



**REPORT ON THE  
*SUPPLEMENTARY ESTIMATES (B), 2016–17*  
Standing Senate Committee on National Finance**

**NINTH REPORT**

*Chair*

The Honourable Larry Smith

*Deputy Chair*

The Honourable Ann C. Cools

December 2016



## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	2
INTRODUCTION.....	4
1 DEPARTMENT OF FINANCE.....	4
2 DEPARTMENT OF EMPLOYMENT AND SOCIAL DEVELOPMENT CANADA.....	5
3 WINDSOR-DETROIT BRIDGE AUTHORITY .....	6
4 DEPARTMENT OF FOREIGN AFFAIRS, TRADE AND INTERNATIONAL DEVELOPMENT .....	6
5 DEPARTMENT OF NATIONAL DEFENCE .....	7
6 DEPARTMENT OF VETERANS AFFAIRS.....	7
7 DEPARTMENT OF INDUSTRY .....	8
8 CANADIAN BROADCASTING CORPORATION.....	8
9 DEPARTMENT OF HEALTH .....	9
10 DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT .....	9
11 CANADA MORTGAGE AND HOUSING CORPORATION.....	10
APPENDIX – WITNESSES WHO APPEARED BEFORE THE COMMITTEE .....	11

## EXECUTIVE SUMMARY

### ***Supplementary Estimates (B), 2016–17***

As part of its oversight role, the Standing Senate Committee on National Finance considered and examined the *Supplementary Estimates (B), 2016–17*, which were tabled in the Senate on 3 November 2016. These supplementary estimates request Parliament's approval for an additional \$3.88 billion in voted expenditures.

In order to examine the *Supplementary Estimates (B), 2016–17*, the committee questioned representatives of eleven organizations that are requesting total appropriations of approximately \$2.51 billion, which is 64.8% of the total voted amount requested.

The committee's key findings for each organization are summarized as follows:

1. The Department of Finance is undertaking a review of the statutes governing financial institutions. Due to increased federal debt, it is also forecasting an increase of \$124 million in interest charges on unmatured debt.
2. The Department of Employment and Social Development is requesting \$43.1 million for the Youth Employment Strategy, but it does not have sufficient performance indicators to assess results.
3. The Windsor-Detroit Bridge Authority is acquiring property in Michigan to build the new Gordie Howe International Bridge. It plans to reach a public-private partnership agreement for the construction of the bridge within 18 months.
4. The Department of Foreign Affairs, Trade and International Development is requesting \$233.4 million for humanitarian assistance, counter-terrorism, and the security of diplomats and missions in the Middle East.
5. The Department of National Defence is requesting \$22.0 million for the interim auxiliary oiler replenishment capability for the Canadian Armed Forces. Construction of the oiler replenishment ship is expected to begin in 2018.
6. The Department of Veterans Affairs is requesting \$42.9 million to fund financial obligations to former employees of Ste. Anne's Hospital. While the hospital is now fully staffed, 41% of the staff did not remain with the hospital after the transfer to the Province of Quebec.
7. The Department of Industry is requesting \$249.3 million for the Post-Secondary Institutions Strategic Investment Fund, a three-year program with total funding of \$2 billion.
8. The Canadian Broadcasting Corporation is requesting \$75 million to support its Strategy 2020, which is a plan to make the transition to digital platforms, provide more local programming, and increase the amount of high-quality Canadian content.
9. The Department of Health will be increasing social and health services to First Nations children, providing cultural, spiritual and counselling services to former residents of residential schools and their families, and addressing the impacts of climate change on health adaptation.

10. The Department of Indian Affairs and Northern Development is requesting approximately \$639 million in order to, among other matters, increase its funding for First Nations education, build and repair affordable housing, and provide food subsidies for remote and northern communities.
11. The Canada Mortgage and Housing Corporation is requesting \$50 million for prepayment flexibility for CMHC mortgages, to help reduce the financial burden for co-operative and non-profit social housing providers.

Overall, the committee is concerned that on a number of occasions it did not receive full and complete answers from federal officials.

## INTRODUCTION

The Standing Senate Committee on National Finance (the 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. The 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, which are presented on or before 1 March, 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 spring, fall and winter.

The *Supplementary Estimates (B), 2016–17* were tabled in the Senate on 3 November 2016. These supplementary estimates request Parliament's approval for an additional \$3.88 billion in voted appropriations, an increase of 4.3% over the *Main Estimates 2016–17*. The *Supplementary Estimates (B), 2016–17* also provide updates to forecasts of statutory spending, which will be increasing by \$375.2 million. Table 1 compares these supplementary estimates to this year's main estimates and the estimates of the previous year.

