



**FIRST INTERIM REPORT ON THE
2012-2013 MAIN ESTIMATES**

**Standing Senate Committee on
National Finance**

EIGHTH REPORT

Chair

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REPORT ON THE

2012-2013 MAIN ESTIMATES

Introduction

The *2012–2013 Main Estimates* were tabled in Parliament on 28 February 2012 and referred to the Standing Senate Committee on National Finance. To date, the Committee has met four times to study the document, hearing evidence from nine federal departments and agencies.

Officials from the Treasury Board Secretariat of Canada appeared on 7 March 2012: Bill Matthews, Assistant Secretary, Expenditure Management; Sally Thornton, Executive Director, Expenditure Operations and Estimates, Expenditure Management Sector; Marcia Santiago, Senior Director, Expenditure Information Division; and Darryl Sprecher, Director, Expenditure Management Portfolio.

On 8 March 2012, the Committee welcomed officials from Indian and Northern Affairs Canada: Deputy Minister Michael Wernick and Pamela D'Eon, Director General, Planning and Resources Management.

On 13 March 2012, officials from Human Resources and Skills Development Canada (HRSDC) – Alfred Tsang, Chief Financial Officer; Louis Beauséjour, Associate Assistant Deputy Minister, Skills and Employment Branch; and Paul Thompson, Assistant Deputy Minister, Processing and Payment Services Branch – appeared before the Committee to discuss their voted appropriations and the projected level of statutory appropriations in the *2012–2013 Main Estimates*.

Within the HRSDC portfolio, the Committee also received evidence from Marc Joyal, Vice-President and Chief Financial Officer of Canada Mortgage and Housing Corporation on 13 March 2012. Also on that date, the Committee heard evidence from officials from Public Works and Government Services Canada (PWGSC) and Shared Services Canada. Andrew Treusch, Associate Deputy Minister, and Alex Lakroni, Chief Financial Officer, represented PWGSC, while Maurice Chénier, Senior Assistant Deputy Minister, Projects and Client Relationships, and Gina Rallis, Senior Assistant Deputy Minister, Corporate Services, appeared before the Committee to answer

questions from senators about Shared Services Canada. Natural Resources Canada was represented by Deputy Minister Serge Dupont and Assistant Deputy Minister Bill Merklinger.

On 13 March 2012, the Committee welcomed officials from Canadian Heritage and Correctional Service Canada. Canadian Heritage was represented by Deputy Minister Daniel Jean, Chief Financial Officer Robert Hertzog, and René Bouchard, Executive Director, Portfolio Affairs. Correctional Service Canada was represented by Commissioner Don Head and Liette Dumas-Sluyter, Assistant Commissioner, Corporate Services.

A. Overview of the 2012–2013 Main Estimates

1. Projected expenditures

The budgetary expenditures set out in the budget documents comprise voted and statutory appropriations.¹ As Table 1 shows, the 2012–2013 Main Estimates projects requests for net votes of \$91.9 billion and net statutory items of \$160 billion, for total net federal expenditures of \$251.9 billion. This represents an increase of \$1.1 billion compared with the 2011–2012 Main Estimates: \$1 billion for statutory items and \$100 million in net votes.

Table 1 – 2012–2013 Main Estimates (billions of dollars)

	2012–2013	2011–2012	Change (%)
Net voted appropriations	91.9	91.8	0.1
Net statutory appropriations	160	159.0	0.6
Total	251.9	250.8	0.4

Source: *2012–2013 Main Estimates*, p. 7.

¹ **Budgetary expenditures** include the cost of servicing the public debt; operating and capital expenditures; payments to federal Crown corporations; and transfer payments and grants to other levels of government, organizations and individuals. **Non-budgetary expenditures** (loans, investments and advances) are expenditures that reflect changes in the value of the Government of Canada’s financial assets. **Voted appropriations** are appropriations authorized by Parliament subsequent to a supply bill, while **statutory** items are items which Parliament authorizes through enabling legislation; they are included in budget documents for information only.

B. Study of the 2012–2013 Main Estimates

As part of their study of the 2012–2013 Main Estimates, the senators have to date assessed requests for votes and projected statutory items for selected federal departments and agencies. These are preliminary studies that will continue with presentations from other departments, agencies and Crown corporations.

