



**SECOND INTERIM REPORT ON THE
*MAIN ESTIMATES 2016-17***

Standing Senate Committee on National Finance

FIFTH REPORT

Chair

The Honourable Larry Smith

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EXECUTIVE SUMMARY

Main Estimates 2016–17

The Standing Senate Committee on National Finance has an important role to play on behalf of Parliament and Canadians in ensuring that the federal government's spending plans are reasonable, take into account value-for-money, and will be effective in achieving the government's objectives. In order to fulfill this role, the committee closely examines and presents reports on the government's spending plans that are provided to Parliament for its approval.

For clarity and transparency's sake, the federal government needs to present to Parliament a single budget for the whole year. For example, the *Main Estimates 2016–17* project total federal spending for the year to be \$251 billion; whereas, Budget 2016, which was presented to Parliament just four weeks later, projects federal spending for the year to be \$317 billion—a difference of \$66 billion. The government should present information that parliamentarians and Canadians can understand.

In this report, the committee also noted a general theme of change and transition, as pilot programs are undertaken, mandates are adjusted, organizations begin operations and new programs are designed. In order to effectively manage these transitions, the committee believes the government will need to closely monitor progress to ensure its objectives are achieved.

In order to allow the committee to discuss program design and delivery issues in a timely manner, the committee encourages organizations appearing before it to include operational managers within their delegation. In addition, the committee had the following general observations for each organization reviewed:

1. Transport is undertaking a pilot project to divide its grants and contributions vote into three votes based on a program structure, which may help parliamentarians better understand the intended results of the funds they approve (page 5).
2. As it looks to expand its reach, the Canadian Centre for Occupational Health and Safety will need to clarify its mandate, proactively identify new business opportunities, better utilize its partners across the country and recruit experts in developing fields (page 6).
3. Statistics Canada's funding is increasing in order to undertake the 2016 census. As Shared Services Canada will be responsible for the information technology infrastructure for the first time, Statistics Canada will need to carefully manage the execution of the census (page 8).
4. The Canadian High Arctic Research Station is entering its first full year of operations. As it moves forward, it needs to create a cultural shift in perspective that will ensure northerners are incorporated into its activities and benefit from employment opportunities and newly constructed housing. Additionally, it needs to ensure its science and research activities on the state of the environment in the North and technological innovations are results driven and suited to the North (page 9).
5. The Canadian Environmental Assessment Agency could improve the efficiency of the environmental assessment process by developing alternate consultation mechanisms, providing more opportunities for Indigenous involvement, introducing greater flexibility in assessment time limits and exploring additional options for joint assessments with provinces and/or third party partners (page 11).
6. The Treasury Board Secretariat will be substantially changing the presentation of financial information to Parliament by delaying the main estimates until after the budget and thereby aligning the two documents. It is also working with all departments and agencies to provide

better performance information to Canadians and Parliament. Ideally, these efforts will result in clear, credible financial projections for annual departmental spending estimates and specific, measurable and results-based performance information (page 13).

7. As it renews ongoing programs to support natural resources industries and develops new programs on clean energy, Natural Resources needs to ensure that its programs are appropriately designed and delivered to meet the needs of Canada's various regions and lead to tangible results in the sustainable development of natural resources (page 14).
8. Environment is the lead department for the federal government's climate change initiatives. In order to ensure the government meets its climate change commitments, Environment will need to manage horizontal coordination, program effectiveness, and the alignment of priorities (page 15).
9. As Atomic Energy of Canada Limited implements its government-owned, contractor operated (GoCo) model, it needs to ensure that risks are appropriately mitigated, value-for-money is achieved, and the government's waste and decommissioning liability is reduced in a timely fashion (page 17).

INTRODUCTION

The Standing Senate Committee on National Finance (the committee) has an important role to play on behalf of the 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 determine whether it is reasonable, takes into account value-for-money, and will be effective in achieving the government's objectives.

On 22 March 2016, the committee released its [*First Interim Report on the Main Estimates 2016-17*](#), which examined the estimates of 12 federal departments and agencies.

For its *Second Interim Report on the Main Estimates 2016-17*, the committee selected an additional nine federal organizations for review, based on significant increases or decreases from the *Main Estimates 2015-16*.

