

SENATE



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CANADA

**FIRST INTERIM REPORT ON THE  
*2015–16 MAIN ESTIMATES***

**Standing Senate Committee on  
National Finance**

**SEVENTEENTH REPORT**

*Chair*

The Honourable Joseph A. Day

*Deputy Chair*

The Honourable Larry Smith

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## 1 INTRODUCTION

The *2015–16 Main Estimates* were tabled in Parliament on 24 February 2015, and subsequently referred to the Standing Senate Committee on National Finance (the Committee) and various House of Commons standing committees for review. These estimates set out the spending authorities and amounts to be included in future appropriation bills. To date, the Committee has devoted two meetings to studying these estimates and has heard from officials from five federal departments and agencies.

On 10 March 2015, the following officials from the Treasury Board of Canada Secretariat appeared before the Committee:

Brian Pagan, Assistant Secretary, Expenditure Management Sector;

Marcia Santiago, Executive Director, Expenditure Management Sector.

On 11 March 2015, the Committee heard from officials representing the Royal Canadian Mounted Police, Canada Mortgage and Housing Corporation, the Canada Revenue Agency, and the Office of Infrastructure of Canada. The officials from these four organizations were, respectively:

### *Royal Canadian Mounted Police*

Alain Duplantie, Deputy Commissioner, Chief Financial and Administration Officer;

David Wiseman, Executive Director, Corporate Budgeting.

### *Canada Mortgage and Housing Corporation*

Brian Naish, Chief Financial Officer;

Charles MacArthur, Senior Vice President, Regional Operations and Assisted Housing.

### *Canada Revenue Agency*

Roch Huppé, Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch;

Rick Stewart, Assistant Commissioner, Legislative Policy and Regulatory Affairs Branch;

Richard Montroy, Assistant Commissioner, Compliance Programs Branch.

### *The Office of Infrastructure of Canada*

Darlene Boileau, Assistant Deputy Minister, Corporate Services and Chief Financial Officer;

Thao Pham, Assistant Deputy Minister, Federal Montreal Bridges;

Jeff Moore, Assistant Deputy Minister, Policy and Communications.

## 2 OVERVIEW OF THE *2015–16 MAIN ESTIMATES*

Officials from the Treasury Board of Canada Secretariat explained that the *2015–16 Main Estimates* are composed of two parts. Part I contains the federal government's expenditure plan, an overview of forecasted expenditures for 2015–2016, and a summary of the key elements of the main estimates, such as the breakdown between voted appropriations and statutory items, and budgetary and non-budgetary expenditures.<sup>1</sup> Part I also explains the connection between the main estimates and the federal budget and provides various summary tables broken down by type of expenditure. Part II deals with the specific requirements of each federal department and agency, broken down by vote and program activity. This part also includes the total statutory forecasts and explains any differences between the amounts requested for 2015–16 and those requested in the previous main estimates. Lastly, Part II directly supports the appropriation bills related to the *2015–16 Main Estimates*.

The appendix to the *2015–16 Main Estimates* contains the draft of the proposed schedules to the appropriation bill concerning the amounts requested in the estimates. The officials pointed out that the *2015–16 Main Estimates* support the interim appropriation bill that will be tabled in March 2015, as well as the full appropriation bill that will be tabled in June 2015. The interim appropriation bill enables Parliament to approve a portion of the funds contained in the main estimates to cover requirements between April 1 and the last allotted day in the supply period ending June 23, before which the House of Commons must vote on a motion to concur in the main estimates. Following this vote, an appropriation bill is tabled in the House of Commons for approval. The Senate must also pass the bill. Once it has been passed by both Houses, the bill receives Royal Assent and becomes law, authorizing the federal government to make withdrawals from the Consolidated Revenue Fund, up to the limits set in the main estimates.

The officials also told the Committee that Reports on Plans and Priorities, which are produced by federal departments and agencies and are one component of Part III of the main estimates,<sup>2</sup> are helpful when studying departmental performance reports because they provide detailed information on priorities, strategic outcomes, programs and anticipated results. They added that the President of the Treasury Board of Canada will table the 2015–2016 Reports on Plans and Priorities in Parliament in March 2015.

### 2.1 Planned Expenditures

According to the *2015–16 Main Estimates*, total spending of \$241.57 billion is planned for 2015–2016, including operating and capital expenditures, transfer payments and the cost of servicing the public debt. This represents an increase of \$6.24 billion, or 2.7%, over the *2014–15 Main Estimates*.

### 2.2 Composition of Expenditures

A major proportion of the expenditures in 2015–2016 will be composed of transfer payments to other levels of government, organizations and individuals. For 2015–2016, transfer payments will represent approximately 61.60% of budgetary expenditures, which is \$148.80 billion. Operating and capital

<sup>1</sup> **Budgetary expenditures** include the cost of servicing the public debt; operating and capital expenditures; transfer payments and grants 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 financial assets of the Government of Canada. **Voted appropriations** are appropriations for which parliamentary authority is sought through an appropriation bill, and **statutory items** are expenditures approved by Parliament through enabling legislation and for which forecasts are provided for information purposes only.

<sup>2</sup> Departmental performance reports are the second component of Part III of the main estimates.

expenditures will represent 27.80% of budgetary expenditures, for a total of \$67.16 billion. The cost to service the public debt will represent 10.60% of budgetary expenditures, which is \$25.62 billion.

There is a projected decrease of 0.7 billion in the total interest costs to service the public debt, or 2.6% less than in the *2014–15 Main Estimates*. This can be explained in large part by an accounting change made in 2013–2014 relating to bond buybacks, as well as by a decrease in the average federal government long-term bond rate that is used to calculate interest on public sector pension obligations pertaining to service prior to 1 April 2000.

