and agri-food sector; conducts scientific research, develops new technologies, and transfers the results to the sector; and provides tools to mitigate the financial impact of risks beyond producers' control that threaten the viability of their operations.

Committee Observations

Agriculture and Agri-Food Canada (AAFC) manages two programs to help the dairy industry adjust to the Canada-European Union Comprehensive Economic and Trade Agreement.

As Canada implements additional trade agreements, AAFC needs to ensure that its dairy support programs compensate all dairy farmers and producers for incurred losses and help them adjust to increased international competition.

7.2 Estimates Overview

In the *2018–19 Main Estimates*, AAFC requested a total voted appropriation of \$1,048,867,180, with forecasted statutory expenditures of \$1,476,136,246 related to a variety of programs, including: AgriInsurance, AgriStability, AgriInvest, Agricultural Disaster Relief, and Agricultural Marketing.

AAFC's total budgetary authorities are increasing by \$265 million, or 11.8%, compared to the *2017–18 Main Estimates*. The increase is primarily attributable to:

- increasing support for Business Risk Management programs, primarily AgriStability;
- supporting the implementation of the Dairy Farm Investment Program and the Dairy Processing Investment Fund; and
- addressing retroactive collective bargaining obligations and other compensation adjustments.

7.3 Dairy Sector Investment Programs

In 2017, AAFC launched two programs to help the Canadian dairy industry adapt to the Canada-European Union Comprehensive Economic and Trade Agreement. The Dairy Farm Investment Program, with \$250 million over five years and \$57 million in 2018–2019, helps Canadian dairy farmers invest in productivity enhancing technologies, and the Dairy Processing Investment Fund, with \$100 million over four years and \$32 million in 2018–2019, helps dairy processors modernize operations.

AAFC officials said the Dairy Farm Investment Program has approved 1,900 projects for funding, out of 2,500 applications received. The Dairy Processing Investment Fund has funded 20 different projects for processors, mostly in cheese production.

They said it was too early to speculate on any lessons learned or changes for phase two of the program. They noted that the goat dairy sector is not eligible for these funds but can access programs under the Canadian Agricultural Partnership. Additionally, they are investment programs rather than compensation for loss of market share. Lastly, AAFC is still assessing the scope and impact of the Comprehensive and

Progressive Agreement for Trans-Pacific Partnership and the United States-Mexico-Canada trade agreements.

7.4 Results

In its *2018–19 Departmental Plan*, AAFC outlines its intended results, performance indicators and targets. For example, AAFC plans to increase the value of Canadian agricultural exports from \$63 billion in 2016–2017 to \$75 billion by 2025.

However, officials were unable to provide additional information on how their programs are having an impact, such as, mobilizing research. Additionally, in AAFC's departmental plan, data for actual results for previous years is not available, as the methodology has recently been revised or they are new indicators for 2018–2019.

8 CORRECTIONAL SERVICE OF CANADA

8.1 Introduction

The Correctional Service of Canada (CSC) is responsible for managing all federal correctional institutions and supervising offenders under conditional release in the community.

Committee Observations

The Minister of Public Safety recently announced the elimination of administrative segregation (i.e., solitary confinement) at Correctional Service of Canada (CSC) facilities.

The CSC will need to seek additional funds to implement this policy change, and our committee will monitor the costs and outcomes associated with it.

8.2 Estimates Overview

In the *2018–19 Main Estimates*, the CSC requested a total voted appropriation of \$2,026,625,710, with forecasted statutory expenditures of \$189,141,724 for contributions to employee benefit plans.

The CSC's total budgetary authorities are increasing by \$43 million, or 1.8%, compared to the *2017–18 Main Estimates*. This is primarily due to the following increases:

- \$31.4 million for the funded portion of collective agreement increases;
- \$18.9 million for vulnerable offenders – an item of Budget 2017; and
- \$9.7 million to cover incremental expenditures due to changes in offender population volumes and price fluctuations.

These increases are offset by the following decreases:

- \$15.1 million in capital investments mainly due to reprofiling of funds from previous years;
- \$1.1 million related to the employee benefit plan; and
- \$0.5 million for miscellaneous items.

Budget 2018 also allocated an additional \$79.6 million to the CSC, including, \$74.7 million to provide support for the Correctional Service of Canada and the Office of the Correctional Investigator of Canada; \$2.6 million to improve mental health supports for inmates; and \$2.4 million to reopen the penitentiary farms. These funds would be provided through Treasury Board Secretariat Vote 40—Budget Implementation.

8.3 Administrative Segregation

On 16 October 2018, the Minister of Public Safety announced the elimination of administrative segregation (i.e., solitary confinement) at the CSC's facilities. Instead, structured intervention units would be established to address the safety and security risks of inmates who cannot be managed safely.

Officials said the move away from segregation is a fundamental shift for the department. The CSC is currently working with central agencies on additional funding to implement the proposed changes.

8.4 Mental Health Care

The CSC has received additional funding to expand mental health care supports for federal inmates. Budget 2017 committed \$57.8 million over five years for this purpose and Budget 2018 committed an additional \$20.4 million over five years, of which \$2.4 million would be provided to CSC in 2018–2019.

