



**SECOND INTERIM REPORT ON THE
*2015–16 Main Estimates***

Standing Senate Committee on National Finance

TWENTY–FIRST REPORT

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1 INTRODUCTION

The Standing Senate Committee on National Finance (the Committee) held five meetings in April and May 2015 for its study of the *2015–16 Main Estimates*. During these five meetings, the Committee heard from 14 federal departments and agencies. This is the Committee's second report on these estimates.

On 21 April 2015, the following officials from National Defence and Employment and Social Development Canada appeared before the Committee:

National Defence

Major-General John Madower, Chief of Program;

Patrick Finn, Assistant Deputy Minister, Materiel Group;

Jaime Pitfield, Assistant Deputy Minister, Infrastructure and Environment; and

Claude Rochette, Assistant Deputy Minister and Chief Financial Officer, Finance and Corporate Services.

Employment and Social Development Canada

Michel Racine, Senior Director, Planning and Expenditure Management;

Alain P. Séguin, Chief Financial Officer; and

Paul Thompson, Senior Assistant Deputy Minister, Skills and Employment Branch.

On 5 May 2015, the Committee heard from the following representatives of Industry Canada, the Social Sciences and Humanities Research Council of Canada and the Natural Sciences and Engineering Research Council of Canada:

Industry Canada

Mitch Davies, Assistant Deputy Minister, Strategic Policy Sector;

David Enns, Chief Financial Officer; and

Lawrence Hanson, Assistant Deputy Minister, Science and Innovation Sector.

Social Sciences and Humanities Research Council of Canada

Brent Herbert-Copley, Executive Vice-President.

Natural Sciences and Engineering Research Council of Canada

Alfred Tsang, Chief Financial Officer and Vice-President, Common Administrative Services Directorate; and

Janet Walden, Chief Operating Officer.

On 6 May 2015, the Committee welcomed the following officials from the Department of Canadian Heritage, the National Film Board of Canada and the Canadian Radio-television and Telecommunications Commission:

Department of Canadian Heritage

Patrick Borbey, Associate Deputy Minister; and

Andrew Francis, Chief Financial Officer.

National Film Board of Canada

Claude Joli-Coeur, Government Film Commissioner and Chairperson; and

Marina Darveau, Director, Finances.

Canadian Radio-television and Telecommunications Commission

Jim Stefanik, Director General of Finance; and

John Traversy, Secretary General.

On 12 May 2015, the following representatives of Telefilm Canada, the Canadian Museum of History, and Aboriginal Affairs and Northern Development Canada appeared before the Committee:

Telefilm Canada

Carolle Brabant, Executive Director; and

Denis Pion, Director, Administration and Corporate Services.

Canadian Museum of History

David Loye, Chief Operating Officer and Senior Vice-President; and

Mark O'Neill, President and Chief Executive Officer.

Aboriginal Affairs and Northern Development Canada

Scott Stevenson, Senior Assistant Deputy Minister, Regional Operations;

Paul Thoppil, Chief Financial Officer; and

Stephen Van Dine, Assistant Deputy Minister, Northern Affairs.

On 13 May 2015, the Committee welcomed the following officials from Public Works and Government Services Canada, Agriculture and Agri-Food Canada and the Administrative Tribunals Support Service of Canada:

Public Works and Government Services Canada

Lisa Campbell, Assistant Deputy Minister, Acquisitions Branch;

Alex Lakroni, Chief Financial Officer, Finance and Administration Branch; and

Pierre-Marc Mongeau, Assistant Deputy Minister, Real Property Branch.

Agriculture and Agri-Food Canada

Pierre Corriveau, Assistant Deputy Minister, Corporate Management;

Greg Meredith, Assistant Deputy Minister, Strategic Policy Branch; and

Kristina Namiesniowski, Assistant Deputy Minister, Programs Branch.

Administrative Tribunals Support Service of Canada

Luc Robitaille, Acting Director General and Chief Financial Officer, Corporate Services; and

Marie-France Pelletier, Chief Administrator.

In addition, the Committee received some organizations' responses to questions it posed during its interim study of the *2015–16 Main Estimates* in March 2015. A summary of these responses is provided in the final part of this report.

2 STUDY OF THE 2015–16 MAIN ESTIMATES

2.1 National Defence

During their appearance, the officials from the Department of National Defence discussed their department's estimates, Canada's involvement in the coalition against the Islamic State of Iraq and Syria and the Canada First Defence Strategy. The officials also discussed the acquisition and upgrading of the tactical armoured patrol vehicle and the light armoured vehicle.