Table 1 presents the budgetary and non-budgetary expenditures in the *2015–16 Main Estimates*.

**Table 1 – 2015–16 and 2014–15 Main Estimates (\$ billion)**

	<b>2015–16 Main Estimates</b>	<b>2014–15 Main Estimates</b>	<b>Difference (%)</b>
Transfer payments	148.80	143.17	3.93
Operating and capital	67.16	65.87	1.96
Public debt charges	25.62	26.30	-2.59
<b>Total budgetary</b>	<b>241.57</b>	<b>235.33</b>	<b>2.65</b>
Non-budgetary – loans, investments and advances	1.00	-10.02	109.98

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. I-4.

## 2.3 Major Transfer Payments

The two major types of federal transfer payments in 2015–2016 will be transfers to other levels of government and transfers to persons. Together, these two categories represent expenditures of \$147.83 billion, an increase of 7.3% over the 1 April 2014 projections. Transfers to other levels of government will amount to \$65.25 billion in 2015–2016, which represents an increase of \$2.76 billion, or 4.4%, over the amount presented in the *2014–15 Main Estimates*.

The largest federal transfer — Elderly Benefits — will be \$46.07 billion in 2015–2016, which is an increase of \$1.85 billion, or 4.2%, over the amount presented in the *2014–15 Main Estimates*.

The second largest amount in 2015–2016 — the Canada Health Transfer — will be \$34.03 billion, which is an increase of \$1.92 billion, or 6.0%, over the amount presented in the *2014–15 Main Estimates*. This increase reflects the annual growth of 6.0% until fiscal year 2016–2017<sup>3</sup> set out in the *Jobs, Growth and Long-term Prosperity Act, 2012*.

## 3 STUDY OF THE 2015-16 MAIN ESTIMATES

### 3.1 Treasury Board of Canada Secretariat

During their appearance before the Committee, the officials from the Treasury Board of Canada Secretariat addressed the following subjects: the objectives of the main estimates, the federal budget,

<sup>3</sup> Starting in 2017–2018, increases in Canada Health Transfers will be based on a three-year moving average of nominal Gross Domestic Product, with funding guaranteed to increase by at least 3% per year. Department of Finance Canada, [Canada Health Transfer](#).

principal trends in the main estimates since 2011–2012, significant initiatives and changes in the current budget, as well as the Secretariat's estimates.

### 3.1.1 Objectives of the Main Estimates

As explained by the officials from the Treasury Board of Canada Secretariat, the objectives of the main estimates are to:

- support the federal government's upcoming request to Parliament for spending authority by providing information on budgetary and non-budgetary spending authorities as well as proposed grants and contributions;
- specify the requested spending authority for each department, agency and Crown corporation;
- provide a breakdown of spending authorities by standard object, strategic outcome and program.
- provide information on statutory expenditures for 2015–2016 that have already been approved by Parliament.

The Committee learned that for an expenditure to be included in the main estimates, the related proposal must have been previously approved by Cabinet and the Treasury Board of Canada.

### 3.1.2 Federal Budget

The federal budget sets out the policy priorities for the coming fiscal year and onward. It is a forward-looking document that describes spending, proposed taxation and other initiatives. It does not authorize any changes to spending or taxation. These changes must be proposed in separate legislative instruments such as budget implementation bills, ways and means bills, and appropriation bills.

The Committee was told that should the 2015 budget be tabled later than usual and after the *2015–16 Main Estimates* are tabled, this situation will have little impact on the *2015–16 Main Estimates*. Unlike the main estimates, which must be tabled before March 1, there is no specific date for introducing the federal budget. The Minister of Finance can do so whenever he feels appropriate. The officials also stated that the 2015 federal budget will likely be tabled in April, given the uncertainty in the financial markets and the energy sector.

### 3.1.3 Main Trends in the Main Estimates since 2011–2012

As illustrated in Table 2, the main estimates have increased by less than 3% per year since 2011–2012.<sup>4</sup> This increase is primarily due to the \$16-billion<sup>5</sup> increase in transfer payments for this period. However, there was a decrease of about \$5 billion<sup>6</sup> in the combined total expenditures for operating and capital and for public debt charges between 2011–2012 and 2015–2016.

**Table 2 – Main Estimates, 2011–2012 to 2015–2016 (\$ billions)**

<sup>4</sup> According to the data provided by the officials from the Treasury Board of Canada Secretariat, the *2015-16 Main Estimates* have increased by 2.7% from last fiscal year and by less than 1.2% year over year for each of the three prior fiscal years.

<sup>5</sup> According to the data provided by the officials from the Treasury Board of Canada Secretariat, the exact increase is \$16.6 billion.

<sup>6</sup> According to the data provided by the officials from the Treasury Board of Canada Secretariat, the exact decrease is \$5.3 billion.



	<i>2011–2012 Main Estimates</i>	<i>2012–2013 Main Estimates</i>	<i>2013–2014 Main Estimates</i>	<i>2014–2015 Main Estimates</i>	<i>2015–2016 Main Estimates</i>	<b>Difference (%) between the main estimates 2011–2012 and 2015–2016</b>
Transfer payments	132.2	136.2	140.3	143.2	148.8	12.6
Operating and capital	67.8	67.3	65.1	65.9	67.2	-0.9
Public debt charges	30.3	28.9	27.1	26.3	25.6	-15.5
<b>Total budgetary</b>	<b>230.3</b>	<b>232.3</b>	<b>232.6</b>	<b>235.3</b>	<b>241.6</b>	<b>4.9</b>

Source: Table prepared using data from the Treasury Board of Canada Secretariat, 10 March 2015.