Over four meetings, the committee examined the estimates of the following organizations:

On 13 April 2016:

- Transport
- Canadian Centre for Occupational Health and Safety

On 19 April 2016 (morning):

- Statistics Canada
- Canadian High Arctic Research Station
- Canadian Environmental Assessment Agency

On 19 April 2016 (evening):

- Treasury Board Secretariat

On 20 April 2016:

- Natural Resources
- Environment
- Atomic Energy of Canada Limited

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

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

1 TRANSPORT

Transport promotes safe and secure transportation systems in Canada by implementing legislation and regulations and conducting oversight and education activities.

Committee Observations

To ensure the committee can perform its role of reviewing the government's expenditure plans in a timely fashion, the committee expects:

- **departments and agencies appearing before it to be represented not only by senior financial officers, but also by officials with the skills and knowledge required to explain their organization's work and objectives;** and
- questions from committee members requiring a written response from a department or agency to be answered as soon as possible.

The committee supports the Treasury Board Secretariat pilot project on a program-based vote structure. Transport is the only department participating in the pilot project. Accordingly, the committee may:

- call Transport back to assess the progress made; and
- work with the Treasury Board Secretariat by offering its expertise on the parliamentary financial cycle.

1.1 Estimates Overview

In the *Main Estimates 2016–17*, Transport is requesting total voted authorities of nearly \$1.0 billion, which is a decrease of \$341.8 million from the amount requested in the *Main Estimates 2015–16*. The organization also forecasts statutory expenditures to be \$266.3 million, a decrease of \$7.3 million from the *Main Estimates 2015–16*, for a net total of \$1.3 billion in budgetary expenditures.

1.2 Contaminated Sites

Transport is responsible for remediating a number of [contaminated sites](#) that are under the federal government's responsibility. According to the department's officials, the contaminated sites for which Transport is responsible are mainly ports and airports owned by the department or facilities the department no longer owns but retains responsibility for remediation. These sites pose risks to human health or the environment, and remediating them would reduce or remove these risks while eliminating the contingent liabilities related to their contamination.

The expected decrease in the department's expenditures is primarily due to the end of funding for various programs, including the [Federal Contaminated Sites Action Plan](#). However, Budget 2016 proposes \$3.4 billion in funding over the next five years to maintain and upgrade federal infrastructure assets, such as small craft harbours and federal airports, and to clean up contaminated sites across the country. According to Transport officials, the department may ask for additional funds in the supplementary estimates for 2016–2017 in order to continue remediating the sites for which it is responsible.

The committee did not receive satisfactory answers to a number of questions about the contaminated sites under Transport's responsibility. However, the Transport officials agreed to provide written responses to the committee as soon as possible.

1.3 Excess Hiring in 2015–2016

According to its *Report on Plans and Priorities, 2016–17*, Transport plans to employ 5,072 people (full-time equivalents) in 2016–2017. This figure is expected to fall to 5,012 in fiscal year 2018–2019.

The Transport officials explained that the department currently employs 5,290 people, after over-hiring in 2015–2016.¹ As a result, internal budget adjustments were necessary. To normalize the situation and reduce its workforce by several hundred people, Transport has implemented controls and is under external oversight by the Treasury Board Secretariat.

1.4 Pilot Project on a Program-based Vote Structure

Transport is participating in a [Treasury Board Secretariat pilot project](#) to assess the impact of a program-based vote structure for grants and contributions.

Under the usual process, all the department's grants and contributions would have been included in a single vote in the estimates and the appropriation acts. However, in the *Main Estimates 2016–17*, Transport is requesting funding for its grants and contributions under three separate votes, namely:

- Vote 10 – Gateways and corridors: \$258.3 million;
- Vote 15 – Transportation infrastructure: \$103.2 million; and
- Vote 20 – Grants and contributions – Other: \$38.1 million.

In response to questions from the committee, Transport officials explained that the primary effect of this change is that the department must now obtain parliamentary approval if it wants to transfer funds between these grants and contributions votes.

The department will evaluate the effects of the pilot project over the next two years and report its findings to the Treasury Board Secretariat.

2 CANADIAN CENTRE FOR OCCUPATIONAL HEALTH AND SAFETY

The Canadian Centre for Occupational Health and Safety promotes the well-being of the working population in Canada by providing information, education and tools that support workplace health and safety and the prevention of occupational injury and stress.

¹ According to the testimony of the Transport officials, this figure includes full-time and part-time employees.

Committee Observations

By helping to improve workplace health and safety, the Canadian Centre for Occupational Health and Safety provides an important public service to Canadians.