1. Treasury Board Secretariat of Canada

The officials from the Treasury Board Secretariat of Canada (TBS) gave the Committee an overview of its requests for federal votes and the level of statutory items projected for the 2012–2013 fiscal year. They stated that approximately 61% (\$154.7 billion) of projected net federal expenditures comprises transfers to individuals, organizations and other levels of government. Another 27% (\$68.4 billion) will be allocated to the operating and capital expenditures of departments, agencies and Crown corporations. Finally, servicing of the public debt will account for 12% (\$28.9 billion) of federal expenditures. Compared with the 2011–2012 Main Estimates, transfer payments are up 2.1% (\$3.1 billion), primarily because of the 6% increase in the Canada Health Transfer (CHT). Operating and capital expenditures, meanwhile, are down less than 1% (\$600 million).

The TBS officials drew the Committee's attention to a number of highlights in the 2012–2013 Main Estimates. One was the net increase of \$611.5 million in contributions related to a projected cash flow increase for the Building Canada Fund. Natural Resources Canada reduced its expenditures by the sunsetting of the Pulp and Paper Green Transformation program (\$549.8 million). The most significant statutory item for the Department of Human Resources and Skills Development is an increase of \$2 billion (5.3%) in projected expenditures related to benefits for the seniors.² The officials told the Committee that this is the latest forecast and that the main reasons for the increase are the indexing of elderly benefits³ and certain demographic factors (number of individuals eligible in 2012–2013 and mortality rate).

² These benefits include Old Age Security, the Guaranteed Income Supplement and the Survivor's Allowance.

³ According to the evidence given on 7 March 2012 by Treasury Board officials, private-sector economists forecast an inflation rate of 2.2% in 2012–2013.

Some senators wanted to know when the new initiatives in the 2012 federal budget will appear in the budget documents. The TBS officials replied that some of the new initiatives will probably be included in the 2012–2013 Supplementary Estimates (A), but it is more than likely that most of the initiatives will be presented in the 2012–2013 Supplementary Estimates (B), because the federal budget will be tabled at the end of March.

The Committee asked the officials about non-budgetary expenditures,⁴ in particular net revenue associated with loans, investments and advances, which according to the projections should be \$1.9 billion in 2012–2013, \$1.3 billion more than in the 2011–2012 Main Estimates. The officials told the Committee that the bulk of that increase—\$818 million—is attributable to anticipated loan activities and repayments to Canada Mortgage and Housing Corporation.⁵

Some senators asked the officials about the results of the government’s last strategic review, which was carried out over four years (2007 to 2010). The Committee learned that in the first three years of the review, the government ended programs that were deemed to be insufficiently effective. The department or agency affected could then propose that the government reinvest the freed-up funds in a new initiative or a new program that would perform better. The officials stated that many requests for reinvestment were approved. In the fourth year, departments and agencies were no longer able to reallocate funds, so the money was returned to the Consolidated Revenue Fund.

Some senators asked about the projected decrease of \$10.5 million (3.3%) in expenditures for the Atlantic Canada Opportunities Agency. The officials explained that the \$10.8 million in savings identified through the strategic review was essentially due to a decrease of \$6.1 million in operating expenditures and a decrease of \$4.7 million in contributions under the Business Development Program. A senator expressed an interest in learning more about the subject and that the Committee continue to work on that subject in the coming year.

Finally, the Committee looked at the projected reduction of \$1.4 billion the cost of servicing the public debt, which could reach \$28.9 billion⁶ in 2012–2013. The officials told the Committee that the reduction is attributable to a drop in the interest rate anticipated by the Department of Finance.

⁴ Non-budgetary expenditures are activities related to loans, investments and advances.

⁵ These are advances paid under the *National Housing Act, 2012–2013 Main Estimates*, p. 170.

⁶ This figure includes the reduction of \$1.4 billion in public debt charges.

2. Indian and Northern Affairs Canada

In the 2012–2013 Main Estimates, Indian and Northern Affairs Canada projects budgetary expenditures of \$7.7 billion for 2012–2013, up \$427.8 million from the 2011–2012 Main Estimates.

This net increase of \$427.8 million in budgetary expenditures includes an increase of \$286.1 million related to the negotiation, settlement and implementation of specific and comprehensive claims, \$137.6 million for the assessment, management and remediation of federal contaminated sites, \$98.9 million to meet increased demand for ongoing Indian and Inuit programs, \$72.7 million for awards to claimants resulting from the Independent Assessment Process and Alternative Dispute Resolution related to the Indian Residential Schools Settlement Agreement, and \$23.1 million to support tripartite education agreements with First Nations in British Columbia and to advance readiness for education comparability in other provinces through the Education Partnerships Program.