The officials explained that the public debt charges are based on the most recent information from the Department of Finance Canada, released 12 November 2014 in the [Update of Economic and Fiscal Projections](#). When Budget 2015 is tabled, the Department of Finance Canada will update the information on the public debt based on the Bank of Canada's overnight interest rate and long-term interest rate forecasts by private-sector economists. The Treasury Board of Canada Secretariat will include this updated information on the public debt in the supplementary estimates, which will be tabled after the Budget 2015.

Responding to a question from a Committee member, the officials said that the number of employees in the federal public service, including the Royal Canadian Mounted Police and the Canadian Armed Forces, has decreased from 401,228 positions in 2012 to 374,242 positions in 2014.

### 3.1.4 Significant Initiatives

The officials outlined 10 significant initiatives contained in the *2015–16 Main Estimates*:

- \$499.0 million to Employment and Social Development Canada for the Canada Job Fund, including the Canada Job Grant;
- \$447.9 million to National Defence in relation to the Canada First Defence Strategy;
- \$315.6 million to The Jacques Cartier and Champlain Bridges Incorporated to operate, maintain and repair the infrastructures under its responsibility;
- \$266.6 million to Indian Affairs and Northern Development Canada for additional funding in relation to the Indian Residential Schools Settlement Agreement;
- \$250.0 million to Public Safety and Emergency Preparedness Canada for the Disaster Financial Assistance Arrangements. The Committee learned that this amount represents a reallocation of funding previously allocated for 2014–2015;
- \$225.0 million to PPP Canada Incorporated to support operations of the P3 Canada Fund;
- \$213.5 million for Phase II of the Federal Contaminated Sites Action Plan;
- \$211.7 million to the Office of Infrastructure of Canada for the Building Canada Fund. The Committee learned that this amount represents a reallocation of funds previously allotted for 2011–2012 and 2012–2013;
- \$191.0 million to Public Works and Government Services Canada for increases in non-discretionary expenses;

- \$179.0 million to Via Rail Canada Incorporated to meet operating and asset requirements.

### 3.1.5 Significant Changes

The officials highlighted the five organizations with the largest increases in funding requests compared with the requests made in the *2014–15 Main Estimates*:

- \$2,594.8 million to Employment and Social Development Canada for increases in Old Age Security and Guaranteed Income Supplement payments;
- \$2,030.7 million to the Department of Finance Canada, primarily due to an increase in statutory votes;
- \$311.7 million to the Office of Infrastructure of Canada, primarily for the Building Canada Fund – Major Infrastructure Component and for the New Building Canada Fund;
- \$298.8 million to the Chief Electoral Officer for the 2015 general election;
- \$283.9 million to Fisheries and Oceans Canada, mainly for the procurement of light-lift helicopters and offshore vessels for the Canadian Coast Guard.

The officials then presented the five largest decreases in funding requests over the previous main estimates:

- \$472.5 million in the case of the Treasury Board of Canada Secretariat, primarily due to a decrease in government-wide votes, including Vote 20 – Public Service Insurance and Vote 30 – Paylist Requirements;
- \$320.2 million in the case of Natural Resources Canada related to a decrease in transfer payments;
- \$290.9 million in the case of the Communications Security Establishment related to delivery of the organization's new facility and payment of associated one-time contract costs;
- \$135.4 million in the case of Canadian Heritage, because most of the funding for the preparatory work for the Toronto 2015 Pan and Parapan American Games was allocated to the department in 2014–2015;
- \$108.1 million in the case of Marine Atlantic Inc., primarily due to a decrease in operating funding.

### 3.1.6 Treasury Board of Canada Secretariat Estimates

According to the *2015–16 Main Estimates*, expenditures of \$6.9 billion are anticipated in 2015–2016 for the Treasury Board of Canada Secretariat. This represents a decrease of 6.4% compared with the amount presented in the *2014–15 Main Estimates*. Table 3 presents these budgetary forecasts, broken down by voted appropriations and statutory expenditures.

**Table 3 – Expenditures of the Treasury Board of Canada Secretariat presented in the 2015–16 and 2014–15 Main Estimates (\$)**

Vote		2015–2016	2014–2015	Difference (%)
1	Program expenditures	219,601,334	231,214,433	-5.0
5	Government contingencies	750,000,000	750,000,000	0.0
10	Government-wide initiatives	2,090,470	3,193,000	-34.5
20	Public Service Insurance	2,250,070,604	2,260,002,208	-0.4

Vote		2015–2016	2014–2015	Difference (%)
25	Operating budget carry forward	1,600,000,000	1,600,000,000	0.0
30	Paylist requirements	1,000,000,000	1,450,000,000	-31.0
33	Capital budget carry forward	600,000,000	600,000,000	0.0
<b>Total voted</b>		<b>6,421,762,408</b>	<b>6,894,409,641</b>	<b>-6.9</b>
<i>Total statutory</i>		<i>470,681,925</i>	<i>470,514,473</i>	<i>0.0</i>
<b>Total budgetary</b>		<b>6,892,444,333</b>	<b>7,364,924,114</b>	<b>-6.4</b>

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II-275.

Vote 1 – Program Expenditures refers to the operating costs of the Treasury Board of Canada Secretariat, but the six other votes are Treasury Board of Canada central votes. They are managed by the Treasury Board of Canada Secretariat on behalf of the whole public service. The Committee members were interested in learning more about the central votes and asked the officials further questions.

### 3.1.6.1 Vote 5 – Government Contingencies

The Committee was told that Vote 5 – Government Contingencies, which totals \$750 million for 2015–2016, concerns the funds available for allocation in the event of an emergency or unforeseen circumstances like a natural disaster or an international crisis. If a federal department or agency requires emergency funds, it can obtain the necessary funding and spending authority from the Treasury Board of Canada Secretariat, provided that it complies with stringent rules for use of the funds. The funds allocated through this vote are available to federal departments and agencies in advance of parliamentary approval. Parliament must approve this previously made expenditure in the next supply period. Once Parliament approves the expenditure, the federal department or agency uses the amount received to replenish the Treasury Board of Canada contingency.