Officials said the funding would support additional psychologists, mental health nurses, clinical social workers, mental health counsellors, and psychiatric beds.

8.5 Penitentiary Farms

The CSC is reopening the penitentiary farms at the Joyceville and Collins Bay Institutions in Kingston, Ontario. The CSC received \$2.6 million in the *2018–19 Main Estimates* for this purpose.

Officials indicated that the goal of the penitentiary farms is to provide inmates with opportunities to attain job skills and help them reintegrate into the community. However, they could not speculate whether additional farms will be opened across the country.

9 CANADA REVENUE AGENCY

9.1 Introduction

The Canada Revenue Agency (CRA) administers tax, benefits and related programs on behalf of governments across Canada. In carrying out its role, the CRA makes sure that Canadians comply with their tax obligations, receive benefits, and have access to appropriate mechanisms for resolving disputes.

Committee Observations

Through Budget 2016 and Budget 2017, the Canada Revenue Agency (CRA) received approximately \$1 billion to crack down on tax evasion and combat tax avoidance. The CRA expects to receive a \$5 billion return on these investments.

The CRA should report on the actual return of its efforts to crack down on tax evasion and combat tax avoidance.

9.2 Estimates Overview

In the *2018–19 Main Estimates*, the CRA requested a total voted appropriation of \$3,288,155,538, with forecasted statutory expenditures of \$916,610,222. The statutory forecasts include \$422 million for contributions to employee benefit plans and \$335 million for Children's Special Allowance payments.

The CRA's total budgetary authorities are increasing by \$41.8 million, or 1.0%, compared to the *2017–18 Main Estimates*. This is primarily due to the following increases:

- \$89.8 million for the implementation and administration of various measures to crack down on tax evasion and combat tax avoidance;
- \$11.8 million for the taxation regime for cannabis; and
- \$0.1 million for various other transfers.

These increases are offset by the following decreases:

- \$16.2 million adjustment to accommodation and real property services;
- \$15.6 million in contributions to employee benefit plans;
- \$10.5 million planned decrease in funding for the upgrade of the individual income tax processing system;
- \$6.7 million for various other initiatives announced in the 2013, 2014, 2015 and 2016 federal budgets;
- \$5.9 million in the spending of revenues received through the conduct of its operations primarily attributable to initiatives administered on behalf of the province of Ontario; and
- \$5.0 million in payments under the *Children's Special Allowance Act* for eligible children in the care of agencies and foster parents.

Budget 2018 also allocated an additional \$90.0 million to the CRA in 2018–2019, including, \$33.4 million to improve client services, \$30.8 million to crack down on tax evasion and combat tax avoidance and

\$7.0 million to enhance the security of taxpayer information. These funds would be provided through Treasury Board Secretariat Vote 40—Budget Implementation.

9.3 Service Delivery

Budget 2018 committed \$206 million over five years to improve the CRA's client services in three areas: telephone services, the community volunteer income tax program, and digital services. The CRA would receive \$33.4 million in 2018–2019 for these purposes through Treasury Board Secretariat Vote 40 – Budget Implementation. In 2017, the Auditor General of Canada found that the CRA blocked more than half of the calls it received and didn't have adequate mechanisms in place to ensure the information provided to taxpayers was accurate.

Officials told the committee that the CRA has hired 700 new employees in its tax service branch. The new software for the call centres is being rolled out and is planned to be in place for the 2018 tax filing season. They said that taxpayers are making, on average, 2.1 calls rather than 3.3 calls. However, they acknowledged that ideally taxpayers would only need to call once.

9.4 Tax Evasion and Tax Avoidance

Budget 2016 and Budget 2017 together committed approximately \$1 billion over five years to enhance the CRA's efforts to crack down on tax evasion and combat tax avoidance. The CRA's *2018–19 Main Estimates* include \$89.8 million for this purpose. The majority of these resources will be focused on expanding existing compliance and verification measures with respect to the GST/HST, in particular to end fraudulent practices related to rebates.

Officials informed the committee that the CRA expects to receive a return of five to one for investments in compliance and enforcement. Thus, the CRA expects a return of \$5 billion for its enhanced tax evasion and tax avoidance activities.

9.5 Phoenix Pay Problems

Budget 2018 allocated \$5.5 million over two years to the CRA for the processing of federal employee income tax reassessments that are required due to Phoenix pay issues, of which \$3.8 million would be provided to the CRA in 2018–2019 through Treasury Board Secretariat Vote 40 – Budget Implementation.

Officials explained that the funding is providing additional support to federal public servants in their tax processing sites. However, they did not know the number of reassessments that had to be processed due to Phoenix pay problems.

10 GLOBAL AFFAIRS CANADA

10.1 Introduction

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) was responsible for the June 2018 G7 Summit's overall operation, logistics, protocol and finances, which had an overall budget of \$604.5 million.