According to the department, these increases in expenditures will be partly offset by various decreases, more specifically a reduction of \$159.2 million reflecting the sunset of funding for the First Nations Water and Wastewater Action Plan, a reduction of \$43 million reflecting the approved funding for the First Nations Infrastructure Fund and a reduction of \$26.4 million reflecting the transfer of funding to Shared Services Canada for information technology services.

The officials told the Committee that the rate of growth in Canada's Aboriginal population was almost double the rate for the Canadian population as a whole. These trends suggest that within 15 to 20 years, there will be more than 1.5 million Aboriginal persons in Canada, most of them 25 or younger. The officials went on to say that these demographic trends will put pressure on the demand for basic services like education, social development, housing and infrastructure.

The officials also stated that these demographic trends have the potential to increase Canada's gross domestic product (GDP) by \$400 billion over the next 20 years if the graduation rate and employment rate among Aboriginal persons reached the levels in Canada's non-Aboriginal population.

Some senators asked for more details about the \$137.6 million for the assessment, management and remediation of federal contaminated sites. The officials told the Committee that their department

is responsible for 25 to 30 remediation projects in northern Canada. They said that most of the funds requested would be used to remediate the Giant and Faro mines, two of the biggest federal contaminated sites in the country.

Asked by some senators why some grants are included in statutory expenditures while others are included in voted expenditures, the officials replied that grants to Aboriginal organizations related to payments for claims made under land claims legislation or implementation of a land claims agreement are statutory expenditures, whereas grants for basic services like health and education in Aboriginal communities are voted expenditures.

Some senators asked for more details about the \$47.4 million in loans made to Aboriginal claimants and the \$31.2 million in loans made to First Nations in British Columbia to help them take part in the proceedings of the British Columbia Treaty Commission. The officials replied that the two amounts are maximum amounts for the moment, but the department may ask Parliament for additional funds in the 2012–2013 Supplementary Estimates if the negotiations progress faster than expected. In answer to questions from some senators about the proportion of loans of this nature that is repaid to the federal government, the officials stated that the federal government usually recovers the funds at the end of the negotiation process, those not recovered are written off.

In answer to questions from senators about the total amount of expenditures related to Aboriginal persons that was included in the 2012–2013 Main Estimates, the officials from Indian and Northern Affairs Canada stated that the Estimates contain approximately \$11 billion for Aboriginal persons living in Canada.

Some senators asked about the performance indicators the department has developed to evaluate the effectiveness of its programs. The officials replied that they have developed performance indicators for every program and that they have posted a number of evaluation reports on the department's website.⁷

Some senators asked for more details about \$3.4 million related to grants for the political evolution of the territories, particularly as it pertains to devolution. The officials told the Committee that the federal government has begun negotiations on the transfer of responsibilities related to the

⁷ Aboriginal Affairs and Northern Development Canada, <http://www.aadnc-aandc.gc.ca/eng/1100100011250/1100100011251>.

management and use of lands in the Northwest Territories and Nunavut. They added that the transfer should be completed in the next two years.

In answer to questions from senators about a decrease of \$800,000 dollars for contributions to promote political, social and scientific development in Canada's three territories, the officials stated that the decrease is attributable to the phasing out of activities related to International Polar Year, an activity that began in 2007 and will end in April 2012 with a conference in Montreal.⁸

Some senators asked for more details about the \$23.1 million to support tripartite education agreements with First Nations in British Columbia and to advance readiness for education comparability in other provinces through the Education Partnerships Program and the performance indicators the department has developed to measure the effectiveness of this initiative. The officials replied that they have set an objective in terms of links and relationships formed between the provincial departments of education and Aboriginal schools, but they have not set one related to the graduation rate in Aboriginal communities targeted by the initiative. This is not a program that can drive the graduation rates of 400 schools across the country.

Some senators wanted to know if Indian and Northern Affairs Canada did a gender based analysis for the Urban Aboriginal Strategy. The officials stated that they did not know whether a gender based analysis was done for that program, but they undertook to find out and, if one was done, send the results to the Committee.

One senator asked for more details about the proportion of Indian and Northern Affairs Canada expenditures related to professional and special services. The officials replied that 86.0% of the department's budget is transferred to Canada's Aboriginal communities and that information on all contracts with a value greater than \$10,000 is available under the Proactive Disclosure tab on the department's website.⁹

⁸ Government of Canada, International Polar Year, http://www.api-ipy.gc.ca/pg_IPYAPI_016-eng.html.