The Committee learned that this vote is seldom used. If the funds are not spent during the fiscal year, they are not recorded as expenditures. The officials explained that Vote 5 was used in response to the events of 11 September 2001, because the government needed to respond quickly and the next supplementary estimates, which would be used to request funds from Parliament, were too far away. The officials also stated that the vote was recently used in 2011 when a general election was called. The Treasury Board of Canada Secretariat used the funds under Vote 5 to meet the most urgent requirements of federal departments and agencies contained in the *Supplementary Estimates (C), 2010–2011*, since these estimates had not been approved prior to the election call.

A Committee member asked whether the vote was used for the purchase of an office building at 2-4 Cockspur Street in London, as part of the London chancery initiative. The officials replied that the Treasury Board of Canada ministers approved the use of the contingency fund to give the Department of Foreign Affairs, Trade and Development Canada the money it needed to begin the transaction. The department subsequently asked Parliament to approve the expenditure in the next supplementary estimates. Once the authority was received, it was used to replenish Vote 5.

In response to a question from one of the Committee members regarding the adjustment for risk in the 2014 federal budget, the officials stated that the only contingency in the main estimates is Vote 5 for the Treasury Board of Canada Secretariat. The Department of Finance Canada almost always adds an amount for contingencies in the overall fiscal framework. A \$3-billion adjustment for risk has been added

to the federal budget in recent years. However, this amount is not included under Vote 5. The officials further explained that the adjustment for risk would be used if a new program requirement emerged and that everything would be reflected later in the estimates documents.

### **3.1.6.2 Vote 10 – Government-wide Initiatives**

Vote 10 – Government-wide Initiatives receives the smallest allocation of all the central votes. It is used for strategic management initiatives in the federal public service, such as transformation initiatives designed to better coordinate or standardize the way in which the federal government manages information. The officials explained that the vote is very rarely used. For example, it was employed to standardize financial management processes and coding of the federal government's financial information system. Public Works and Government Services Canada also used the vote to cover the cost of photocopy and reprography rights for the entire federal public service.

To help the Committee better understand how Vote 10 is used, the officials from the Treasury Board of Canada Secretariat agreed to provide the Committee with a list of the allocations under this vote for the past five years. The list had not been received at the time of writing.

### **3.1.6.3 Vote 20 – Public Service Insurance**

The officials explained that Vote 20 – Public Service Insurance comprises various insurance plans for the public service and members of the Royal Canadian Mounted Police and the Canadian Armed Forces. They reminded the Committee that the Treasury Board of Canada Secretariat had requested additional funding under Vote 20 in the *Supplementary Estimates (C), 2014–2015*, in order to make up a shortfall in the Service Income Security Insurance Plan. The plan supports medically released members of the Canadian Armed Forces. The officials pointed out that this vote does not include federal public service pensions and benefits, as they are statutory items listed under the various federal departments and agencies.

### **3.1.6.4 Vote 25 – Operating Budget Carry Forward**

Vote 25 – Operating Budget Carry Forward was introduced in 1993–1994. It allows federal departments and agencies to carry forward to the next fiscal year up to 5% of unused funds in their main estimates operating budget. The officials stated that this vote was introduced in response to studies showing that year-end spending by federal departments and agencies did not always involve items of the highest value or purpose. The Committee learned that a carry forward of 2% was allowed when the measure was first introduced and it was increased to 5% as of 1994–1995.

The officials explained that the amount a federal department or agency can carry forward from one fiscal year to the next is determined by the Treasury Board of Canada Secretariat based on the amount approved in the main estimates and adjustments to this amount by the Treasury Board of Canada. This figure is presented to Parliament in the supplementary estimates (B), itemized by department. The officials emphasized that the amount approved by Parliament is a forecast and represents the maximum that can be carried forward. The amount actually carried forward by federal departments and agencies is usually less than that approved by Parliament.

### **3.1.6.5 Vote 30 – Paylist Requirements**

Vote 30 – Paylist Requirements is intended to supplement other appropriations for requirements related to parental and maternity allowances, entitlements on cessation of service or employment, and

adjustments to terms and conditions of service or employment of federal public institutions, including the Royal Canadian Mounted Police and the Canadian Armed Forces, where these have not been provided from Vote 15 – Compensation Adjustments.<sup>7</sup> According to the officials, the most common use of Vote 30 is for parental leave. Federal departments and agencies submit information showing the expenses incurred for parental leave, and the Treasury Board of Canada Secretariat reimburses them.

In response to a question by a Committee member, the officials explained that the decrease from \$1.85 billion allocated in 2014–2015 to approximately \$1 billion in the current main estimates is due to the payment of severance benefits to federal employees. Under the new collective agreements, federal employees no longer accumulate severance benefits to be cashed out when they resign or retire.

### **3.1.6.6 Vote 33 – Capital Budget Carry Forward**

Vote 33 – Capital Budget Carry Forward was introduced in 2011-2012 to allow federal departments and agencies to carry forward to the next fiscal year up to 20% of the unused funds in their main estimates capital budget. The officials informed the Committee that this vote was introduced and the maximum amount of the carry forward was established in consultation with the parliamentary committees and federal departments and agencies.

## **3.2 Royal Canadian Mounted Police**

During their appearance before the Committee, officials from the Royal Canadian Mounted Police discussed their organization's mandate, estimates and revenues.

### **3.2.1 Mandate**

The officials explained that the mandate of the Royal Canadian Mounted Police is complex and multifaceted. The organization discharges its mandate through three main service lines – contract policing, federal policing and specialized policing services – with a focus on five strategic priorities:

- reducing the threat and impact of serious and organized crime;
- countering criminal threats to Canada's national security;
- countering criminal threats to Canada's economic integrity by disrupting the flow of financial support to organized crime;
- contributing to safer and healthier Aboriginal communities; and
- supporting the prevention of youth crime and victimization.

