

SENATE



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**REPORT ON THE  
*SUPPLEMENTARY ESTIMATES (A), 2010-2011***

**Standing Senate Committee on  
National Finance**

**FIFTH REPORT**

*Chair*

The Honourable Joseph A. Day

*Deputy Chair*

The Honourable Irving R. Gerstein

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# **REPORT ON THE SUPPLEMENTARY ESTIMATES (A), 2010-2011**

## **Introduction**

The *Supplementary Estimates (A), 2010–2011* were tabled in Parliament on 25 May 2010 and subsequently referred for review to the Standing Senate Committee on National Finance.

The *Supplementary Estimates (A), 2010–2011* are the first set of Supplementary Estimates that were issued in this fiscal year ending on 31 March 2011. Unless otherwise stated, all page references are from the *Supplementary Estimates (A), 2010- 2011* document.

The committee held three meetings to review these Supplementary Estimates. On 2 June 2010, officials from the Treasury Board Secretariat of Canada, Brian Pagan, Executive Director, Expenditure Operations and Estimates Division and Ken Wheat, Senior Director, Expenditure Operations, appeared before the committee to testify on the *Supplementary Estimates (A), 2010-2011*.

On 8 June 2010, the committee had two panels on these Supplementary Estimates. The first panel was devoted to an update on the federal government's response to the January 2010 earthquake in Haiti and the capital costs being sought by the Department of National Defence. The panel was composed of Kerry Buck, Assistant Deputy Minister, Afghanistan Task Force; and Elissa Golberg, Director General, Stabilization & Reconstruction Task Force Secretariat from the Department of Foreign Affairs and International Trade Canada; David Moloney, Executive Vice-President and Isabelle Bérard, Director General, Haiti and Dominican Republic from the Canadian International Development Agency. From the Department of National Defence, the committee heard from Kevin Lindsey, Assistant Deputy Minister, Finance and Corporate Services; Dan Ross, Assistant Deputy Minister (Materiel); and Rear-Admiral Robert Davidson, Director of Staff, Strategic Joint Staff.

The second panel on 8 June 2010 focused on the Canada Media Fund. The committee heard Pablo Sobrino, Assistant Deputy Minister, Strategic Policy, Planning and Corporate Affairs; and Helen Kennedy, Deputy Director General, Broadcasting and Digital Communications Branch from Canadian Heritage.

On 9 June 2010, the committee again held two panels on these Estimates. The first panel, which focused on government advertising, consisted of Anne Marie Smart, Assistant Secretary to the Cabinet, from the Privy Council Office; Normand Masse, Director General, Services and Specialized Acquisitions Management Sector, from Public Works and Government Services Canada; Philip Hurcomb, Assistant Secretary, Strategic Communications and Ministerial Affairs from Treasury Board Secretariat of Canada; Peter Larose, Assistant Deputy Minister, Public Affairs and Stakeholder Relations Branch from Human Resources and Skills Development Canada; and Alan Freeman, Assistant Deputy Minister, Consultations and Communications Branch from the Department of Finance.

The second panel on 9 June 2010, which focused on the funding being received by the Canadian Air Transport Security Authority (CATSA), consisted of Kevin McGarr, President and CEO; and Mario Malouin, Chief Financial Officer, both from CATSA.

## Supplementary Estimates

Supplementary Estimates are tabled in Parliament approximately one month in advance of the related Appropriation Act. They serve a number of purposes. First, they provide information on the government's spending requirements that were not sufficiently developed when the Main Estimates, 2010–2011 were tabled, or have been subsequently refined to account for new developments in particular programs or services. Second, they provide Parliament with information on changes in forecasted statutory expenditures (i.e., those authorised by Parliament through enabling legislation). Finally, they are used to seek parliamentary approval for items such as: transfers of money between Votes; debt deletion; loan guarantees; new or increased grants; and changes to Vote wording.

Pages 26 to 45 of these Supplementary Estimates provide a preview of the related supply bill (Proposed Schedules 1 and 2 to the Appropriation Bill), and include, by department and organization, a list of Vote numbers, the Vote wording, and the requested funds that will be proposed to Parliament for approval. There are two schedules to the Appropriation Bill in these Supplementary Estimates: the first identifies those items for the fiscal year ending 31 March 2011; the second identifies those items that may be charged in the fiscal year ending 31 March 2012, specifically, multi-year appropriations for the Canada Revenue Agency, the Parks Canada Agency and the Canada Border Services Agency.