⁹ Aboriginal Affairs and Northern Development Canada, Proactive Disclosure, <http://www.aadnc-aandc.gc.ca/prodis/index-eng.asp>.

3. Natural Resources Canada

In the 2012–2013 Main Estimates, Natural Resources Canada is estimating budgetary expenditures of \$2.8 billion in 2012–2013. This is a decrease of \$712.2 million over the budgetary expenditures presented in the 2011–2012 Main Estimates.

This net decrease in budgetary expenditures of \$712.2 million includes a decrease of \$549.8 million related to the Pulp and Paper Green Transformation program, \$48.7 million for the ecoENERGY Technology Initiative, \$22.0 million for the ecoENERGY for Biofuels Producer Incentive, and a decrease of \$21.9 million for the Isotopes Supply Initiative. According to Natural Resources officials, these decreases are partly offset by various increases in budgetary expenditures, such as an increase of \$137.6 million related to the Nuclear Legacy Liabilities program, \$123.0 million for the Clean Energy Fund, \$62.8 million for the ecoENERGY Innovation Initiative, and an increase of \$38.0 million for the ecoENERGY Efficiency program.

With regard to Atomic Energy Canada Limited (AECL), Natural Resources officials said that AECL is estimating budgetary expenditures of \$376.7 million in 2012–2013, including \$102.1 million in voted expenditures and \$274.6 million in statutory expenditures. According to officials, the requested \$102.1 million will be used to fund AECL laboratory operations and research and development at Chalk River and ensure the safe and reliable operation of its nuclear facilities and supporting infrastructure.

In answer to questions from senators on the \$274.6 million in statutory expenditures for AECL, Natural Resources officials told the committee that the requested funding would be used to address pre-existent commercial commitments associated with the divestiture of AECL's CANDU Reactor Division to SNC-Lavalin in October 2011. According to officials, the commercial risks associated with the future contracts of the new CANDU Energy will be assumed by SNC-Lavalin and will no longer pose any risk of loss to Canadian taxpayers. However, Parliament should expect to see expenditures relating to these commercial commitments until projects undertaken prior to the divestiture of the CANDU Reactor Division, particularly the Point Lepreau and Gentilly projects, are completed.

Some senators asked about the decrease of \$7.5 million in funding to Climate Change Adaptation Initiatives. Natural Resources officials told the committee that their department had spent \$27 million over five years and that the federal government planned to spend \$13 million over the next five years.

Some senators asked for more information about the ecoENERGY initiative. Natural Resources officials said that although there would no longer be any new ecoENERGY initiative contracts, contracts already signed would continue until 2017. According to Natural Resources officials, these contracts will provide green energy producers with about one cent per kilowatt-hour over this period. Consequently, Parliament should expect to receive requests for ecoENERGY initiative funding in upcoming Estimates.

In answer to questions from some senators about a decrease of \$1.27 million regarding a contribution for the Saskatchewan Power/Maritime Electric Company, Natural Resources officials told the committee that the federal government had purchased \$17 million in green energy over ten years from these two businesses. Officials later added that it was no longer necessary to subsidize these businesses since they were producing green energy at a profit.

4. Canadian Heritage

In the 2012–2013 Main Estimates, the Department of Canadian Heritage is estimating budgetary expenditures of \$1.3 billion in 2012–2013, which include \$180 million in the department’s operating expenditures and \$1.1 billion in grants and contributions. These budgetary expenditures represent a net increase of \$137.3 million over the budgetary expenditures presented in the 2011–2012 Main Estimates.

Canadian Heritage officials told the committee that the net increase of \$137.3 million in budgetary expenditures in 2012–2013 reflected an increase of \$144.2 million in grants and contributions and a decrease of \$6.9 million in operating costs.

Canadian Heritage officials also said that the department’s 18 portfolio organizations planned \$1.9 billion in voted expenditures in the 2012-2013 Main Estimates.

In answer to questions from senators about why grants and contributions to human rights organizations represented only \$470,000 out of a total of \$1.1 billion in grants and contributions, Canadian Heritage officials said that Canada's performance and direction on human rights promotion were such that current federal instruments, frameworks and policies were adequate.