As the Centre implements a new financial model and seeks to expand its reach, it will need to:

- clarify its mandate once a new president and CEO is appointed;
- proactively identify new business opportunities;
- better utilize its partners across the country; and
- recruit experts in developing fields, such as mental health.

2.1 Estimates Overview

In the *Main Estimates 2016-17*, the Canadian Centre for Occupational Health and Safety is requesting a voted appropriation of \$3,969,600 and forecasts statutory expenditures to be \$4,982,772, for total budgetary expenditures of \$8,952,372.

The 2016–2017 voted appropriation remains unchanged from the *Main Estimates 2015-16*, but the statutory forecast is increasing by \$3,882,103, or 352.7%.

2.2 A New Financial Model

In order to facilitate its growth, the Canadian Centre for Occupational Health and Safety is moving to a new financial model.

The Centre receives approximately 50% of its funding from appropriations approved by Parliament, and 50% from revenues generated by cost-recovery activities, such as helping an organization develop a holistic workplace health and safety program. Formerly, the Centre had the authority, through its appropriations vote, to re-spend revenues it collected. However, the appropriations process limits the amount of funding that can be carried forward into the next fiscal year, leading to the lapse of revenues received late in the fiscal year. Thus, the Centre found that it was not able to invest its excess revenues.

Starting in 2016–2017, the Centre will use the statutory funding authority of the *Canadian Centre for Occupational Health and Safety Act* to authorize its cost-recovery activities. Its cost recovery expenditures are now included in the main estimates as a statutory forecast. The related amounts are not new expenditures for the Centre but were not disclosed previously in the estimates because they were “netted” against the appropriation vote. While the Centre’s budgetary expenditures in 2016–2017 appear to be increasing by \$3.9 million from the previous year, the Centre’s overall budget remains the same at approximately \$9 million, and the change is a result of how the cost recovery expenditures are authorized and reported in the main estimates.

2.3 Growing the Business

Officials told the committee that the Centre needs to grow in order to better achieve its objective of helping Canadians have healthy and safe work environments and reducing work related illnesses and

injuries. The officials believe that the new financial model will allow the Centre to develop a multi-year business plan, invest in IT infrastructure and ensure that it maintains its technical expertise and reputation as a centre of excellence.

While the Centre has had an increase in the number of sessions on its website, it does not have salespeople or conduct advertising to help grow its business. Instead, the Centre relies upon its management team, social media and its partners to increase awareness of its products and services and develop new business opportunities. The Centre could develop a marketing/sales program in order to proactively pursue business opportunities.

Officials noted that a new business plan and clarification of its mandate awaits the appointment of a new president and CEO.

3 STATISTICS CANADA

Statistics Canada's mandate is to collect, compile, analyze, abstract and publish statistical information on the commercial, industrial, financial, social, economic and general activities and condition of the people of Canada.

Committee Observations

This is a census year for Statistics Canada. For the first time, Shared Services is responsible for the information technology infrastructure used in the census. The committee will therefore be taking an interest in:

- the actual expenditures incurred by Statistics Canada to undertake the 2016 census; and
- the way the census is conducted and the quality of the services provided by Shared Services to Statistics Canada.

3.1 Estimates Overview

In the *Main Estimates 2016–17*, Statistics Canada is requesting total voted appropriations of \$672,646,985, which is an increase of \$216,634,642, or 47.5%, over the amount requested in the *Main Estimates 2015–2016*. The organization also forecasts statutory expenditures of \$78,837,028, an increase of \$9,758,551 (14%) over the *Main Estimates 2015–2016*, for a net total of \$751,484,013 in budgetary expenditures.

According to the *Main Estimates 2016–17*, the increase in Statistics Canada's budgetary expenditures is mainly attributable to two items:

- an increase of \$209.4 million for the 2016 Census of Population Program; and
- an increase of \$10.0 million for the 2016 Census of Agriculture.

3.2 A Stable Funding Cycle

The Statistics Canada officials began by explaining to the committee that, contrary to certain media reports, the organization did not suffer disproportionate budget cuts over the past few years relative to

other departments and agencies. The officials said that, excluding the cyclical funding for the census, the agency's budget has remained relatively stable.

In response to the committee's questions, the officials stated that in recent years Statistics Canada has received new funding for projects such as the Consumer Price Index Enhancement Initiative and that Budget 2016 provides \$4.9 million for a new survey of household wealth and financial security.²

3.3 The 2016 Census Program³

The committee asked for additional information regarding the increase of more than \$226.4 million in Statistics Canada's funding requests in the *Main Estimates 2016–2017* compared with the previous year.