**Table 1 - Main Estimates and Supplementary Estimates, 2016–17, and Estimates to Date 2015–2016 (\$ billions)**

	<b>Main Estimates 2016–2017</b>	<b>Supplementary Estimates (A), 2016–17</b>	<b>Supplementary Estimates (B), 2016–17</b>	<b>Estimates to Date 2015–2016</b>
<b>Budgetary</b>				
Voted	89.85	6.98	3.88	94.97
Statutory	160.29	(5.72)	0.38	155.72
<b>Total Budgetary</b>	<b>250.14</b>	<b>1.26</b>	<b>4.26</b>	<b>250.69</b>
<b>Non-Budgetary</b>				
Voted	0.03	0.03	...	0.07
Statutory	0.34	...	...	0.68
<b>Total Non-Budgetary</b>	<b>0.37</b>	<b>0.03</b>	<b>...</b>	<b>0.75</b>

Sources: Table prepared using information contained in the Treasury Board Secretariat's *Main Estimates, 2016-17*, *Supplementary Estimates (A), 2016-17* and *Supplementary Estimates (B), 2016-17*.

As part of its review of the *Supplementary Estimates (B), 2016–17*, the committee prioritized 11 organizations, based on the largest increases in appropriations, that are requesting total appropriations of approximately \$2.51 billion, which is 64.8% of the total voted amount requested.

## 1 DEPARTMENT OF FINANCE

The Department of Finance is seeking approval for voted appropriations of \$5,820,073 to fund six items. It is also forecasting an increase of \$542,538,818 in statutory expenditures. Several items were discussed during the hearing:

- The Department is requesting \$549,150 to undertake a review of acts governing financial institutions. It launched consultations in August 2016 and has received 85 submissions from stakeholders. It will be developing specific proposals to update the acts.

- The Department is requesting \$283,531 for the Arbitration Process under the Canada-Quebec Comprehensive Integrated Tax Coordination Agreement, under which the federal government reimburses the Province of Quebec for the costs of collecting the Goods and Services Tax (GST).
- In its update on statutory spending, the Department is forecasting an increase of \$124 million in interest charges on unmatured debt, which is due to increased financing requirements related to more debt.<sup>1</sup>
- Due to a methodological change in calculating statistics, the territories were due to receive \$90 million less in transfers than they had expected under Territorial Formula Financing. The federal government restored \$67 million of this shortfall, which is included in the Department's update on statutory funding.<sup>2</sup>
- Through Vote 7b, the Department is seeking to increase the limit of insured loans to private mortgage insurers under the *Protection of Residential Mortgage or Hypothecary Insurance Act* from \$300 billion to \$350 billion. While it is not an expenditure in the current year, the change increases the government's exposure to possible increased expenditures if it is called upon to honour the loan guarantees.

## 2 DEPARTMENT OF EMPLOYMENT AND SOCIAL DEVELOPMENT CANADA

The Department of Employment and Social Development Canada is requesting \$59,650,446 in voted appropriations to fund two items. During the committee's hearing, presentations focussed primarily on the *Youth Employment Strategy*.

In the Budget 2016, the government announced that it would invest \$339 million over three years, starting in 2016–2017, to create 35,000 additional jobs each year, that is, more than twice the number of jobs under the Canada Summer Jobs program.

The Department is requesting \$43.1 million for the *Youth Employment Strategy*. This funding will be allocated as follows:

- \$40.9 million will go to funding the participation of 3,000 individuals under the *Skills Link* component of the *Youth Employment Strategy*; and
- \$2.2 million will be invested to create 150 green jobs under the *Career Focus* component of the *Youth Employment Strategy*.

Officials from the Department of Employment and Social Development explained that the number of jobs and the number of at-risk youth returning to school were the two elements considered in the assessment of the *Youth Employment Strategy*.

They also told the committee that the Department did not have more specific performance indicators for the *Youth Employment Strategy*.

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<sup>1</sup> Treasury Board of Canada Secretariat, [Statutory Forecasts](#).

<sup>2</sup> Ibid.