Some senators asked about the increase of \$100 million for the Canada Media Fund. Canadian Heritage officials answered that the funds requested would be used to fund the creation of Canadian television and audiovisual content in 2012–2013.

In answer to questions from senators about the additional amount needed to complete construction of the Canadian Museum for Human Rights, officials explained that the federal government requested \$10 million in the 2012–2013 Main Estimates to make the final payment as provided in the final agreement on the Canadian Museum for Human Rights construction project for a total federal contribution of \$100 million. The officials then explained that the rest of the amount needed to complete construction of the Canadian Museum for Human Rights, at an estimated cost of \$351 million, would be provided by Manitoba and the City of Winnipeg.¹⁰ The officials also promised to provide the committee with further details about the funding needed to complete construction of the Canadian Museum for Human Rights.

Some senators asked about the total cost of the bicentennial commemorations for the War of 1812. Canadian Heritage officials replied that the Budget 2010 provided a total of \$28 million over three years to commemorate this historic event, which includes the \$115,000 requested in the 2012–2013 Main Estimates.

Some senators asked about an \$8.5 million grant for TV5 Monde and a \$4.5 million contribution to TV5. Canadian Heritage officials replied that several countries provided TV5 with grants and contributions to provide French-language television content around the world.

5. Correctional Service Canada

In the 2012–2013 Main Estimates, the Correctional Service of Canada is estimating budgetary expenditures of \$3.0 billion in 2012–2013, which represents a net increase of \$44.2 million over the amounts requested in the 2011–2012 Main Estimates. This net increase in budgetary expenditures is

¹⁰ Canadian Museum for Human Rights, <http://humanrightsmuseum.ca/building-museum>

due to a planned increase of \$98.9 million in operating expenditures and a decrease of \$61.1 million in capital expenditures.

Correctional Service of Canada officials told the committee that their department was requesting an additional \$175 million in the 2012–2013 Main Estimates to manage the expected increase in the inmate population as a result of implementing the Truth in Sentencing Act and the Tackling Violent Crime Act.

Correctional Service of Canada officials told the committee that their department would not need to hire all of the 4,000 new staff members announced in their 2010–2011 Report on Plans and Priorities since the increase in the inmate population was not as high as anticipated.

Some senators asked for more information about the average cost per inmate in a federal penitentiary. Correctional Service of Canada officials replied that the average cost – the total cost divided by the number of inmates – was \$114,000 per year. These officials then called to the committee’s attention the fact that the average per-inmate cost overestimated the marginal cost of incarcerating a new inmate. They said that the marginal cost of incarcerating a new inmate is minimal, attributable to the cost of clothing, food, programs and so forth.

In answer to questions from senators on funding for the various inmate programs, Correctional Service of Canada officials said that their department is estimating expenditures of about \$160 million for inmate programs in 2012–2013, an approximate increase of \$20 million over 2011–2012.

6. Human Resources and Skills Development Canada

In the 2012–2013 Main Estimates, Human Resources and Skills Development Canada is estimating budgetary expenditures of \$47.6 billion in 2012–2013. Of this amount, \$2.4 billion requires approval by Parliament. The remaining \$45.3 billion represents statutory forecasts that do not require additional approval. The \$2.2 billion increase is primarily associated with statutory items. In particular, the forecasted Old Age Security and Guaranteed Income Supplement payments represent an increase of \$1.4 billion and \$574 million respectively. With regard to the Guaranteed Income Supplement, officials told the committee that the planned expenditure increase was partly attributable to the payment increase announced in the 2011 federal budget. More than 680,000

seniors became eligible for an increase to their Guaranteed Income Supplement payments. Since July 2011, single individuals and couples eligible for the Guaranteed Income Supplement have received an overall increase of \$600 per year (\$50 per month) for individuals, while this increase has been \$840 per year (\$70 per month) for couples.

Senators asked about the sustainability of Old Age Security and the Guaranteed Income Supplement, especially given that the Canadian population is aging and that the life expectancy of Canadians has increased significantly since these benefits were introduced. Officials told the committee that Old Age Security and Guaranteed Income Supplement recipients are currently receiving benefits for an additional five years on average.

With regard to the aging population, officials told the committee that according to projections by the Chief Actuary, the number of Old Age Security recipients will reach 9.3 million in 2030, almost double the 4.8 million current recipients. Including inflation, this could represent annual expenditures of \$108 billion, while estimated expenditures in the 2012–2013 Main Estimates are about \$38 billion.