2.1.1 Estimates

The *2015–16 Main Estimates* show budgetary expenditures of \$18.9 billion for National Defence, an increase of \$280.5 million (1.5%) over the amount stated in the *2014–15 Main Estimates*. This increase is due to an increase in operating costs of \$969.7 million, an increase in statutory payments of \$29.4 million, a decrease in capital costs of \$709.2 million and a decrease in grants and contributions made by the Department of \$9.4 million. Table 1 presents these estimates broken down into voted appropriations and statutory items.¹

¹ **Statutory expenditures** are authorized by Parliament through enabling legislation; they are included in budget documents for information purposes only. **Budgetary expenditures** include the cost of the public debt, operating expenditures, capital expenditures, transfer payments and grants to other levels of government, organizations or individuals, and payments to Crown Corporations. **Non-budgetary expenditures**, which include loans, investments and advances, are expenditures that correspond to changes in the value of the federal government's financial assets.

Table 1 – Main Estimates for National Defence, 2015–2016 and 2014–2015 (\$)

Vote		2015–2016	2014–2015	Difference (%)
1	Operating expenditures	13,483,693,376	12,513,999,319	7.7
5	Capital expenditures	4,020,883,722	4,730,059,209	(15.0)
10	Grants and contributions	168,742,820	178,183,820	(5.3)
Total voted		17,673,319,918	17,422,242,348	1.4
<i>Total statutory</i>		<i>1,268,733,711</i>	<i>1,239,312,039</i>	<i>2.4</i>
Total budgetary		18,942,053,629	18,661,554,387	1.5

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II-174.

The increase in operating expenditures is primarily the result of the following changes:

- An increase of \$500 million in funding for the sustainment and operational readiness of the Canadian Armed Forces;
- An increase of \$354 million owing to the annual escalator on defence spending, a measure announced in Budget 2008 that provides long-term and predictable funding. The officials noted that the annual escalator increased from 1.5% to 2.0% with Budget 2008 and that it applies to all expenditures approved by Parliament, including supplementary estimates; and
- An increase of \$61 million for ongoing efforts under the Federal Contaminated Sites Action Plan.

The decline in capital expenditures is entirely due to reduced investment in major capital equipment and infrastructure projects. The largest decreases affect the family of land combat vehicles and the medium-heavy lift helicopters. The officials said that this reduction will better align financial resources with current project acquisition timelines so that the Department can pay for the products when they are received.

2.1.2 Canada's Involvement in the Coalition Against the Islamic State of Iraq and Syria

In response to the Committee's questions, the National Defence officials explained that the Canadian Armed Forces are contributing to international coalition efforts abroad to eliminate sources of instability and counter threats to international security. More specifically, Canada is part of the coalition fighting the Islamic State of Iraq and Syria. The officials clarified that the expenditures relating to this mission are not included in the *2015–16 Main Estimates*. As the expenditures occur, the Department will seek funding in the supplementary estimates for fiscal year 2015–2016.

2.1.3 Canada First Defence Strategy

Following questions from Committee members, the officials explained that the Department continues to implement the Canada First Defence Strategy, which serves as a guide for re-equipping the military. The Department is seeking an additional \$500 million in the *2015–16 Main Estimates* for the ongoing implementation of the strategy. The officials stated that National Defence has an annual budget of about \$6 billion to purchase equipment and materiel.

In answer to the Committee's questions, the officials said that 85% of this budget is spent by way of over 10,000 contracts, while 15% is reprofiled to the next fiscal year. Expenditures are reprofiled mainly in the case of the largest and most complex projects. The officials said that some of the most common reasons for reprofiled expenditures are vendor performance, overestimation of costs and scheduling.

2.1.4 Acquisition and Upgrading of the Tactical Armoured Patrol Vehicle and Light Armoured Vehicle

The National Defence officials informed the Committee about the tactical armoured patrol vehicle, a small wheeled reconnaissance vehicle that will replace certain reconnaissance vehicles and various other vehicles.

In response to Committee member inquiries, the officials explained that \$300 million in expenditures were reprofiled because of delays caused by problems discovered when National Defence tested the vehicle. The supplier is making the necessary rectifications at the Department's request.

The officials reported that, although these modifications resulted in a one-year delay, the Department will benefit because the vehicle will have the correct design on delivery. The Department is currently retesting the tactical armoured patrol vehicle, and delivery is expected in early 2016.

The National Defence officials also noted that the light armoured vehicle – the mainstay of the Canadian Army – is being upgraded and over 200 of them have already gone through the upgrade process. The officials stated that the expenditures set out in the *2015–16 Main Estimates* are necessary to provide the Canadian Armed Forces with the resources they need to do their work on behalf of Canadians.

In closing, the officials agreed to provide a copy of any analysis the Department conducts regarding the costs and likely impact of Bill C-51, should it become law.