## Overview of the Supplementary Estimates (A), 2010-2011

### A. Planned Spending

In the Estimates documents, planned spending is broken down by budgetary and non-budgetary expenditures and is displayed for both voted and statutory expenditures.<sup>1</sup> As shown in Table 1 below, in the *Supplementary Estimates (A), 2010–2011* the federal government is seeking Parliament's approval to spend \$3.3 billion, while statutory expenditures are expected to decrease by \$747 million, for a net total of \$2.6 billion.

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<sup>1</sup> **Budgetary spending** encompasses the cost of servicing the public debt; operating and capital expenditures; transfer payments and subsidies to other levels of government, organizations or individuals; and payments to Crown corporations; **Non-budgetary** expenditures (loans, investments and advances) are outlays that represent changes in the composition of the federal government's financial assets; **Voted** expenditures are those for which parliamentary authority is sought through an appropriation bill; and **Statutory** expenditures are those authorized by Parliament through enabling legislation; they are included in the estimates documents for information purposes only.

**Table 1 – Total Supplementary Estimates (A), 2010–2011**

(in millions of dollars)

	<b>Budgetary</b>	<b>Non-Budgetary</b>	<b>Total</b>
Voted Appropriations	3,312.0	...	3,312.0
Statutory Appropriations	(1,465.7)	718.5	(747.2)
<b>Total</b>	<b>1,846.3</b>	<b>718.5</b>	<b>2,564.8</b>

Source: *Supplementary Estimates (A), 2010–2011*, p. 7.

Total budgetary Estimates to-date for this fiscal year is \$263.1 billion, including \$261.2 billion under the *Main Estimates, 2010–2011*, and \$1.8 billion (\$3.3 billion in voted appropriations less \$1.5 billion in statutory appropriations) under these Supplementary Estimates.

## **B. Major Items in Budgetary Spending**

Pages 8 to 11 of the *Supplementary Estimates (A), 2010–2011* contain an explanation of the major budgetary and non-budgetary spending (both voted and statutory) in these Supplementary Estimates. The list of significant items is provided below:

### **1. Voted Budgetary Spending:**

#### **Major Initiatives Affecting More Than One Organization (horizontal initiatives)**

- Funding for planning and operations related to policing and security at the 2010 G8 and G20 summits – \$653.9 million
- Funding to continue to support the implementation of the First Nations Water and Wastewater Action Plan – \$162.1 million
- Funding to maintain and improve current Aboriginal health promotion and disease prevention programs, as well as programs aimed at improving the First Nations and Inuit health system – \$135.1 million
- Funding for Canada's initial response to the earthquake in Haiti – \$130.3 million
- Funding for the organization of the 2010 G20 Summit in Toronto – \$101.0 million
- Funding related to government advertising programs – \$65.4 million

#### **Major Specific Initiatives**

- Funding to enhance Canadian aviation security – \$350.6 million
- Funding for major capital projects – \$338.7 million

- Funding to meet operational requirements such as ensuring continued isotope production, health and safety upgrades, new build reactor technology development, refurbishment project shortfalls and one-time employee reduction costs – \$300.0 million
- Funding to support the creation of the Canada Media Fund to ensure Canadian choices are available on television and other digital platforms – \$107.6 million
- Paylist Requirements – Funding for allocations to departments and agencies for parental and maternity allowances and payments of severance benefits and vacation pay upon termination of service – \$100.0 million
- Funding for the continuation of the Technology Cluster Initiative which helps regions, communities and businesses build a competitive advantage in targeted science and technology areas – \$62.8 million

## **2. Statutory Budgetary Spending:**

- Transitional Assistance Payments to British Columbia Related to Sales Tax Harmonization – \$769.0 million
- Revised forecast of public debt charges due to a revision in projected borrowing and lower than expected interest rates – (\$2,352.0 million)

## **3. Statutory Non-budgetary Spending:**

- Payments to Export Development Canada to discharge obligations incurred pursuant to Section 23 of the Export Development Act (Canada Account) for the purpose of facilitating and developing trade between Canada and other countries – \$718.5 million.

# **Examination of the Supplementary Estimates (A), 2010-2011**

During the committee’s hearing on the *Supplementary Estimates (A), 2010-2011*, senators raised a variety of questions related to planned spending as outlined above. Some of these are discussed below.

## **A. Tagging Budget Initiatives in the Estimates**

In the 2009-2010 Supplementary Estimates documents, the Treasury Board Secretariat flagged items that were related to Budget 2009. Some senators found this to be a very useful exercise in that it allowed them to quickly and accurately link the initiatives announced in the budget to those requested in the Supplementary Estimates documents.