Senators asked additional questions regarding Old Age Security and the Guaranteed Income Supplement to learn more about what steps the government is taking to contact individuals who are eligible but not applying for these pension benefits for whatever reason. Officials told the committee that a range of measures were taken to address this problem. For example, in 2010–2011, HRSDC sent out 350,000 application letters to 64 year olds. Officials also told the committee that it is no longer necessary to apply for the Guaranteed Income Supplement each year to remain eligible.

Some senators asked about Canada Youth Centres.¹¹ The committee learned that about 100 Youth Centres were in operation last year. This initiative was not renewed. According to officials, Youth Centres saw an average of six students per day. Officials told the committee that students preferred to use the online service. The government modernized its student employment strategy by improving the www.youth.gc.ca website. According to officials, students are still able to visit Service Canada centres in person for personalized employment services provided by properly trained staff across the country.

¹¹ Youth centres are dedicated to helping young people find employment.

7. Canada Mortgage and Housing Corporation

In the 2012–2013 Main Estimates, Canada Mortgage and Housing Corporation is estimating budgetary expenditures of \$2.1 billion in 2012–2013, all of which requires approval by Parliament. This is an increase of \$232.4 million over the budgetary expenditures presented in the 2011–2012 Main Estimates.

The committee asked for explanations about the \$232.7 million increase to the Investment in Affordable Housing initiative. Officials told the committee that this increase is the result of the government decision to maintain the initiative announced in 2008. The funds requested will be used for three purposes: funding the Investment in Affordable Housing initiative, delivered mainly by the provinces; a portion is earmarked for affordable housing on reserve; and a third part will be used for housing repairs and renovations. Departmental officials promised to provide more information in order to answer senators' questions.

8. Public Works and Government Services Canada

In the 2012–2013 Main Estimates, Public Works and Government Services Canada (PWGSC) is estimating budgetary expenditures of \$2.4 billion, a decrease of \$217 million (or 8%) over the 2011–2012 Main Estimates. Of this amount, \$2.3 billion requires approval by Parliament.

Some senators questioned the reduction of estimated expenditures in PWGSC's budget. For the 2012–2013 Main Estimates, PWGSC's operating expenditures are estimated at \$1.9 billion, a reduction of \$158 million (or 8%). The PWGSC official told the committee that a desire to cut costs is not what is behind the reduction in capital expenditures. He explained that the changes in capital expenditures seen in the 2012–2013 Main Estimates are due to the sunseting of several projects started up under the government's Economic Action Plan. With regard to planned operating expenditures for 2012–2013, they are estimated at close to \$289 million, a decrease of close to \$56 million (or 16%). The PWGSC official told the committee that the transfer of \$113 million to Shared Services Canada and certain reductions as the result of the 2011 strategic review accounted for most of the reduction in operating expenditures seen in the 2012–2013 Main Estimates.

Some senators asked officials about the employees whose positions were affected by the 2011 strategic review. The committee learned that of the 303 indeterminate PWGSC employees affected by the strategic review, 88% of them found new positions within the federal government while others retired.

9. Shared Services Canada

Shared Services Canada appeared for the first time in the Main Estimates, so the senators were keenly interested in questioning officials from this new organization. Over the course of their presentations, Shared Services Canada officials explained the organization's mandate and its short- and long-term objectives to the committee. Shared Services Canada was created on 4 August 2011 as an independent department with an eight-year mandate to rationalize the government's information technology services, reduce overlap and modernize service delivery to Canadians while making the government's information technologies infrastructure more secure. To date, more than 6,300 employees from over 40 departments and agencies were transferred to Shared Services Canada. This new department is requesting a total of \$1.4 billion from Parliament. This amount is made up solely of revenue and votes transferred from partner departments, so it is not additional government expenditure, but is instead a reallocation of human and financial resources. Creating Shared Services Canada is a government effort to achieve savings. This first budget will be used to support the delivery of email services, data centres and networks for the 43 most IT-oriented Government of Canada departments and agencies.

Some senators raised questions about computer security, including questions about the partnership between Shared Services Canada and the Royal Canadian Mounted Police (RCMP). Shared Services Canada officials assured the committee that control over police intelligence would remain solely under RCMP responsibility.

Based on the evidence from officials, the committee supports the Shared Services Canada mandate. Given the magnitude of the amounts involved, the senators would like to have been provided with more specific cost saving targets. The committee will continue to monitor the developments of this new department.