Internationally, the Royal Canadian Mounted Police supports Canada's global peace and security agenda by providing police liaisons who work with the international law enforcement community to fight terrorism and transnational crime. The organization also takes part in a variety of peacekeeping missions and helps at-risk countries strengthen their law enforcement capacity.

The Committee learned that, in Canada, the Royal Canadian Mounted Police provides federal police services by carrying out general law enforcement activities for all levels of government and by upholding

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<sup>7</sup> Vote 15 – Compensation Adjustments support those adjustments related to collective agreements ratified after the main estimates were finalized.

Canadian federal, provincial and territorial laws. The organization contributes to Canada's national security by fulfilling its responsibilities for criminal investigations, protective policing and border integrity.

### 3.2.2 Estimates

According to the *2015–16 Main Estimates*, the Royal Canadian Mounted Police is planning \$2.6 billion in budgetary expenditures for 2015–2016, which is 0.2% more than the expenditures presented in the *2014–15 Main Estimates*. Table 4 sets out these budgetary forecasts, broken down by voted appropriations and statutory expenditures.

**Table 4 – Royal Canadian Mounted Police  
2015–16 and 2014–15 Main Estimates (\$)**

<b>Vote</b>		<b>2015–2016</b>	<b>2014–2015</b>	<b>Difference (%)</b>
1	Operating expenditures	1,726,192,674	1,766,280,232	-2.3
5	Capital expenditures	261,996,018	246,469,709	6.3
10	Grants and contributions	180,351,933	163,636,131	10.2
<b>Total voted</b>		<b>2,168,540,625</b>	<b>2,176,386,072</b>	-0.4
<i>Total statutory</i>		<i>461,517,071</i>	<i>449,590,271</i>	<i>2.7</i>
<b>Total budgetary</b>		<b>2,630,057,696</b>	<b>2,625,976,343</b>	0.2

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II-244.

The officials explained that the 0.2% increase in the amount requested in the *2015–16 Main Estimates* compared with the previous estimates is attributable to the following four items:

- \$17.9 million for the grant to provide lifelong compensation to members of the Royal Canadian Mounted Police for injuries received in the performance of their duties. Following a question from a Committee member, the officials agreed to provide information on the number of members receiving this compensation in 2014–2015 and 2015–2016, as well as the average amount they receive. At the time of writing, the Committee had not yet received the requested information;
- \$11.0 million reinstated to the Royal Canadian Mounted Police from Public Works and Government Services Canada relating to the creation of new office space to replace the current Royal Canadian Mounted Police headquarters in British Columbia;
- \$9.5 million to support the implementation of Canada's integrated cross-border law enforcement commitments under the Beyond the Border Action Plan, as announced in the 2012 federal budget; and
- \$8.7 million to implement modernized human resources management processes pursuant to the *Enhancing Royal Canadian Mounted Police Accountability Act*, which received Royal Assent on 19 June 2013.

These increases are partially offset by a transfer of \$39.7 million to Shared Services Canada to fund the information technology services it provides to the Royal Canadian Mounted Police.

In reply to a Committee member's question, the officials stated that their organization's overall budget has declined by \$195 million over the past few years owing to the deficit reduction initiative launched in the 2012 federal budget.

The officials agreed to provide a breakdown of the Royal Canadian Mounted Police's capital expenditures by province. At the time of writing, the Committee had yet to receive this information.

### 3.2.3 Revenues

As shown in Table 5, parliamentary appropriations made up about 60% of the Royal Canadian Mounted Police's total revenue in fiscal year 2013–2014, when they reached \$2.7 billion.

**Table 5 – Royal Canadian Mounted Police, Revenues  
2013–2014 (\$ thousands)**

	<b>Actual Revenues</b>	<b>Forecast Revenues</b>	<b>Difference Between Actual and Forecast Revenues</b>
Parliamentary appropriations	2,764,964	2,758,076	6,888
Policing services	1,964,272	1,889,043	75,229
Firearms registration fees	23,849	8,190	15,659
Gain on disposal of tangible assets	2,984	–	2,984
Other revenues	64,842	84,778	-19,936
Revenues earned on behalf of government	-221,195	-125,216	-95,979
<b>Total revenues</b>	<b>4,599,716</b>	<b>4,614,871</b>	<b>-15,155</b>

Sources: Table prepared using data from Royal Canadian Mounted Police, [Financial Statements \(Unaudited\) of Royal Canadian Mounted Police for the year ended March 31, 2014](#), and Treasury Board of Canada Secretariat, [2014–15 Main Estimates](#), p. II-285.

The Committee heard that the Royal Canadian Mounted Police expects an overall budget of \$4.4 billion in 2015–2016. This total comprises \$2.6 billion in parliamentary appropriations and \$1.8 billion in vote-netted revenue.

The officials mentioned that the Royal Canadian Mounted Police provides provincial and municipal policing services under 162 contracts with eight provinces, the three territories and numerous municipalities. In addition, the organization provides policing services to First Nations through 133 tripartite agreements. In response to a question from a Committee member, the officials agreed to provide information on the changing number of contract policing agreements their organization has signed in recent years. At the time of writing, the Committee had not received the requested data.

## 3.3 Canada Mortgage and Housing Corporation

During their appearance before the Committee, officials from the Canada Mortgage and Housing Corporation discussed their organization's mandate and estimates. They also spoke about the corporation's investments in First Nation housing and affordable housing, as well as its non-budgetary repayments.