Departmental officials also mentioned that the federal government had established an Expert Panel on Youth Employment to help review all youth employment programs, as well as their performance indicators.<sup>3</sup>

### **3 WINDSOR-DETROIT BRIDGE AUTHORITY**

The Windsor-Detroit Bridge Authority, which manages the P3 procurement process for the design, building, financing, operating, and maintenance of the new Gordie Howe International Bridge between Windsor, Ontario and Detroit, Michigan, is requesting \$350,584,925. This funding will allow the Authority to:

- relocate utilities, such as natural gas lines, waterlines, and high-voltage electricity towers;
- acquire a number of properties. Almost all properties needed in Canada have been acquired, and the Michigan Department of Transportation has control over 516 of the 961 properties required, or 53%, in Michigan; and
- manage the P3 procurement process. The request for proposals was released on 10 November 2016 to three shortlisted proponents, and an agreement should be reached with a private sector partner within 18 months.

Officials indicated that the bridge construction schedule and total costs will be known once an agreement has been reached; however, they were unable to provide a total, high-level estimate of pre-construction costs. The committee was concerned that officials were not able to provide more complete information.

They noted that all project costs, including costs incurred to date, are being recorded and will be repaid, including interest, by tolls on those who cross the bridge. The payback period will depend on the type and volume of traffic, the P3 agreement costs, and the chosen rate of toll.

### **4 DEPARTMENT OF FOREIGN AFFAIRS, TRADE AND INTERNATIONAL DEVELOPMENT**

The Department of Foreign Affairs, Trade and International Development is requesting \$555,084,609 in voted appropriations to fund nine items.

The funding request includes \$233.4 million to increase diplomatic security and humanitarian assistance and engagement in the Middle East. Officials clarified several issues related to this funding:

- Of this amount, \$165 million is for humanitarian assistance, \$9 million is for counter-terrorism, \$15 million is for other types of development assistance, and the rest (\$44 million) is for the platform costs of missions abroad;
- The humanitarian assistance provides support to displaced persons in situ, either in refugee camps or other communities; and

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<sup>3</sup> Government of Canada, "[Breaking down job barriers: Expert panel on youth established](#)," News release, 17 October 2016.

- The Department is working closely with the Department of National Defence on the crises in Iraq and Syria through a Coordination Secretariat.

The Department is also requesting to reinvest \$47.4 million received from the sale or transfer of real property. Officials indicated that the funding relates to the purchase of staff quarters in London, as well as the consolidation of offices in the new Paris chancery. The Department has a real property abroad framework that governs whether it repairs, buys, or leases property.

## **5 DEPARTMENT OF NATIONAL DEFENCE**

The Department of National Defence is seeking approval for voted appropriations of \$252,682,657 for eight items. Several items were discussed during the hearing:

- The Department is requesting \$142.1 million to address the crises in Iraq and Syria. The Department of National Defence is responsible for the mission and is working closely with the Department of Foreign Affairs, Trade and Development.
- The Department is requesting \$36.4 million to maintain and upgrade federal infrastructure assets.
- The Department is requesting \$22.0 million for the interim auxiliary oiler replenishment capability for the Canadian Armed Forces. The Department anticipates that construction of the oiler replenishment vessel will begin in 2018.
- The Department is requesting to reinvest \$19.5 million received from the sale or transfer of real property. Departmental officials stated that the reinvestment of revenues would comply with the Treasury Board policy describing the reinvestments that are permitted.
- The Department is requesting \$6.0 million to improve security for Canadian Armed Forces operations and personnel. These funds will be used to implement barriers, security systems and other physical improvements at departmental facilities, and to address new domestic security concerns.

## **6 DEPARTMENT OF VETERANS AFFAIRS**

The Department of Veterans Affairs is requesting a total voted appropriation of \$128,481,580 to fund six items.

Of this amount, \$42.9 million is related to the transfer of Ste. Anne's Hospital to the Province of Quebec and would fund financial obligations to former employees of the hospital. With respect to the transfer, officials indicated that:

- There are two Operational Stress Injury Clinics at Ste. Anne's Hospital, one is for outpatients and the other is for residents. They are consistent with similar clinics across the country, which are managed by a provincial entity and funded by the Department;
- The committee expressed its concern that while the hospital is now staffed to capacity in terms of full-time equivalents, 41% of the staff did not remain with the hospital after the transfer; and

- As part of the transfer agreement, the Department and the Province of Quebec manage a transition committee that receives ongoing reports from the facility, as well as engaging residents and families.

Also included in the Department's request is \$65.7 million for improvements to the Permanent Impairment Allowance and the Disability Award, which will cost \$60.1 million, and to the Earnings Loss Benefit, which will cost \$5.6 million.