2.2 Employment and Social Development Canada

While appearing before the Committee, the Employment and Social Development Canada officials discussed their department's estimates, operating expenditures, and grants and contributions. The officials also provided information regarding the Employment Insurance Operating Account, support for learning, literacy and skills acquisition, and the student grant programs and student loan write-offs.

2.2.1 Estimates

According to the *2015–16 Main Estimates*, Employment and Social Development Canada expects budgetary expenditures of \$54.3 billion in fiscal year 2015–2016, a \$2.6-billion (5.0%) increase over those set out in the *2014–15 Main Estimates*. Table 2 presents these estimates divided into voted appropriations and statutory items.

Table 2 – Main Estimates for Employment and Social Development, 2015–2016 and 2014–2015 (\$)

Voted		2015–2016	2014–2015	Difference (%)
1	Operating expenditures	561,409,860	571,067,134	(1.7)
5	Grants and contributions	1,712,658,484	1,227,675,995	39.5
Total voted		2,274,068,344	1,798,743,129	26.4
<i>Total statutory</i>		<i>51,991,467,772</i>	<i>49,872,029,598</i>	<i>4.2</i>
Total budgetary expenditures		54,265,536,116	51,670,772,727	5.0

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II-105.

In response to questions from the Committee, the officials said that forecast budgetary expenditures in 2015–2016 represent a net increase of \$2.6 billion over the \$51.7 billion indicated in the *2014–15 Main Estimates*.

The main drivers of this increase are statutory items such as Old Age Security and the Guaranteed Income Supplement, which account for 95.8% of the Department's budgetary expenditures. The officials reported that the increase is largely attributable to a rise in Old Age Security program spending owing to the aging population and the planned increase in the average monthly benefit. Between 2010 and 2017, the number of Canada Pension Plan and Old Age Security beneficiaries will grow by over one million.

2.2.2 Operating Expenditures

The officials explained that the expected decrease in operating expenditures of \$10 million is primarily due to the phase-out of certain programs and decreased transfers to other departments. However, the officials added that the Department plans to submit a new operating expenditures funding request in one of the supplementary estimates for fiscal year 2015–2016. For the sake of comparison, Employment and Social Development Canada sought an appropriation \$561.4 million for operating expenditures in the *2015-16 Main Estimates*, and a total of \$595.9 million in 2014–2015, which includes main and supplementary estimates.

2.2.3 Grants and Contributions

In reply to Committee questions, the officials said that the Department plans to spend a little over \$1.7 billion on grants and contributions in 2015–2016, an increase of \$485 million compared with the amount shown in the *2014–15 Main Estimates*. This increase is mainly the result of the inclusion in the *2015–16 Main Estimates* of \$500 million in funding for the Canada Job Fund agreements. In the previous fiscal year, this funding was included in the supplementary estimates (A) and (B).

2.2.4 Employment Insurance Operating Account

Following inquiries from Committee members, the officials explained that Employment Insurance expenditures are excluded from the main estimates. The Employment Insurance Operating Account is included in the Government of Canada's Consolidated Financial Statements. Employment Insurance expenditures are forecast to be approximately \$16.7 billion in 2015–2016 and are reflected in the Department's *Report on Plans and Priorities*, tabled on 26 March 2015.²

2.2.5 Support for Adult Learning, Literacy and Essential Skills Acquisition

In response to Committee members' questions, the officials said that Employment and Social Development Canada is requesting \$21.5 million in the *2015–16 Main Estimates* for grants and contributions for the Adult Learning, Literacy and Essential Skills Program. This is a \$2-million decrease compared with the previous year. These grants and contributions support various organizations that promote adult learning, literacy and essential skills acquisition.

² Employment and Social Development Canada, [2015–16 Report on Plans and Priorities](#), p. 38.

The Adult Learning, Literacy and Essential Skills Program was created through the integration of three former federal programs in April 2006.³ The officials explained that the program was restructured to better serve the organizations involved, their core funding was cut and the focus was shifted to workplace projects.

The officials agreed to provide the Committee with the Department's actual expenditures on learning, literacy and essential skills acquisition programs in 2014–2015 as soon as that information is available.

2.2.6 Student Grant Programs and Student Loan Write-Offs

Responding to Committee questions, the officials reported that the Department is seeking a total of \$756.1 million to fund Canada Student Grants for full-time and part-time students eligible under the *Canada Student Financial Assistance Act*. They added that this amount was \$33.5 million higher than in the previous fiscal year, consistent with the growth rate set by the Office of the Chief Actuary of Canada.

Following questions from some Committee members, the officials stated that the Department's goal is to write off unrecoverable student loans each year, but that this work is behind schedule.