### 3.3.1 Mandate

The Canada Mortgage and Housing Corporation helps Canadians meet their housing needs. The Crown corporation carries out this mandate by:

- supporting housing market and financial system stability through housing finance activities, namely, mortgage loan insurance and securitization programs;<sup>8</sup>
- providing studies, information and research reports on the housing market to help businesses, governments and the public make informed housing decisions; and
- working with the provinces, the territories, First Nation communities, municipalities and other stakeholders to assist lower-income households and those who need housing support.

The officials explained that federal investments in housing support and their organization's market analysis, research and information transfer activities are funded through appropriations approved by Parliament.

### 3.3.2 Estimates

According to the *2015–16 Main Estimates*, the Canada Mortgage and Housing Corporation is planning \$2.0 billion in expenditures for 2015–2016, which is 3.4% less than the expenditures presented in the *2014–15 Main Estimates*. Table 6 sets out these budgetary forecasts, broken down by voted appropriations and statutory expenditures.

**Table 6 – Canada Mortgage and Housing Corporation  
2015–16 and 2014–15 Main Estimates (\$)**

		2015–2016	2014–2015	Difference (%)
1	Reimbursement under the provisions of the <i>National Housing Act</i> and the <i>Canada Mortgage and Housing Corporation Act</i>	2,025,629,000	2,097,353,000	-3.4
<b>Total voted</b>		<b>2,025,629,000</b>	<b>2,097,353,000</b>	<b>-3.4</b>
<i>Total statutory</i>		–	–	0.0
<b>Total budgetary</b>		<b>2,025,629,000</b>	<b>2,097,353,000</b>	<b>-3.4</b>
<b>Total non-budgetary</b>		<b>-139,123,000</b>	<b>-10,880,408,000</b>	<b>98.7</b>

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II-17.

The Committee learned that most of the funding requested from Parliament for 2015–2016 would be used to assist Canadians in housing need, including low-income families, seniors, people with disabilities, Aboriginal peoples and victims of family violence. Slightly less than \$1.7 billion is allocated in 2015–2016 to support nearly 600,000 households living in existing social housing across Canada, including 29,000 on-reserve housing units. In answer to a Committee member's question, the officials agreed to provide the provincial and regional breakdown of the housing support provided by the corporation. At the time of writing, the Committee had not yet received the requested information.

The corporation also plans to spend some \$43.3 million on its housing market analysis, policy development, research and information transfer activities.

The officials explained that the net decrease of \$71.7 million in the amount requested in the *2015–16 Main Estimates* compared with the previous estimates is the result of the following two reductions:

<sup>8</sup> The term "securitization" refers to the process by which financial institutions pool and package various mortgages. They then sell these pools of mortgages on the public markets for cash to fund their operations. Buyers benefit from the interest and principal paid on the mortgages.



- \$70.0 million owing to the expiry of funding for housing in Nunavut. This funding was a two-year commitment made in the 2013 federal budget. The Committee learned that, although the goal of the initiative was to build about 260 housing units, only 213 were built. The officials agreed to provide information on the average number of inhabitants per housing unit in Nunavut. At the time of writing, the Committee had not yet received this information; and
- \$5.0 million attributable to a change in the pace of spending for on-reserve renovation programs.

These decreases are partly offset by an additional \$4.0 million in funding to rehabilitate on-reserve housing.

### **3.3.3 Investment in First Nation Housing**

The officials reported that the Canada Mortgage and Housing Corporation plans to invest over \$150 million in 2015–2016 to improve living conditions on reserves. The funding would be used to build new homes, renovate existing ones and provide ongoing subsidies to households living in social housing.

Previously, when the officials appeared for the Committee's study of the *2014–15 Main Estimates*, the Committee took an interest in the corporation's investments in First Nation housing and, more specifically, the way the performance of these investments is evaluated. The Committee now asked the officials for an update on this issue. They reiterated that First Nation communities and municipalities (in the case of funding for off-reserve housing) are responsible for ensuring that housing conforms to the *National Building Code of Canada*. They added that First Nation communities are responsible for hiring qualified inspectors to inspect housing funded by the corporation. In addition, qualified inspectors are required to make inspections at three points during the construction process to ensure construction is up to the building code. Finally, First Nation communities must also attest to the Canada Mortgage and Housing Corporation that construction has been completed and that the work complies with the building code.

The officials also noted that when First Nations do not have enough qualified inspectors, the Canada Mortgage and Housing Corporation supports the training of additional inspectors.

### **3.3.4 Investment in Affordable Housing**

The Committee learned that the Investment in Affordable Housing initiative, established in 2011 and renewed to March 2019, has assisted over 217,000 households to date. Delivered in cooperation with the provinces and territories, this initiative aims to reduce the number of households in housing need. Each year, the corporation provides some \$250 million under the initiative for new affordable housing, renovations, shelter allowances, rent supplements for social housing and accommodations for victims of family violence.

### **3.3.5 Non-budgetary Repayments**

The *2015–16 Main Estimates* show estimated net non-budgetary repayments of \$139.1 million, mainly from the housing support program. The officials explained that these repayments are much smaller than those made in 2014–2015, because the final repayments under the Insured Mortgage Purchase Program were made that year.

In response to a Committee member's question, the officials agreed to provide additional information on these non-budgetary repayments and to indicate whether the corporation expects other such repayments in future fiscal years. At the time of writing, the Committee had not yet received this information.

### 3.4 Canada Revenue Agency

During their appearance before the Committee, officials from the Canada Revenue Agency discussed the agency's estimates, disbursements to the provinces for export charges on softwood lumber products, the two-year budgetary cycle and savings resulting from the spending review launched in the 2012 federal budget.

#### 3.4.1 Estimates

According to the *2015–16 Main Estimates*, the Canada Revenue Agency is planning \$3.8 billion in expenditures for 2015–2016, which is 1.5% less than the expenditures presented in the *2014–15 Main Estimates*. Table 7 sets out these budgetary forecasts, broken down by voted appropriations and statutory expenditures.