The committee learned that the tagging exercise was used for the first time in the 2009-2010 Supplementary Estimates documents because of the extraordinary interest, attention and need to facilitate timely implementation of Budget 2009. However, the process of tagging all the initiatives was a manual process: Mr. Pagan stated that “individuals who compile spreadsheets outside of our system can track initiatives to budgets, but it is not something automatically produced from our system.” He continued by noting that “because the system is not established to readily capture that information, it is not something that at this point [TBS is] able to replicate with any sort of ease.”

Some senators were disappointed that the current system used by the Secretariat is unable to clearly track the source of funding for the initiatives listed in the Supplementary Estimates. The committee hopes that the Treasury Board Secretariat will consider implementing an automatic tagging system for budget initiatives in the Supplementary Estimates documents in the future.

**B. Security and Planning at the 2010 G8 and G20 Summits**

These Supplementary Estimates include \$654 million for policing and security at the G8 and G20 Summits, in addition to \$101 million for the organization of the G20 Summit. The *Supplementary Estimates (C), 2009-2010* directed \$179.4 million across eight departments and agencies toward planning and pre-event operations related to policing and security at the summits. Therefore, to date, almost \$1 billion has been allocated to organization, policing and security at the G8 and G20 Summits. Officials from the Treasury Board Secretariat were unable to state at this time if more funding would be requested for the policing and organization of the Summits through future Supplementary Estimates.

These Supplementary Estimates include \$653.9 million for policing and security of the Summits for the following departments:

Royal Canadian Mounted Police	\$321.5 million
Public Safety and Emergency Preparedness	\$262.6 million
National Defence	\$63.1 million
Canadian Security Intelligence Service	\$2.2 million
Health Canada	\$2.0 million
Canada Border Services Agency	\$997,000
Transport Canada	\$637,000
Canadian Air Transport Security Authority	\$399,000
Public Health Agency of Canada	\$356,000
Industry	\$136,000

These Supplementary Estimates also include \$101 million for the organization of the G20 Summit in Toronto for the following departments:

Foreign Affairs and International Trade	\$70.1 million
Public Works and Government Services	\$29.2 million
Health Canada	\$1.8 million

Some senators were curious about how the costs of the G8 and G20 Summits compare to costs of other Summits. Treasury Board Secretariat officials were unable to provide comparisons between these Summits and others because this is the first time these Summits have been held

back to back. It was also pointed out that the different jurisdictions that have hosted such summits in the past have accounted for the associated costs by different methods, making direct comparison difficult. Mr. Pagan told the committee that security provisions for the Summits would be the most complex in Canadian history: up to 50 world leaders from 20 different countries would be attending; 25 different sites along a corridor of 350 km need to be secured; approximately 7,600 delegates and 3,000 plus media would be present; and different security partners would be involved in the policing of the Summits.

### **C. Government Advertising**

The Privy Council Office (PCO) has the central role in the coordination of government advertising. PCO is responsible for chairing the Government Advertising Committee, developing and securing approval of the Government Advertising Plan, recommending the funding allocations to Cabinet or its designated committee, and monitoring the implementation of campaigns by institutions.

These Supplementary Estimates include \$65.4 million to support Cabinet-approved advertising campaigns and initiatives in the following departments:

Human Resources and Skills Development	\$16.8 million
Finance	\$10.0 million
Health Canada	\$8.0 million
Canada Revenue Agency	\$6.5 million
National Defence	\$6.5 million
Justice	\$6.0 million
Citizenship and Immigration	\$6.0 million
Veterans Affairs	\$3.4 million
Royal Canadian Mounted Police	\$2.0 million
Canadian Heritage	\$250,000

The committee received a very informative briefing from Ms. Smart from the PCO on the process used in securing advertising funds. The current process for the management of government advertising was established in 2004 and had three objectives: to ensure that advertising campaigns are aligned to government priorities; that they comply with government policies, procedures and legislation; and that they meet the information needs of Canadians.

Each year, \$65.4 million is set aside in the fiscal framework for the central advertising fund. Advertising proposals are developed by departments and agencies with assistance from the PCO. The proposals are brought to Cabinet by the PCO for consideration and, if approved the proposals are then submitted to the Treasury Board for review and approval of funding. Finally the proposals are submitted to Parliament through the Estimates documents.