The agency officials first pointed out that the increase is mainly due to the 2016 Census Program.⁴ They explained that funding for the censuses follows a seven-year cycle and that funding requests are made in every year of this cycle. The officials added that most of the spending occurs in five of the seven years of the cycle and that nearly 54% of the total amount is required in the census year itself. The additional spending goes primarily toward the wages paid to the 35,000 people hired temporarily to carry out the censuses.

The officials also noted that the 2016 Census will be the first for which Shared Services is responsible for the information technology services. They said that this is a major change for Statistics Canada.

Finally, the officials explained that, in non-census years, the agency significantly reduces its staffing levels, but has some employees who work on activities such as preparing the next census.

4 CANADIAN HIGH ARCTIC RESEARCH STATION

The Canadian High Arctic Research Station, which combines the mandates of the Canadian Polar Commission and the Canadian High Arctic Research Station program at Indigenous and Northern Affairs Canada, was created in 2015.⁵ It is responsible for advancing knowledge of the Arctic and strengthening polar science and technology.

² In 2009, Statistics Canada launched the Consumer Price Index Enhancement Initiative. The objective of this five-year project was to produce an improved measure of consumer price movement in Canada using high-quality and internationally respected methodologies and a more efficient technical infrastructure.

³ The Census Program provides a statistical portrait of the country every five years. The last census was conducted in May 2011 and consisted of the Census of Agriculture, the Census of Population and the 2011 National Household Survey.

⁴ The difference in the funding sought for the 2016 Census Program in 2016–2017 relative to the previous year is \$191,125,000, accounting for 84.4% of the additional funding Statistics Canada is requesting in the *Main Estimates 2016–2017* compared with the *Main Estimates 2015–2016*.

⁵ While its legal name is the Canadian High Arctic Research Station, it is also known as Polar Knowledge Canada.

Committee Observations

The committee believes that the Canadian High Arctic Research Station will make a vital contribution to the scientific understanding of and the development of technology appropriate for Canada's polar regions.

As the Research Station moves forward with its expansion, it will need to ensure that:

- northerners benefit from employment opportunities and newly constructed housing; and
- its science and research activities are results driven.

4.1 Estimates Overview

In the *Main Estimates 2016-17*, the Canadian High Arctic Research Station is requesting a voted appropriation of \$18,853,197 and forecasts statutory expenditures to be \$622,077, for total budgetary expenditures of \$19,475,274.

The fiscal year 2016–2017 is the Station's first full year of operations. It did not receive an appropriation in the *Main Estimates 2015-16*, but it did receive \$263,077 through the *Supplementary Estimates (C), 2015–16*.

4.2 Ramping Up

While the Research Station is in the first full year of operations as an independent entity, it is in the third year of a five-year growth cycle. The Station started with 16 employees in 2015, will be adding 10 to 12 employees this year, and plans to grow to 65-75 employees in 2018–2019, when the Station expects that it will reach its full operations level, with an annual budget of \$29 million.

Officials told the committee that one of the challenges of staffing in the North is the rate of turnover, which is approximately 25% to 30% annually, leading to a state of perpetual staffing. The Station will be undertaking significant pre-employment and capacity-building efforts to ensure that it is able to hire local Inuit individuals. The Station does not foresee difficulty hiring in the domains of science and technology, as it received over 600 applications from graduates interested in working in the North.

4.3 Housing

The Station anticipates that most of its staff, as many as 80%, will work at its headquarters in Cambridge Bay, Nunavut, with a residual satellite office in the National Capital Region and several offices in other northern communities.

However, one of the factors affecting the Station's ability to expand is the lack of available housing in Cambridge Bay. The Station has been building housing units for its staff, with six units almost ready for occupation and another ten units expected in the next year.

In order to avoid resentment and provide long-term benefits to the community, the Station will continue to work with the community and other federal organizations to develop innovative options for its next housing development. It needs to ensure that housing is constructed according to a building code appropriate for the Arctic.

4.4 Science

Officials explained that the Station's major objective over the coming year is to mobilize its science and technology research program, which has four components:

1. the use of renewable and alternative energies in the North;
2. the current state of the environment in the North;
3. changes to the northern cryosphere: permafrost, sea ice, glaciers and snow; and
4. supporting innovations in the design, construction and maintenance of infrastructure in the North.