**Table 7 – Canada Revenue Agency, 2015–16 and 2014–15 Main Estimates (\$)**

		2015–2016	2014–2015	Difference (%)
1	Operating expenditures, contributions and recoverable expenditures on behalf of the Canada Pension Plan and the <i>Employment Insurance Act</i>	2,898,927,871	2,877,504,675	0.7
5	Capital expenditures and recoverable expenditures on behalf of the Canada Pension Plan and the <i>Employment Insurance Act</i>	80,496,902	72,447,985	11.1
<b>Total voted</b>		<b>2,979,424,773</b>	<b>2,949,952,660</b>	<b>1.0</b>
<i>Total statutory</i>		<i>825,419,615</i>	<i>911,303,449</i>	<i>-9.4</i>
<b>Total budgetary</b>		<b>3,804,844,388</b>	<b>3,861,256,109</b>	<b>-1.5</b>

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II-21.

The officials explained that, although the agency's total forecasted expenditures for 2015–2016 are lower compared with the previous year, additional expenses are anticipated in the following areas:

- \$29.3 million for enhancements to non-audit compliance programs. The officials stated that this amount would be used to implement and administer measures to improve the fairness and integrity of the tax system, and strengthen tax compliance;
- \$14.1 million for the administration of tax measures affecting individuals and businesses as announced in the 2013 federal budget. A portion of the funds requested would be allocated to administration of the Harmonized Sales Tax in Prince Edward Island, which came into effect on 1 April 2013.

- \$4.6 million for the administration of tax measures announced in the 2014 federal budget. These measures primarily involve investments to reduce the administrative burden on charities and to strengthen compliance with the Goods and Services Tax and Harmonized Sales Tax registration.

### **3.4.2 Disbursements to the Provinces for Softwood Lumber Products Export Charges**

Committee members asked agency officials about statutory disbursements to the provinces for export charges on softwood lumber products. They stated that, based on the most recent Department of Finance Canada forecasts, there would be no provincial disbursements in 2015–2016, even though the *2014–15 Main Estimates* included \$80 million for disbursement to the provinces under the *Softwood Lumber Products Export Act, 2006*.

In response to questions by the Committee, the officials explained that the *Softwood Lumber Products Export Act, 2006* is intended to ensure competition in the softwood lumber market between Canada and the United States. They added that the agency's role is to collect charges from exporters and redistribute them to the provinces when the price for softwood lumber is below \$355 per thousand board feet. The Department of Finance Canada estimates that the price should stay above \$355 this year, mainly owing to increased demand. If the price were to fall below \$355, the agency could come back and request funding in the 2015–2016 supplementary estimates.

Lastly, the officials stated that the current agreement of \$355 per thousand board feet will expire in October 2015. Foreign Affairs, Trade and Development Canada is responsible for renegotiating the agreement, and the agency will participate in discussions.

### **3.4.3 Two-year Budgetary Cycle**

Responding to questions from the Committee, the officials stated that the Canada Revenue Agency is one of the few departments with a two-year appropriation rather than a one-year appropriation. However, the funding requested in the *2015–16 Main Estimates* represents forecasted expenditures for one year only. The agency is not bound by the carry forward rule and is therefore able to manage appropriations over a two-year period rather than one year like most other federal departments and agencies.

### **3.4.4 Savings Resulting from the Spending Review Launched in the 2012 Federal Budget**

In response to questions from the Committee, the officials stated that the second most significant decrease in planned expenditures for 2015–2016 is a decrease of \$14 million related to the implementation of efficiency measures in the agency's operations introduced as part of the 2012 federal budget. Most of these measures can be grouped under two broad themes:

- making it easier for Canadians and businesses to deal with their government, particularly through the provision of faster, more efficient online services; and
- modernizing and streamlining the Canada Revenue Agency's back office.

## **3.5 Office of Infrastructure of Canada**

During their appearance before the Committee, the officials from the Office of Infrastructure of Canada discussed the estimates for their organization and the New Building Canada Plan, which includes the

federal Gas Tax Fund and the New Building Canada Fund. They also spoke on public-private partnerships and the new bridge for the St. Lawrence corridor project.

### 3.5.1 Estimates

According to the *2015–16 Main Estimates*, the Office of Infrastructure of Canada is planning \$3.6 billion in expenditures for 2015–2016, which is 9.4% more than the expenditures presented in the *2014–15 Main Estimates*. Table 8 sets out these budgetary forecasts, broken down by voted appropriations and statutory expenditures.

**Table 8 – Office of Infrastructure of Canada,  
2015–16 and 2014–15 Main Estimates (\$)**

Vote		2015–2016	2014–2015	Difference (%)
1	Operating expenditures	59,796,691	2,050,758	2,815.8
5	Capital expenditures	24,652,150	–	–
10	Contributions	1,569,894,628	1,345,967,616	16.6
<b>Total voted</b>		<b>1,654,343,469</b>	<b>1,348,018,374</b>	<b>22.7</b>
<i>Total statutory</i>		<i>1,978,919,279</i>	<i>1,973,579,397</i>	<i>0.3</i>
<b>Total budgetary</b>		<b>3,633,262,748</b>	<b>3,321,597,771</b>	<b>9.4</b>

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II-194.

The Committee learned that the 9.4% increase in funding requested in the *2015–16 Main Estimates* as compared with the previous main estimates is due primarily to the anticipated cash requirements of the provinces, territories and municipalities, which are the owners and managers of infrastructure projects funded by the Office of Infrastructure of Canada.

The officials also stated that their organization is requesting \$59.8 million to cover operating expenditures and ensure the delivery of infrastructure programs.