The officials said that the Department is currently reviewing a new set of debt write-offs and preparing the file before it asks Parliament to approve the expenditure. The student loan write-off expenditure should appear in one of the supplementary estimates for fiscal year 2015–2016. Note that in the *Supplementary Estimates (C), 2014–15*, Employment and Social Development Canada sought \$294.6 million to write off 63,540 unrecoverable Canada Student Loans. The latest data available on the value of the student loans made by the federal government are for 2013–2014; they show a total of \$16.8 billion. The officials agreed to provide the Committee with the data for 2014–2015 as soon as possible.

2.3 Industry Canada

During their appearance before the Committee, officials from Industry Canada discussed their organization's estimates, priorities, interprovincial trade barriers, Canada-United States price differentials and military procurement and industrial "spinoffs".

2.3.1 Estimates

According to the *2015-16 Main Estimates*, Industry Canada is planning \$1.2 billion in budgetary expenditures for 2015-2016, \$92.8 million (8.6%) more than the expenditures presented in the *2014-15 Main Estimates*. Table 3 shows these estimates broken down into voted appropriations and statutory items.

³ The programs in question were the National Literacy Program, the Office of Learning Technologies and the Learning Initiatives Program.

Table 3 – Main Estimates for Industry Canada, 2015–2016 and 2014–2015 (dollars)

Vote		2015–2016 (\$)	2014–2015 (\$)	Difference (%)
1	Operating expenditures	303,247,705	297,683,017	1.9
5	Capital expenditures	16,528,241	16,840,692	-1.9
10	Grants and contributions	645,876,909	557,723,370	15.8
Total voted		965,652,855	872,247,079	10.7
<i>Total statutory</i>		<i>204,849,301</i>	<i>205,496,434</i>	-0.3
Total budgetary		1,170,502,156	1,077,743,513	8.6

Source: Table prepared using data obtained from the Treasury Board of Canada Secretariat, [2015-16 Main Estimates](#), p. II-147.

The Committee learned from Industry Canada officials that the majority of the \$92.8 million budgetary increase comes from new funding for a number of initiatives including:

- \$79.3 million for the Connecting Canadians Program to improve access to high-speed broadband networks for up to an additional 280,000 households;
- \$17 million for the Technology Demonstration Program;
- \$8.9 million for the Canada Foundation for Innovation;
- \$8.8 million for the Strategic Aerospace Defence Initiative;
- \$7.9 million for the Computers for Schools Program to provide refurbished computer equipment to learning establishments across Canada;
- \$5.0 million in support of the Institute of Quantum Computing's efforts at commercializing quantum technologies;
- \$5.0 million for Mitacs in support for industrial research and training of post-doctoral fellows;
- \$900,000 to reduce interprovincial trade barriers;

These budgetary increases are partially counterbalanced by:

- \$36.0 million decline in grants and contributions funding to a number of sunseting programs: Canarie Inc (\$26.4 million), Canadian Youth Business Foundation (\$9.0 million), Technology Partnership Canada (\$500 000);
- Genome Canada funding will also decline by \$7.9 million resulting from changes in the approved cash flow requirements of that program. The officials also informed the Committee that funding that used to be allocated under Canarie Inc. and the Canadian Youth Business Foundation will now be renewed through Supplementary Estimates under the Futurpreneur Canada initiative (\$14 million budgeted over two years) in support of young Canadian entrepreneurs, as announced in Budget 2015.

2.3.2 Priorities

The Committee learned of the Department's priorities for the coming fiscal year as outlined in the *2015-16 Report on Plans and Priorities*, including:

- Launch an auction spectrum in the 2,500-megahertz band to support increasing demand for new wireless technologies;
- Reduce or eliminate interprovincial trade and labour mobility barriers;
- Ensure effective and efficient regulatory framework and sound digital infrastructure;
- Align Canadian intellectual property laws with international administrative practices;
- Implement the Science, Technology and Innovation strategy;
- Improve and expand access of broadband services to rural and northern communities across Canada, through the Connecting Canadians Program;
- Support Canadian industry through initiatives that attract and retain business research and manufacturing and increase global value chains;
- Maximize industrial benefits from federal defence procurement;
- Expand the Bizpal service across Canada; and
- Improve departmental operations and program delivery.

2.3.3 Interprovincial Trade Barriers

The Committee wanted a status report on the progress realized in reducing or eliminating interprovincial trade barriers. The departmental officials indicated that the Minister responsible for Industry Canada had issued a comprehensive plan on August 2014 that proposed steps to achieve the objective of a fully integrated national economy. The plan proposed a two-pronged approach involving specific targeted measures to improve interprovincial labour mobility and a broader measure comprising the comprehensive renegotiation and modernization of the Agreement on Internal Trade. At the Council of the Federation conference, the premiers issued a statement on 29 August 2014 about the importance of reducing or eliminating internal barriers to trade and pledged to conclude the negotiations of the Agreement on Internal Trade by March 2016.