The overall focus of the Station's science and technology program is to benefit those who live in the North and ensure that environmental impacts are minimized.

The Station has developed a detailed work-plan for its grants and contributions program and will use a competitive, peer-reviewed process to ensure the technical excellence of its applicants.

5 CANADIAN ENVIRONMENTAL ASSESSMENT AGENCY

The Canadian Nuclear Safety Commission is responsible for assessing nuclear projects and the National Energy Board assesses federally regulated pipeline projects. The Canadian Environmental Assessment Agency is responsible for the overall administration of the federal environmental assessment process for all other projects. It conducts environmental assessments of designated projects, engages in public consultations and promotes the use of strategic environmental assessments to guide the federal government's decisions about major projects.

Committee Observations

In order to improve efficiency, the committee believes that the Canadian Environmental Assessment Agency could use the opportunity of the upcoming review of the environmental assessment process to:

- develop alternate consultation mechanisms and opportunities for the public to provide input and express their concerns without causing delays in the assessment process; and
- coordinate its assessment process with the provinces in order to stay within its legislated time limit.

5.1 Estimates Overview

In the *Main Estimates 2016-17*, the Canadian Environmental Assessment Agency is requesting \$27,512,578 in voted appropriations and forecasts statutory expenditures to be \$3,398,457, for total budgetary expenditures of \$30,911,035.

The Agency's voted appropriation in 2016–2017 is increasing by \$11,920,959, or 76.5%, compared to the *Main Estimates 2015-16*, due to the renewal of funding related to the Major Projects Management Office and consultations with Indigenous peoples.

5.2 Public Consultations

Public consultations are an integral component of the Agency's environmental assessment process. Some committee members questioned whether other consultation mechanisms could be used to provide better opportunities for the general public to make their views and concerns on specific projects or the environment known to the federal government.

Agency officials indicated that they have the flexibility to adjust the assessment process to respond to the public's level of concern about particular projects. For smaller projects, participation in public consultations can involve open house sessions with members of the local community, submission of written comments and publication of project information either online or in local libraries. With larger and more controversial projects, a more elaborate process is usually used, involving more public information sessions and forums for the public to make their views known.

5.3 Environmental Assessment Time Limits

The *Canadian Environmental Assessment Act, 2012* imposes a legislated time limit of 365 days during which the Agency must conduct and complete environmental assessments.

Agency officials indicated that the timeline can be temporarily suspended when the Agency requires supplementary information from the project proponent. The amount of time needed to gather the information and the quality of the information received by the Agency will have an impact on the environmental assessment's overall timeline.

The officials also indicated that legislated time limits for environmental assessments reduce the Agency's ability to align the stages of its own processes with provincial environmental assessment processes. More flexibility in the management of time limits would improve federal/provincial coordination of environmental evaluations of projects and reduce unnecessary duplication.

5.4 Joint Environmental Assessments

As federal and provincial governments are capable of conducting environmental assessments, some projects may be subject to multiple assessments.

Some members enquired about opportunities for joint or collaborative assessments of the same project. Officials stated that the Agency's goal over the last twenty years has been to develop the ability to organize environmental assessments in such a way as to enable joint evaluations of individual projects.

Under the current legislative framework, the Agency is empowered to substitute the federal process by a provincial environmental process, if deemed appropriate. Moreover, the Agency has agreements with some provincial governments that allow them to conduct the environmental assessment process while the federal government provides and coordinates technical support to the partners involved in the evaluation process.

6 TREASURY BOARD SECRETARIAT

The Treasury Board Secretariat prepares the main and supplementary estimates to present to parliament for approval as part of an appropriation bill. The Secretariat also provides guidance to departments for the preparation of their reports on plans and priorities and their performance reports, which link financial and performance information.

Committee Observations

The committee looks forward to examining concrete proposals from the Secretariat that would:

- align the budget and the main estimates; and
- provide better performance information to Parliament and Canadians, thereby presenting:
 - clear, credible financial projections for annual departmental spending estimates; and
 - specific, measurable and results-based performance information.

6.1 Estimates Overview

In the *Main Estimates 2016-17*, the Treasury Board Secretariat is requesting total voted authorities of \$6,099,785,836, which is a decrease of \$321,976,572, or 5.0%, from the total voted authorities of the *Main Estimates 2015-16*. The organization also forecasts statutory expenses of \$471,020,193 for a combined total of \$6,570,806,029 in budgetary expenditures.