### 3.5.2 New Building Canada Plan

Committee members were told that the Office of Infrastructure of Canada will focus on implementing the New Building Canada Plan in the coming fiscal year. This initiative, which will receive \$53 billion over 10 years, consists of the following components:

- the Community Improvement Fund, consisting of the renewed federal Gas Tax Fund and the Goods and Services Tax Rebate for Municipalities;
- the New Building Canada Fund;
- funding for the P3 Canada Fund, administered by PPP Canada; and
- funding awarded in 2014–2015 and for subsequent years as part of existing infrastructure programs.

The officials stated that the Office of Infrastructure of Canada forecasts \$1.5 billion in spending in 2015–2016 to support a range of infrastructure projects under the New Building Canada Plan, including the highway between Inuvik and Tuktoyaktuk located in the Northwest Territories, the National Recreational Trails Program, the Canada Strategic Infrastructure Fund, the Border Infrastructure Fund and the Green Infrastructure Fund.

### **3.5.2.1 Gas Tax Fund**

The Office of Infrastructure of Canada expects to make two semi-annual payments to the provinces and territories in 2015–2016 under the renewed Gas Tax Fund agreements. This funding is allocated to the provinces and territories based on the number of residents identified in the 2011 Census. It flows to municipalities through the provinces and territories and enables them to address their local infrastructure needs.

As announced in the 2013 federal budget, the renewed Gas Tax Fund is indexed at 2% per year, to be applied in \$100 million increments. This increase represents \$1.8 billion over the next decade. The renewed Gas Tax Fund will total \$21.8 billion over 10 years.

Committee members asked the officials how the drop in world oil prices will affect budget allocations for the renewed federal Gas Tax Fund. The officials explained that the fund is not affected by fluctuations in world oil prices or revenue from the federal excise tax on gasoline. Annual budget allocations are determined by legislation to ensure that eligible municipalities receive stable and predictable funding.

The Committee asked for further details regarding the indexing of the fund at 2% annually, applied in \$100 million increments. The officials agreed to provide the Committee with background information explaining how the indexing mechanism works. This information had not been received at the time of writing.

### **3.5.2.2 New Building Canada Fund**

The Office of Infrastructure of Canada is requesting an increase of \$142.2 million in 2015–2016 over the previous year's main estimates for the New Building Canada Fund in order to support the National Infrastructure Component and the Provincial-Territorial Infrastructure Component. The latter is composed of two sub-components: National and Regional Projects, which has a budget of \$9 billion over 10 years to support projects of national and regional significance; and the Small Communities Fund, which has a budget of \$1 billion to support communities with fewer than 100,000 residents.

The Committee learned that the National Infrastructure Component, which has a budget of \$4 billion over 10 years, supports infrastructure projects of national significance that advance national priorities and have a considerable impact on the country's economic well-being. The Office of Infrastructure of Canada determines eligibility for funding using an evaluation grid that assesses whether a project generates positive economic activity, reduces potential economic disruptions, generates productivity gains for the economy or provides benefits that extend beyond the borders of the province or territory where the project would be located. Since projects are selected based on their merit, there is no allocation per province or territory.

The Committee also asked for further details on the Small Communities Fund. The officials explained that a base allocation of \$250 million is distributed to each province and territory, and the remaining amount is allocated based on the population of each province and territory. The provinces and territories have to set aside 10% of their allocation for communities with fewer than 100,000 residents. The officials confirmed that The Office of Infrastructure of Canada has signed 10 agreements and 3 others are being negotiated. To date, 26 projects have been announced under the Small Communities Fund.

Under the Small Communities Fund, the provinces and territories identify their infrastructure priorities and usually issue their own call for proposals for municipalities. The provinces and territories assess the viability of the submissions and prepare a list of potential projects to receive support from the fund.

### **3.5.3 Public-private Partnerships**

The Committee was interested in learning more about public-private partnerships and was told that the public-private partnerships market is growing in Canada. The official stated that a number of provincial governments have developed considerable expertise in identifying and evaluating projects involving public-private partnerships in recent years. Under the New Build Canada Plan, the federal government has allocated \$1.25 billion for PPP Canada Incorporated, the Crown corporation responsible for administering this type of project.

The officials stated there is no fixed budget allocation per province or region for public-private partnerships and that projects are assessed against criteria to determine their eligibility, viability and potential return on investment.

### **3.5.4 New Bridge for the St. Lawrence Corridor Project**

The Committee requested an update on the construction of a new bridge for the St. Lawrence corridor. Committee members were told that the project is being carried out according to an accelerated timeline, which would have the new bridge in service by December 2018. The new bridge for Île-des-Sœurs and the work to repair and widen the federal section of Highway 15 would be completed by 2020.

The officials stated that all project milestones had been reached, including the prequalification of three consortia invited to participate in the request for proposals issued in July 2014. These consortia submitted their technical bids in mid-February 2015 and have until the beginning of April 2015 to submit their financial bids. The winning consortium will be announced in late April, and construction is to begin shortly thereafter.

The winning consortium will be responsible for financing the project. The federal government will issue milestone payments for each construction stage that is completed and a significant lump sum upon completion of the bridge and the corridor. For the duration of the 30-year contract to operate the bridge and corridor, the federal government will establish a toll system and use the revenue to pay the consortium for operating and maintaining the bridge.

Lastly, the Committee addressed the criminal charges against an engineering firm that is part of one of the three consortia bidding on the project to build and operate the bridge. The Committee asked how these charges would affect the issuing of the contract. The officials assured Committee members that Public Works and Government Services Canada rigorously applies an integrity framework as part of its procurement process. Under this framework, so long as the business in question has not been found guilty of the charges laid against it, the contract awarding process continues as planned. The officials stated that they are following this matter closely.