Lastly, the Department is requesting \$6.3 million to re-open local offices and hire additional case managers, in order to bring the client-to-case manager ratio to 25 to 1.

## 7 DEPARTMENT OF INDUSTRY

The Department of Industry is requesting \$274,888,234 in voted appropriations to fund eight items. During the hearing, discussions focussed on several items:

- The Department is requesting \$249.3 million for the *Post-Secondary Institutions Strategic Investment Fund*. The three-year program, which is scheduled to end in April 2018, has a budget of \$2 billion;

According to departmental officials, funding of \$ 249.3 million was originally budgeted for 2017–2018 and is intended to address the program's funding needs and ensure that projects are completed by 30 April 2018;

- The Department is requesting \$3.6 million to support Canadian-based suppliers for projects focussed on demonstrating new technologies in the automotive sector. Departmental officials indicated that the funds would be used to attract investments to the country by focussing on the fact that five companies are currently manufacturing cars in Canada and have already recognized that a highly qualified and specialized workforce is available; and
- The Department is requesting \$889,406 for the *Improving Support for Entrepreneurs* initiative. This funding will be used to reduce their administrative burden and promote programs geared toward small Canadian businesses.

## 8 CANADIAN BROADCASTING CORPORATION

The Canadian Broadcasting Corporation (CBC) is requesting \$75 million in additional voted appropriations for 2016–2017, which, according to officials, will rise to \$150 million in subsequent years.

The funding will support the CBC's Strategy 2020, which is a proposed plan to make the transition to digital platforms, provide more local programming, and increasing the amount of high-quality Canadian content.

The financial results from the 2016 Summer Olympics are included in the CBC's second quarter report, which was provided to the committee subsequent to the hearing.<sup>4</sup>

<sup>4</sup> Canadian Broadcasting Corporation, [Second Quarter Financial Report 2016–2017](#), Ottawa, November 2016.

## 9 DEPARTMENT OF HEALTH

The Department of Health is requesting an additional \$223,268,812 in voted appropriations to fund eight separate items, several of which were discussed by the committee:

- The Department is requesting \$88.2 million to support Jordan's Principle, that is, interim reforms to increase social and health services to First Nations children.<sup>5</sup> Officials said that 900 children have been identified for additional services, such as respite care and transportation, as well as the services of a chiropractor, physiotherapist, or speech therapist.
- In order to support its obligations under the Indian Residential Schools Settlement Agreement, the Department is requesting \$57.6 million to provide cultural, spiritual and counselling services to former residents and their families. To date, it has provided 630,000 emotional and cultural support interactions.
- In order to "promote clean growth and address climate change," the Department is requesting \$2.3 million. Health Canada has been allocated \$17.5 million over five years to address the impacts of climate change on health adaptation.

## 10 DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

The Department of Indian Affairs and Northern Development is requesting a total voted appropriation of \$639,268,659 to fund 17 items, several of which were discussed by the committee:

- As part of its additional investments in First Nations education, the Department is requesting \$245.8 million. Officials informed the committee that they are working with First Nations to develop a consensus on performance indicators for education, such as the percentage of First Nations students who graduate from high school and the percentage of students who meet or exceed expectations on numeracy tests.
- The Department is re-profiling \$72.1 million from the previous year for specific claims settlements. Officials noted that as of 31 March 2016, there are about 351 claims before the Department, of which 134 claims are under assessment and 217 claims are under negotiation. The committee was concerned that the Auditor General of Canada recently reported that barriers in the Department's specific claims process hindered the resolution of some First Nations claims.
- In order to construct and repair affordable housing in Nunavik, Nunatsiavut and the Inuvialuit Settlement region, the Department is requesting \$25.5 million. Officials explained that the funds would be transferred to regional housing authorities, which are responsible for the quality of construction. For proposal-based programs, communities must submit a certificate of construction, indicating that the building was built to code. The committee expressed concern that the Department was unable to make a comparison of these codes to a national code with specific geographic, climatic, and cultural requirements.
- The Department is requesting \$28.0 million to expand the Nutrition North Canada Program to an additional 37 communities. While the program is currently focussed on healthy perishable foods,

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<sup>5</sup> Jordan was a First Nations child who died in hospital because the federal and provincial governments could not resolve jurisdictional disagreements over who should pay for his care at home.

the Department is undertaking consultations to determine whether it should include all basic needs and overall food security for Northerners. The committee did not receive sufficient information to establish the effectiveness of the Program.