Committee members wondered whether the federal government had any role to play on the issue of interprovincial trade as it is largely a matter of provincial jurisdiction given that most trade barriers arise from provincial regulations or standards that restrict the movement of people, goods or services between them. The officials indicated that the federal government had a legitimate role as a facilitator by identifying and highlighting the differences in regulations and standards between jurisdictions and their effects on internal trade. The federal government, with the assistance of the external consultant Ernst Young, has launched a project to develop a metric to record and measure the impacts of regulatory rigidities on internal trade. By systematically identifying and documenting how interprovincial differences in regulations and standards can restrict or obstruct trade flows that can lead to loss of business opportunities, the federal government hopes to change the provincial governments' mindset and make progress in reducing interprovincial trade barriers.

2.3.4 Canada-United States Price Differentials

The Committee queried about the status of the *Price Transparency Act* that was announced in Budget 2014. The witnesses indicated that the aim of this proposed legislation is to address unjustified or unexplained price differences of goods and services between Canada and the United States. If passed, the proposed legislation would provide the Commissioner of Competition with greater legal authorities to carry out in-depth investigations about price differentials. As of 25 May 2015, Bill C-49 has been

introduced and has passed the first reading stage in the House of Commons and is expected to move through the legislative system in due course.

2.3.5 Military Procurement and Industrial “Spinoffs”

The Committee expressed interest on how Industry Canada intended to implement its priority of maximizing industrial benefits from the Defence Procurement Strategy. The Defence Procurement Strategy has three key objectives:⁴

- Delivering the right equipment to the Canadian Armed Forces in a timely manner;
- Improving the economic outcomes of defence procurement in terms of high-quality jobs and exports for Canadian firms; and
- Streamlining decision-making processes.

The witnesses indicated that three departments were involved within this shared procurement strategy: Industry Canada, the Department of National Defence and Public Works and Government Services Canada. Under this strategy, the federal government must first develop a clear, multi-year, procurement forecast that outlines national defence procurement priorities, and which other participating departments will use as a planning document. The Strategy also requires a value proposition for each major capital purchase that will specify how it will support key industrial capabilities and increase the export competitiveness of Canadian firms. Industry Canada will use the specifications found in the procurement forecast to help identify potential contractor companies which could fulfill the service requirements of procurement.

2.4 Federal Regional Economic Development Agencies

The Committee was interested in the relationship that exists between Industry Canada and regional economic development agencies and whether they act alone or are capable of coordinated actions at a local level to improve productivity and regional economic development. The witnesses informed the Committee that from 1996-1997 to 2002-2003, all regional economic development agencies had been part of the Industry Canada portfolio, but currently, only the *Federal Economic Development Agency for Southern Ontario (FedDev Ontario)*, a standalone agency, and the *Federal Economic Development Initiative in Northern Ontario (FedNor)*, which is an Industry Canada’s program, remain within Industry Canada’s Portfolio. The Canada Economic Development for the Regions of Quebec, initially known as the Federal Office for Regional Development-Quebec, acquired autonomous status in 2005 on the same basis as the Atlantic Canada Opportunities Agency and Western Economic Diversification.

Regional economic development agencies use common management systems to run grants and contributions programs, to track expenditures and collect applications while at the same time deliver similar programs across Canada such as the *Community Futures Program* and the *Economic Development Initiative*. This permits administrative and managerial economies, efficiencies and outcomes that are comparable enough to allow for program evaluation. Additionally, agencies must specialize to respond to different local and regional economic needs and realities. This specialization may limit the capacity of regional development agencies and of the department’s to work in concert.

⁴ Finance Canada, [Budget 2014, the Budget Plan \(Chapter 3.2\)](#), Ottawa, p. 125.

2.4.1 Atlantic Canada Opportunities Agency

2.4.1.1 Mandate

Created in 1987, Atlantic Canada Opportunities Agency is a standalone federal agency responsible for the economic development of the Atlantic provinces of New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island. The agency provides financial and business support to small and medium sized enterprises in starting up, expanding and undertaking initiatives that will make them more innovative, productive and competitive in the global marketplace and by working with communities to develop and diversify their local economies and supporting the comparative advantages of Atlantic Canada.⁵

Atlantic Canada Opportunities Agency manages its activities in four main areas: business development; community development; policy, advocacy and coordination; and internal services.

The agency supports small and medium sized enterprises through a number of funding programs including the Business Development Program, the Atlantic Innovation Fund and the Innovative Communities Fund. These funding mechanisms assist small and medium sized enterprises in acquiring new technologies and developing new business skills to capitalize on opportunities arising from major projects such as the National Shipbuilding Procurement Strategy.