6.2 Alignment of the Budget and the Main Estimates

As the main estimates are prepared in advance of the budget, new spending announcements included in the budget are not included in the main estimates but in supplementary estimates. Thus, the budget and the main estimates are not aligned, making it difficult for parliamentarians to understand an organization's total budget for the coming fiscal year.

The President of the Treasury Board, the Honourable Scott Brison, informed the committee that the Secretariat is working to improve the alignment of the budget and the main estimates. According to the minister, presenting the main estimates to Parliament after the budget would allow the government to include significant budget items in the main estimates, which would speed up the delivery of the government's priorities, provide a more coherent flow of information to Parliament, and likely eliminate the need for a spring supplementary estimates.

In order to make this change, the House of Commons would need to change its Standing Orders requiring the tabling of the main estimates on or before 1 March. Officials from the Secretariat said that it may take up to two years to complete the alignment of the documents, which would be done for the government as a whole, and up to eight years to have everything properly aligned.

The minister suggested the committee examine the practices of Australia, Ontario and Quebec, as they are examples of jurisdictions where the documents are aligned.

6.3 Reporting on Results

The minister also informed the committee that the Secretariat is working on ways to improve the government's reporting on the performance of its many programs and services. More specifically, the Secretariat is examining ways to make reports on plans and priorities and departmental performance reports easier to understand by focusing on metrics, milestones and results. In this way, parliamentarians and Canadians will be better able to hold the government to account by noting the difference between what federal organizations say they are going to do and what they actually do.

7 NATURAL RESOURCES

Natural Resources supports the responsible development and use of Canada's natural resources and the competitiveness of Canada's natural resources products, particularly in the fields of energy, forests, and minerals and metals.

Committee Observations

Natural Resources' *Main Estimates 2016-17* indicate that the department's funding is declining, but additional funding for the department was announced in the Budget 2016.

The committee expects that the Treasury Board Secretariat's proposal on the alignment of the budget and the main estimates will enable the presentation of complete spending plans for Natural Resources and other departments and agencies.

Additionally, as it renews ongoing programs to support natural resources industries and develops new programs on clean energy, Natural Resources needs to ensure that its programs are appropriately designed and delivered to meet the needs of Canada's various regions.

7.1 Estimates Overview

In the *Main Estimates 2016-17*, Natural Resources is requesting a voted appropriation of \$795,802,181 and forecasts statutory expenditures to be \$796,716,572, for total budgetary expenditures of \$1,592,518,753.

Natural Resources' voted appropriation in 2016–2017 is declining by \$180,321,284, or 18.5%, and its total budgetary expenditures are declining by \$621,957,958, or 28.1%, compared to the *Main Estimates 2015-16*.

7.2 Budget

While Natural Resources' total voted appropriation in the *Main Estimates 2016-17* is decreasing by 18.5% from the previous year, officials stated that its overall estimated voted appropriation for 2016–2017 will not change significantly from 2015–2016 (after reducing resources now provided directly to Atomic Energy Canada Limited to support the Nuclear Legacy Liabilities program) because Budget 2016 announced considerable new funds for the department, which likely will be presented to Parliament in supplementary estimates.

7.3 Forestry

Budget 2014 announced \$90.4 million over four years to continue support for the Investments in Forest Industry Transformation program.⁶ The *Main Estimates 2016-17* include a \$14.1 million increase for the program.

Officials informed the committee that Natural Resources works closely with its partner for this program, FPInnovations, and funds research in the areas of bioenergy, biomaterials, biochemicals, and the next generation of building products. Officials were not able to confirm the status of building code amendments to permit the construction of tall wood buildings, but committed to provide information to the committee at a later date.

While funding for the Investments in Forest Industry Transformation program has increased in 2016–2017, the Forest Communities Program and the Model Forest Network have sunsetted and have not been renewed.

7.4 Clean Energy

Natural Resources' voted appropriation for 2016–2017 is decreasing by \$21.8 million due to a reduction for the ecoENERGY for Biofuels–Producer Incentive. Officials noted that support for the biofuels program continues, but it sunsets in 2017.

Budget 2016 announced \$62.5 million over two years for recharging stations for electric cars and refueling stations for vehicles powered by natural gas and hydrogen. This issue was identified by first ministers in the *Vancouver Declaration*, as the transportation sector is the source of about 25% of Canada's greenhouse gas emissions. According to officials, this program is still being designed and is intended to encourage people to buy alternative fuel vehicles. The recharging and refueling stations will be deployed in each province based on its needs.