Our committee expects that GAC will report on the actual costs of the summit, including compensation payments, following the end of the fiscal year.

10.2 Estimates Overview

In the *2018–19 Main Estimates*, GAC requested a total voted appropriation of \$6,112,703,405, with forecasted statutory expenditures of \$378,128,995, related to payments to international financial institutions and contributions to employee benefit plans.

GAC's authorities are increasing by \$489 million, or 8.1%, compared to the *2017–18 Main Estimates*. This is primarily due to the following increases:

- \$256.2 million to help developing countries address the impact of climate change;
- \$112.7 million to support mission security abroad;
- \$108.0 million related to the 2015–2020 strategy for maternal, new-born and child health;
- \$80.0 million for the Crisis Pool Quick Release Mechanism;
- \$65.3 million to support the 2018 G7 Summit in Charlevoix, Quebec;
- \$36.7 million to support the Global Fund to fight AIDS, Tuberculosis, and Malaria;
- \$30.9 million for the New-York Chanceries' co-location and relocation project;
- \$20.4 million for compensation related to collective agreements; and
- \$15.1 million for transfers from other government departments to provide support to departmental staff located at missions abroad.

These increases are offset by the following decreases:

- \$73.1 million for the sunset of current funding for the Global Partnership Program for the destruction, disposal and securing of weapons and materials of mass destruction and related expertise;
- \$70.0 million for the sunset of current funding for the Food Assistance Convention;
- \$50.8 million related to the cost of assessed contributions for international organizations;

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

- \$31.1 million for the sunset of current funding for managing Canadian softwood lumber; and
- \$9.8 million relating to the impact of foreign currency fluctuations incurred on expenditures at missions abroad.

Budget 2018 also allocated an additional \$223 million to GAC, including, \$160 million for the Feminist International Assistance Policy Agenda, \$36 million for “ensuring rules-based and responsible trade,” and \$15 million for “pursuing new markets.” These funds would be provided through Treasury Board Secretariat Vote 40 – Budget Implementation.

10.3 Mission Security

GAC maintains diplomatic and consular offices in countries around the world. GAC's *2018–19 Main Estimates* funding is increasing by \$112.7 million to support mission security abroad.

According to officials from GAC, the funds are for major capital projects to harden physical infrastructure. However, officials were unable to provide examples. The funding would also provide training to improve information technology security and security guards.

10.4 G7 Summit in Charlevoix, Quebec

On 8 and 9 June 2018, the G7 Summit, bringing together leaders of seven major industrial democracies for a series of meetings, was held in Charlevoix, Quebec.

GAC received \$65.3 million in the *2018–19 Main Estimates* for the summit. The government's overall budget for the summit was \$604.5 million. As the lead department, GAC is responsible for the summit's operation, logistics, protocol and finances.

Officials informed the committee that as the G7 presidency lasts until the end of the year, the summit's actual cost won't be known until the full accounting is done, following the end of the fiscal year.

APPENDIX – WITNESSES WHO APPEARED BEFORE THE COMMITTEE

Agriculture and AgriFood Canada

Jane Taylor, Assistant Deputy Minister, Programs Branch
Christine Walker, Assistant Deputy Minister, Corporate Management Branch
(24-10-2018)

Atomic Energy of Canada Limited

Shannon Quinn, Vice President, Science, Technology and Commercial Oversight
Richard Sexton, President and Chief Executive Officer
(17-10-2018)

Canada Revenue Agency

Ted Gallivan, Assistant Commissioner, International, Large Business and Investigations Branch
Kami Ramcharan, Chief Financial Officer and Assistant Commissioner, Finance and
Administration Branch
(24-10-2018)

Canadian Air Transport Security Authority

Nancy Fitchett, Acting Vice President, Corporate Affairs and Chief Financial Officer
Michael Saunders, President and Chief Executive Officer
(17-10-2018)

Correctional Service of Canada

Luc Bisson, Director, Strategic Policy
Tony Matson, Assistant Commissioner, Corporate Services
(24-10-2018)

Global Affairs Canada

Shirley Carruthers, Director General, Financial Resource Planning and Management Bureau
Arun Thangaraj, Assistant Deputy Minister and Chief Financial Officer
(24-10-2018)

The Jacques-Cartier and Champlain Bridges Inc.

Claude Lachance, Senior Director, Administration
Nathalie Lessard, Director, Communications
(16-10-2018)

National Research Council of Canada

Dale MacMillan, Vice President, Corporate Services and Chief Financial Officer
Iain Stewart, President
(17-10-2018)

Privy Council Office

Marian Campbell Jarvis, Assistant Secretary to the Cabinet, Social Development Policy
Matthew Mendelsohn, Deputy Secretary to the Cabinet, Office of the Deputy Secretary to the
Cabinet, Results and Delivery
Matthew Shea, Assistant Deputy Minister, Corporate Services and Chief Financial Officer

(16-10-2018)

Windsor-Detroit Bridge Authority

Bryce Phillips, Chief Executive Officer

Kevin Wilkinson, Controller, Interim Chief Financial Officer

(16-10-2018)