To strengthen international business capacities of local small and medium-sized enterprises and to promote exports, Atlantic Canada Opportunities Agency encourages the commercialization of scientific research and experimental development projects performed in Atlantic Canada. This support is particularly important given the potential business opportunities arising from the Canada-European Union Comprehensive Economic and Trade Agreement.

The agency also works collaboratively with a number of communities with the goal of developing and diversifying their economies and by promoting the strengths of the regions. It reports directly to the Minister of State (Atlantic Canada Opportunities Agency) and the Minister of State currently reports directly to the Minister of Aboriginal Affairs and Northern Development. Pursuant to *Economic Action Plan 2014 Act, No. 1*, the Enterprise Cape Breton Corporation was dissolved on 19 June 2014. Its responsibilities and activities were transferred to Atlantic Canada Opportunities Agency and to Public Works and Government Services Canada. Atlantic Canada Opportunities Agency has now taken over Enterprise Cape Breton Corporation's responsibilities regarding economic and community development activities in Cape Breton.

2.4.1.2 Estimates

The 2015-16 *Main Estimates* show planned expenditures for the Atlantic Canada Opportunities Agency of \$298.5 million in 2015-2016, an increase of \$10.1 million (3.5%) over the expenditures provided in the 2014-15 *Main Estimates*. Table 4 shows these estimates broken down into voted appropriations and statutory items.

Table 4 – Main Estimates for Atlantic Canada Opportunities Agency, 2015-2016 and 2014-2015 (\$)

Vote		2015-2016	2014-2015	Difference (%)
1	Operating expenditures	64,399,896	63,876,388	0.8

⁵ Atlantic Canada Opportunities Agency, [Report on Plans and Priorities 2015-2016](#), Ottawa, 31 March 2015.

5	Grants and contributions	225,573,493	216,270,293	4.3
Total voted		289,973,389	280,143,681	3.5
<i>Total statutory</i>		<i>8,611,600</i>	<i>8,342,703</i>	<i>3.2</i>
Total budgetary		298,584,989	288,486,384	3.5

Source: Table prepared using data from the Treasury Board Secretariat, [2015–16 Main Estimates](#), p. II-6.

2.4.1.3 Enterprise Cape Breton Corporation

Enterprise Cape Breton Corporation, a Crown corporation, was established in 1987 to promote and assist the financing and development of Cape Breton Island and the Musgrave area of Nova Scotia. Enterprise Cape Breton Corporation was responsible for delivering its own and Atlantic Canada Opportunities Agency's programming in Cape Breton. It also assumed the responsibilities of the former Cape Breton Development Corporation including its employee pensions and benefits obligations.

2.4.2 Canadian Northern Economic Development Agency

2.4.2.1 Mandate

Established in 2009, Canadian Northern Economic Development Agency works to develop a diversified, sustainable and dynamic economy across Canada's three territories (Northwest Territories, Nunavut and Yukon).

Canadian Northern Economic Development Agency delivers funding programs to Northerners and Aboriginal people, as well as coordinates and assists federal departments involved in resource development and other major projects across the North through the Northern Projects Management Office. Canadian Northern Economic Development Agency also undertakes policy research, engages in advocacy in Northern economic development and diversification, and collaborates with other federal departments, territorial governments, Aboriginal organizations and industry.

Canadian Northern Economic Development Agency's programs support key economic sectors such as mining, tourism, fisheries, cultural industries, and community and business development.⁶ It reports to the Minister of the Canadian Northern Economic Development Agency.

2.4.2.2 Estimates

According to the *2015-16 Main Estimates*, Canadian Northern Economic Development Agency's total budgetary appropriations stood at \$50.7 million, a 63.7% increase in budgetary allocation over the *2014-15 Main Estimates*. Table 5 shows these estimates broken down into voted appropriations and statutory items.

Table 5 – Main Estimates for Canadian Northern Economic Development Agency, 2015-2016 and 2014-2015 (\$)

Vote		2015-2016	2014-2015	Difference (%)
1	Operational expenditures	14,409,590	11,231,366	28.3

⁶ Canadian Northern Economic Development Agency, [Report on Plans and Priorities 2015-2016](#), Ottawa, 31 March 2015.

5	Contributions	35,001,622	18,641,803	87.8
Total voted		49,411,212	29,873,169	65.4
<i>Total statutory</i>		<i>1,257,454</i>	<i>1,072,597</i>	<i>17.2</i>
Total budgetary		50,668,666	30,945,766	63.7

Source: Table prepared using data from the Treasury Board Secretariat, [2015-16 Estimates](#), p. II-65.

2.4.3 Economic Development Agency of Canada for the Regions of Quebec

2.4.3.1 Mandate

Launched in 1991, The Economic Development Agency of Canada for the Regions of Quebec is mandated to promote the long-term economic development of the regions of Quebec with a particular focus on regions showing slow economic growth or where opportunities for productive employment are lacking.