8 ENVIRONMENT⁷

Environment is a diverse scientific organization charged with the protection of the natural environment.

⁶ Finance Canada, *The Road to Balance: Creating Jobs and Opportunities*, Ottawa, 2014, p. 147.

⁷ While its legal name remains "Environment," the department is now known under the name "Environment and Climate Change Canada."

Committee Observations

Given the issues, investments and number of departments involved in initiatives such as the Clean Air Agenda, the committee would like to:

- obtain complete and relevant information that allows for an evaluation of the results of the Clean Air Agenda, leading to a better alignment of priorities; and
- monitor the progress of the set of climate change mitigation programs for which Environment and other departments are responsible in order to ensure they are efficient and effective.

8.1 Estimates Overview

The *Main Estimates 2016–2017* show that Environment is requesting voted appropriations of \$820,156,352, a decrease of \$53,213,338 (6.1%) compared with the *Main Estimates 2015–2016*. They also show forecast statutory expenditures of \$81,932,846, a decline of \$5,748,540 (6.6%) relative to the *Main Estimates 2015–2016*. Total budgetary expenditures therefore come to \$902,089,198.

According to the *Main Estimates 2016–2017*, the net decrease in Environment’s budgetary expenditures is mainly attributable to a \$90.9-million reduction in funding for the Clean Air Agenda, partly offset by a \$40.2-million increase for the Sustainable Development Technology Fund.

8.2 Clean Air Agenda

In Budget 2011, the Government of Canada launched the Clean Air Agenda. This program was part of the government’s broader efforts to fight climate change and air pollution to ensure Canadians live in a clean and healthy environment. Since its inception, the Clean Air Agenda has received over \$1.5 billion in federal government funding.⁸

The Environment officials explained that, while the *Main Estimates 2016–2017* show a reduction in spending on the Clean Air Agenda, Budget 2016 proposes nearly \$2.9 billion in funding over five years, starting in 2016–2017, to combat climate change and air pollution. Therefore, it is likely that Environment will be seeking additional appropriations in the supplementary estimates for 2016–2017 to fund this new announcement.

The officials added that the Clean Air Agenda is a complex and large-scale program that involves nine federal departments together with the relevant First Nations and Inuit authorities, as well as the provinces and territories, through their respective environment ministries. The work and objectives pursued by the Clean Air Agenda revolve around the following five main themes:

- the clean air regulatory agenda;
- clean energy;
- clean transportation;
- international actions; and

⁸ Treasury Board of Canada Secretariat, “[The Clean Air Agenda](#).”

- adaptation.

The committee inquired about the challenges inherent in managing – and especially in achieving – the objectives of large horizontal initiatives such as the Clean Air Agenda. The officials explained that it is not always easy to work with multiple departments on a common project and that it takes a concerted effort. The Treasury Board Secretariat has recognized the situation and requires each of the departments involved to report their actual expenditures for each Clean Air Agenda subprogram in a common report.

The Environment officials then explained that funding for the Clean Air Agenda has supported negotiations as part of the work done over a number of years that led to the *Paris Agreement on Climate Change*.⁹

Following the Paris Agreement, a pan-Canadian framework for clean growth and climate change was developed as part of the *Vancouver Declaration*. This declaration was signed by the Prime Minister and all the provincial and territorial premiers, and one of its objectives is to enable Canada to meet its international commitments.

9 ATOMIC ENERGY OF CANADA LIMITED

Atomic Energy of Canada Limited 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

As Atomic Energy of Canada Limited implements its government-owned, contractor operated (GoCo) model, it needs to ensure that:

- risks are appropriately mitigated;
- value-for-money is achieved; and
- the government's waste and decommissioning liability is reduced in a timely fashion.

9.1 Estimates Overview

In the *Main Estimates 2016-17*, the Atomic Energy of Canada Limited is requesting a voted appropriation of \$968,615,589 and forecasts no statutory expenditures, with the following breakdown:

- Decommissioning and Waste Management: \$529.8 million;
- Nuclear Laboratories: \$438.8 million.

Atomic Energy of Canada Limited's voted appropriation in 2016–2017 is increasing by \$866,472,589, or 848.3%, and its total budgetary expenditures are increasing by \$849,472,589, or 713.0%, compared to

⁹ The [Paris Agreement on Climate Change](#) was signed by the Prime Minister of Canada on 22 April 2016.

the *Main Estimates 2015-16*. It should be noted that Atomic Energy of Canada Limited received additional voted appropriations of \$217,183,692 through supplementary estimates in 2015–2016.