The next stage in the process is the procurement of advertising agencies for production and media planning. This work is done by Public Works and Government Services Canada (PWGSC), which works closely with and on behalf of departments. Ms. Smart stressed that the procurement of advertising agencies is based on a competitive process and is done in accordance with established policies and procedures.

The final stage in the process for the management of government advertising is reporting. Reporting is performed in two ways: the Treasury Board Secretariat has a website that identifies what funds have been committed to advertising through the central advertising fund on a quarterly basis and PWGSC completes annual reports on advertising.

Some senators were interested to learn that the central advertising fund is not the only source of funding for advertising. Departments can obtain funding through Cabinet decisions: Ms. Smart highlighted advertisements discouraging drug use by youth as an example of this method of funding. In addition, departments can also fund public notices, a form of advertising, through their own operating budgets.

Some senators were interested in why funding for government advertising usually is requested through the Supplementary Estimates when it is a recurring item in the PCO's budget. Ms. Smart stated that the PCO begins receiving advertising proposals in January from departments, or soon after a Speech from the Throne. By the time an annual plan has been set that identifies the government's advertising priorities, it is too late to include the funding request in the Main Estimates. Ms. Smart agreed to look into the possibility of including this funding in the Main Estimates in the future.

Ms. Smart told the committee that the funding requested in these Supplementary Estimates is for 16 different advertising campaigns. She committed to send a full listing of the advertising campaigns being funded by the request for \$65.4 million in these Supplementary Estimates to the committee.

#### **D. Canada Media Fund**

In March 2009, the government announced the creation of the Canada Media Fund (CMF). The CMF combines the Canadian Television Fund and the Canada New Media Fund. Its mandate will be to ensure the production of quality content and to make it available on multiple platforms.

According to the government's announcement on the creation of the CMF, the decision to combine, reform, and rebrand the Canadian Television Fund (CTF) and the Canada New Media Fund (CNMF) initiatives was driven by the need for a renewed public-private partnership, a variety of Canadian choices on multiple platforms, and a more effective and relevant investment to contribute to Canada's economic well-being and benefit Canadians from all regions of the country.<sup>2</sup>

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<sup>2</sup> Please see <http://www.pch.gc.ca/pc-ch/infoCNtr/cdm-mc/index-eng.cfm?action=doc&DocIDCd=CJM082271>

These Supplementary Estimates include \$107.6 million for the creation of the CMF to support the creation of Canadian content for distribution on television and on at least one other digital platform. The organizations supported by the CMF include: Canadian television and interactive production companies, broadcasters, cable and satellite distributors, Internet service providers, and mobile communications operators. Both Canadian Heritage and private cable and satellite distributors provide annual funding to the CMF. In 2010-2011, the federal government is contributing \$134.7 million to the CMF and the private sector is contributing \$193 million.

Ms. Kennedy, from Canadian Heritage, informed the committee that the CMF is meant to promote the creation of convergent digital content on multiple platforms, including television, as well as create interactive digital content and applications for the Internet, wireless and other emerging platforms. Ms. Kennedy stated that the fund is expected to create over 22,000 jobs and will generate \$2 in production activity for every dollar invested.

There were some questions surrounding the governance and administration of the CMF. Ms. Kennedy stated that

the CMF Corporation is an independent, not-for-profit corporation. It is responsible for the administration of the Canada Media Fund and operated independently of government in that function. The CMF administers the program as a whole, including a contribution from the government, as well as that which is injected from the private sector. The CMF does so under the terms of a contribution agreement with the department.

The committee learned that no new legislation was required for the creation of the CMF. However, there was concern by some senators surrounding the relationship between Canadian Heritage and the CMF Corporation, and requested more information from Ms. Kennedy to clarify this matter.

## **E. Haiti Earthquake Relief**

On 12 January 2010, a devastating earthquake struck Haiti. The government is seeking \$130 million in these Supplementary Estimates to support Canada's response to the earthquake in Haiti, including, but not limited to, contributions to appeals for humanitarian assistance launched by the United Nations, the Haiti Earthquake Relief Fund, and incremental costs to various government organizations involved in activities to assist Haiti. This funding is being distributed across five entities in the following manner:

Canadian International Development Agency	\$70.0 million
Foreign Affairs and International Trade	\$34.7 million
Citizenship and Immigration	\$13.7 million
Royal Canadian Mounted Police	\$11.4 million
Canada Border Services Agency	\$545,000

The funding being requested in these Supplementary Estimates is in addition to the \$176 million that was provided for Haiti earthquake relief in the *Supplementary Estimates (C), 2009-2010*.