The agency provides financial assistance and other services to businesses, particularly small and medium-sized enterprises and not-for-profit organizations through its business offices located across the province. The agency seeks to support business start-ups and boost their performance through improvements in competitiveness, productivity, innovation and export performance. The Canada Economic Development for the Regions of Quebec also supports communities in their efforts to attract investment in order to improve the economic growth potential and development prospects in their respective regions. The Minister of Infrastructure, Communities and Intergovernmental Affairs and the Minister of the Canada Economic Development for the Regions of Quebec are responsible for this organization.

2.4.3.2 Estimates

The total budget for the agency as reported in the *2015-16 Main Estimates* is \$261.1 million, a 5.3% increase from the *2014-15 Main Estimates*. Table 6 shows these estimates broken down into voted appropriations and statutory items.

Table 6 – Main Estimates for Canada Economic Development for the Regions of Quebec, 2015-2016 and 2014-2015 (\$)

Vote		2015-2016	2014-2015	Difference (%)
1	Operational expenditures	38,266,985	37,907,218	1.0
5	Grants and contributions	217,995,801	205,309,446	6.2
Total voted		256,262,786	243,216,664	5.4
<i>Total statutory</i>		<i>4,819,408</i>	<i>4,623,953</i>	<i>4.2</i>
Total budgetary		261,082,194	247,840,617	5.3

Source: Table prepared using data from the Treasury Board Secretariat, [2015-16 Estimates](#), p. II-102.

2.4.4 Federal Economic Development Agency for Southern Ontario (FedDev Ontario)

2.4.4.1 Mandate

Established within the framework Economic Action Plan in 2009, FedDev Ontario works with communities, business enterprises and not-for-profit organizations in southern Ontario to actively promote the region and establish an investment friendly and partnerships environment in order to stimulate long-term economic growth.

FedDev Ontario provides financial assistance and business service programs either directly by the agency or through third party organizations that have received FedDev Ontario funding, for example:

- Advanced Manufacturing Fund: supports private businesses, research and post-secondary institutions in developing innovative manufacturing processes and technologies that increase productivity, and establish industrial clusters and supply chains;
- Investing in Business Growth and Productivity: financially assists small and medium-sized enterprises, not-for-profit associations and/or regional development organizations to adopt new technologies and processes to improve productivity and business capacity, in order to promote economic activity and employment opportunities and expand export markets;
- Investing in Business Innovation: provides mentorship, entrepreneurial support and financing assistance services to encourage new business start-ups;
- Community Futures Program: supports 61 Community Futures Development Corporations across southern and rural eastern Ontario that provide a range of services including access to capital, community planning, business information and planning services.

FedDev Ontario reports directly to the Minister of State (Federal Economic Development Agency for Southern Ontario).

2.4.4.2 Estimates

FedDev Ontario's total budget rose to \$215.3 million in the *2015-16 Main Estimates*, compared to \$206.8 million as reported in the *2014-15 Main Estimates*, a 4.1% increase. Table 7 shows these estimates broken down into voted appropriations and statutory items.

Table 7 – Main Estimates for Federal Economic Development Agency for Southern Ontario, 2015-2016 and 2014-2015 (\$)

Vote		2015-2016	2014-2015	Difference (%)
1	Operational expenditures	25,859,077	26,037,429	-0.7
5	Grants and contributions	186,239,502	177,631,522	4.9
Total voted		212,098,579	203,668,951	4.1
<i>Total statutory</i>		<i>3,153,140</i>	<i>3,095,164</i>	<i>1.9</i>
Total budgetary		215,251,719	206,764,115	4.1

Source: Table prepared using data from the Treasury Board Secretariat, [2015-16 Estimates](#), p. II-115.

2.4.5 Federal Economic Development Initiative in Northern Ontario (FedNor)

2.4.5.1 Mandate

Launched in 1987, FedNor is an Industry Canada program responsible for the economic development of communities located in Northern Ontario. FedNor, through its funding support programs and services for small and medium-sized enterprises and not-for-profit organizations, works to promote growth, economic diversification, job creation and sustainable, self-reliant communities in Northern Ontario. It reports to the Minister of Natural Resources and Minister for the Federal Economic Development Initiative for Northern Ontario.

FedNor administers three contribution payment programs:

- The [Northern Ontario Development Program](#), which supports community economic development, business growth and competitiveness, and innovation;
- The [Community Futures Program](#), which provides funding and delivers services to businesses and supports community economic development projects through 24 Community Futures Development Corporations in Northern Ontario;
- The Economic Development Initiative (EDI), which provides financial assistance to official language minority communities.