9.2 Government-owned, Contractor-operated Model

This is the first year for Atomic Energy of Canada Limited's government-owned, contractor-operated (GoCo) model for the management of the federal government's nuclear laboratories. The corporation's primary role is to oversee the implementation of the contract with the Canadian National Energy Alliance, which is a consortium of four private-sector companies. Officials subsequently provided the names of the companies to the committee: CH2M Hill, WS Atkins, Fluor and SNC Lavalin.

Officials from the corporation told the committee that they have built a number of safeguards into the contract's terms and conditions in order to mitigate risks.

For example, in some areas, such as decommissioning work, the corporation has reached an agreement with the contractor to share risk by setting a target price, whereby the contractor agrees to do specified work for a particular price. If the actual costs of the work are less than the target price, the contractor and the government share the amount that is less, and if the actual costs are above the target price, the additional costs are shared.

9.3 Decommissioning

As a result of more than six decades of nuclear research and development activities, the federal government estimates its radioactive waste and decommissioning liability to be more than \$7 billion. The contamination exists at three sites, which combined have about 122 redundant buildings: Chalk River, Whiteshell lab, and the Port Hope area. The estimated timeline to address the government's full waste and decommissioning liability is 70 years, but the corporation hopes to deal with a significant proportion of the liability within the next ten years.

Officials said that the corporation's funding levels will vary a bit from year to year due to changes in the profile of spending related to the management of waste and decommissioning activities. These costs are expected to increase slightly over the next five to ten years, as the government seeks to increase its decommissioning activities. The corporation's increased budget in 2016–2017 is partly related to additional decommissioning work. Also, in previous years Natural Resources regularly transferred funds to the corporation for the Port Hope Area Initiative, which has now been incorporated into the corporation's main estimates.

The decommissioning activities are monitored by the Canadian Nuclear Safety Commission, which regulates the conditions under which a site can be considered "clean." Waste material is placed in containers that are stored in long-term disposal facilities.

With respect to Chalk River, officials informed the committee that the National Research Universal reactor will be shutdown in March 2018. The site is also in a renewal mode with considerable capital investment being made to continue its science and technology mission.

APPENDIX – WITNESSES WHO APPEARED BEFORE THE COMMITTEE

Atomic Energy of Canada Limited

Shannon Quinn, Vice President, Science, Technology and Commercial Oversight
(2016-04-20)

Richard Sexton, Chief Transition Officer (Acting), Vice President, Decommissioning and Waste Management Oversight
(2016-04-20)

Canadian Centre for Occupational Health and Safety

Frank Leduc, Vice President, Finance and Chief Financial Officer
(2016-04-13)

Canadian Environmental Assessment Agency

Heather Smith, Vice President, Operations
Juliet Woodfield, Vice President, Corporate Services and CFO
(2016-04-19)

Canadian High Arctic Research Station

Julie Brunet, Director, Human Resources and Corporate Services
David J. Scott, President
(2016-04-19)

Environment

Dan McDougall, Assistant Deputy Minister, Strategic Policy Branch
Carol Najm, Assistant Deputy Minister and Chief Financial Officer, Finance Branch
(2016-04-20)

Natural Resources

Kami Ramcharan, Assistant Deputy Minister and Chief Financial Officer, Corporate Management and Services Sector

Statistics Canada

Stéphane Dufour, Assistant Chief Statistician and CFO, Corporate Services
Connie Graziadei, Assistant Chief Statistician, Census, Operations and Communications
(2016-04-19)

Transport

Claude Corbin, Director General, Financial Planning and Resources Management
André Lapointe, Associate Deputy Minister, Corporate Services and Chief Financial Officer
(2016-04-13)

Treasury Board Secretariat

Brian Pagan, Assistant Secretary, Expenditure Management Sector
Marcia Santiago, Executive Director, Expenditure Management Sector
(2016-04-12)

The Honourable Scott Brison, P.C., M.P., President of the Treasury Board

Yaprak Baltacioglu, Secretary of the Treasury Board of Canada
Renée LaFontaine, Assistant Secretary and Chief Financial Officer, Corporate Services Sector
Brian Pagan, Assistant Secretary, Expenditure Management Sector
(2016-04-19)