## 11 CANADA MORTGAGE AND HOUSING CORPORATION

The Canada Mortgage and Housing Corporation is requesting an additional \$78,100,000 in voted appropriations to fund four items. During the hearing, discussions focussed primarily on the following items:

- The CMHC is requesting \$50 million in funding for prepayment flexibility for CMHC mortgages held by co-operative and non-profit social housing providers. Representatives stated that this measure will enable the CMHC to give eligible housing providers an opportunity to reduce their debt payments and to pay for repairs using private capital or to use their real property to create more housing. This funding is part of \$150 million committed over four years.
- The CMHC is requesting voted appropriations of \$13.1 million for the *Affordable Rental Housing Innovation Fund*. Representatives explained that the purpose of this fund, for which \$200 million has been allocated over the next five years, is to encourage new funding models and innovative construction techniques in the rental housing sector. According to departmental officials, these investments should make it possible to create up to 4,000 new affordable housing units over a five-year period.

The committee is looking forward to the government's response to the national consultations held by the CMHC to assist the government in releasing its national housing strategy in 2017.<sup>6</sup>

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<sup>6</sup> The "[Let's Talk Housing](#)" consultations took place over a four-month period that ended in October 2016.

## **APPENDIX – WITNESSES WHO APPEARED BEFORE THE COMMITTEE**

### **Canada Mortgage and Housing Corporation**

Charlie MacArthur, Senior Vice-President, Regional Operations and Assisted Housing  
 Michel Tremblay, Senior Vice President, Policy Research and Public Affairs  
 Wojo Zielonka, Chief Financial Officer and Senior Vice President, Capital Markets  
 (2016-11-30)

### **Canadian Broadcasting Corporation**

Michael Mooney, Executive Director, Corporate Finance and Administration  
 Shaun Poulter, Executive Director, Public Affairs  
 (2016-11-29)

### **Department of Employment and Social Development**

Mark Perlman, Chief Financial Officer  
 Paul Thompson, Senior Assistant Deputy Minister, Skills and Employment Branch  
 Jason Won, Deputy Chief Financial Officer  
 (2016-11-23)

### **Department of Finance**

Leah Anderson, Acting Assistant Deputy Minister, Financial Sector Policy Branch  
 Richard Botham, Assistant Deputy Minister, Economic Development and Corporate Finance Branch  
 Miodrag Jovanovic, General Director, Tax Policy Branch  
 Tom McGirr, Chief, Equalization and TFF Policy, Federal-Provincial Relations Division, Federal-Provincial Relations and Social Policy Branch  
 Christopher Meyers, Chief Financial Officer, Financial Management Directorate, Corporate Services Branch  
 (2016-11-23)

### **Department of Foreign Affairs, Trade and Development**

Sean Boyd, Director, Middle East Development Division  
 Caroline Delany, Director, Planning and Deployment Division, Peace and Stabilization Operations Program  
 Arun Thangaraj, Assistant Deputy Minister and Chief Financial Officer  
 (2016-11-29)

### **Department of Health**

Randy Larkin, Assistant Deputy Minister and Chief Financial Officer, Chief Financial Officer Branch  
 Sony Perron, Senior Assistant Deputy Minister, First Nations and Inuit Health Branch  
 (2016-11-30)

### **Department of Indian Affairs and Northern Development**

David Smith, Acting Director General, Community Infrastructure Branch, Regional Operations Sector  
 Paul Thoppil, Chief Financial Officer, Chief Financial Sector  
 (2016-11-30)

**Department of Industry**

Colette Downie, Chief Financial Officer, Corporate Management Sector  
Lawrence Hanson, Assistant Deputy Minister, Science and Innovation Sector  
(2016-11-29)

**Department of National Defence**

André Fillion, Chief of Staff (Materiel)  
Major-General John Madower, Chief of Programme  
Claude Rochette, Assistant Deputy Minister (Finance) and Chief Financial Officer  
(2016-11-29)

**Department of Veterans Affairs**

Elizabeth Douglas, Director General, Service Delivery Program Management  
Faith McIntyre, Director General, Policy and Research Division  
Maureen Sinnott, Director General Finance  
(2016-11-29)

**Windsor-Detroit Bridge Authority**

Michael Cautillo, President and CEO  
Linda Hurdle, Chief Financial Administrative Officer  
(2016-11-23)