In response to the Haitian earthquake, Canada announced that it would match every dollar donated by Canadians between the date of the earthquake, 12 January 2010, and 12 February 2010 to create the Haiti Earthquake Relief Fund. The committee learned that the total of eligible Canadian donations during that period was \$220 million. Some senators wondered whether, as a result of the commitment to match donations, the Haiti Earthquake Relief Fund would therefore be valued at \$440 million. Mr. Moloney from CIDA stated that the matter was “complicated.” At the International Donors Conference held in New York City on 31 March 2010, the Canadian government committed to providing \$400 million in new and additional funds for humanitarian and reconstruction efforts in Haiti. According to Mr. Moloney, the \$400 million included \$110 million of the Haiti Earthquake Relief Fund. In addition, Mr. Moloney stated that an additional \$65 million from the Earthquake Relief Fund would go towards continuing relief needs, such as transitory shelter, water and sanitation, child protection and education. Therefore, \$175 million of the \$220 million has been committed from the Haiti Earthquake Relief Fund.

The officials were unable to provide information on the full value of the Haiti Earthquake Relief Fund: given the matching commitment made by the government, some senators expected the Fund to be valued at \$440 million but this figure could not be confirmed by the officials. The committee asked Mr. Moloney to provide a detailed breakdown of the financial commitments made to humanitarian and reconstruction efforts in Haiti, and the source of funds for each of those commitments. It has not yet received this information from the department.

## **F. Canadian Air Transport Security Authority**

The Canadian Air Transport Security Authority (CATSA) acts as Canada’s front line for a secure aviation system. With 6,000 screeners at more than 80 designated airports across Canada, CATSA screened over 62 million pieces of baggage and 48 million passengers in 2009.

In February 2010, the government announced funding of \$1.5 billion over five years for CATSA and Transport Canada to maintain security for Canada’s air transportation system, to better align with international security requirements, and to keep up with recent U.S. measures. The \$1.5 billion is to be raised through Canada's Air Travellers Security Charge (ATSC).<sup>3</sup>

These Supplementary Estimates include \$350.6 million for CATSA to allow it to obtain the newest and most effective machines for screening passengers and baggage, to better align with international security requirements, and to meet new rules in the United States for U.S.-bound flights. Mr. McGarr from CATSA confirmed that the funding being requested is part of the \$1.5 billion that was announced in February 2010.

Officials from CATSA were unable to explain to the committee how the \$350.6 million requested in these Supplementary Estimates would be allocated because a decision by the Treasury Board had not yet been made. Mr. McGarr told the committee that CATSA was

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<sup>3</sup> Please see <http://www.tc.gc.ca/eng/mediaroom/releases-2010-h025e-5847.htm>

“currently awaiting the decision of Treasury Board ministers on a plan that [it] proposed...” He continued by saying that “it would be premature for [him] to say what [CATSA] intends to do this year because the plan has yet to be approved.”

At an earlier meeting on these Supplementary Estimates, Mr. Pagan from the Treasury Board Secretariat told senators that the Estimates are a “reflection of the decision or approval of Treasury Board ministers at a particular time.” A November 2006 overview of the federal expenditure management system by the Office of the Auditor General noted that “specific allocations to departments require Treasury Board approval” and that they “then receive legislative authority through the Estimates process.”<sup>4</sup>

Some senators expressed concern that the usual process in obtaining funding for initiatives appears not to have been followed in this specific case. CATSA is apparently requesting approval for funding while being unable to account for how that funding will be used. The committee requested additional information on this issue at its meeting with CATSA officials: it has not yet received any information to clarify CATSA’s request for \$350.6 million. It looks forward to learning how this funding will be used by CATSA.

## **Conclusion**

During its hearings on the *Supplementary Estimates (A), 2010-2011*, the committee deliberated on these and other matters. In some circumstances, witnesses committed to following-up on their answers at a later date. At the time of writing this report, the various answers have not yet been received by the committee. Your committee will continue to pursue these matters.

The Standing Senate Committee on National Finance, to which were referred the *Supplementary Estimates (A), 2010-2011*, has examined the said Estimates and herewith submits its report.

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<sup>4</sup> Office of the Auditor General, “An Overview of the Federal Government's Expenditure Management System.” November 2006. Available online at [http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_200611\\_00\\_e\\_14968.html](http://www.oag-bvg.gc.ca/internet/English/parl_oag_200611_00_e_14968.html)