Table 8 presents the planned budgetary allocations for FedNor for 2015-2016 to 2017-2018.

Table 8 – Budgetary Financial Resources, FedNor (\$)

2015-2016 Planned Spending	2016-2017 Planned Spending	2017-2018 Planned Spending
50,886,072	50,836,072	50,911,072

Source: Table prepared using data from Industry Canada's [2015-16 Report on Plans and Priorities](#), Ottawa, 31 March 2015.

The Committee expressed particular interest about a recent regional development initiative involving FedNor about the expansion of broadband and wireless services in remote communities throughout Northern Ontario. The witnesses mentioned a recent joint \$700,000 federal-provincial project to undertake a comprehensive study of improving and expanding transportation and communication infrastructure to remote First Nations communities located in the Ring of Fire area of northern Ontario.

The Committee requested detailed information about FedNor's recent activities and achievements. The witnesses agreed to provide the Committee with an up-to-date listing of projects in remote communities, including First Nation communities in Northern Ontario that were funded by FedNor, together with the results achieved.

2.4.6 Western Economic Diversification

2.4.6.1 Mandate

Launched in 1988, Western Economic Diversification is mandated to promote the development and diversification of Canada's four western provinces and advance the interests of the West in national economic policy, program and project development and implementation. The agency also delivers national programs to these provinces on behalf of the federal government.

The agency provides financing and other services to small and medium-sized enterprises, not-for-profit organizations, communities and supports academic research projects through a variety of national and direct funding mechanisms. Western Economic Diversification also delivers infrastructure programming in the western provinces on behalf of Infrastructure Canada. The Minister of Health, supported by the Minister of State (Western Economic Diversification) is responsible for this organization.

2.4.6.2 Estimates

The *2015-16 Main Estimates* show planned expenditures for Western Economic Diversification in 2015-2016 of \$159.9 million, an increase of \$1.0 million (0.6%) over the expenditures provided in the *2014-15 Main Estimates*. Table 9 shows these estimates down to voted appropriations and statutory items.

Table 9 – Main Estimates for Western Economic Development, 2015-2016 and 2014-2015 (dollars)

Vote		2015-2016	2014-2015	Difference (%)
1	Operational expenditures	36,995,191	36,928,959	1.8
5	Contributions	118,733,000	117,863,000	0.7
Total voted		155,728,191	154,791,959	0.6
<i>Total statutory</i>		<i>4,185,723</i>	<i>4,115,993</i>	<i>0.0</i>
Total budgetary		159,913,914	158,907,952	0.6

Source: Table prepared using data from the Treasury Board Secretariat, [2015-16 Estimates](#), p. II-284.

2.5 Department of Canadian Heritage

During their testimony, the Department of Canadian Heritage officials spoke about their department's estimates, the Canadian Heritage Portfolio, the 150th anniversary of Canada's Confederation celebrations – Road to 2017 and TV5Monde.

2.5.1 Estimates

According to the *2015-16 Main Estimates*, \$1.3 billion in budgetary expenditures are planned in 2015-2016 for the Department of Canadian Heritage, which is \$135.4 million (9.7%) less than the budgetary expenditures presented in the *2014-15 Main Estimates*. Table 10 sets out these budgetary forecasts, broken down by voted appropriations and statutory expenditures.

Table 10 – Main Estimates for the Department of Canadian Heritage, 2015-2016 and 2014-2015 (\$)

		2015-2016	2014-2015	Difference (%)
1	Operating expenditures	173,741,400	178,337,991	-2.6
5	Grants and contributions	1,056,279,039	1,187,709,835	-11.1
Total voted		1,230,020,439	1,366,047,826	-10.0
<i>Total statutory</i>		<i>24,676,122</i>	<i>24,002,161</i>	<i>2.8</i>
Total budgetary		1,254,696,561	1,390,049,987	-9.7

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015-16 Main Estimates](#), p. II-42.

The officials explained that this decrease is mainly the result of the following changes:

- A decrease of \$156.4 million for the Toronto 2015 Pan American and Parapan American Games, for which most of the \$500 million in federal government funding has been contributed;
- An increase of \$16.0 million for the 150th anniversary of Canada's Confederation celebrations – Road to 2017;
- An increase of \$7.2 million for the government advertising program – Canada 150 Campaign. The officials noted that this would bring the total allocated to the program since its launch to \$16.4 million; and
- A decrease of \$6.1 million owing to the transfer of funding and responsibilities for the Virtual Museum of Canada to the Canadian Museum of History.

The Committee also learned that over \$1 billion of the Department's budget is devoted to grants and contributions programs that enable it to foster Canadian identity and values while promoting sport and cultural activities in Canada.

2.5.2 Canadian Heritage Portfolio

The officials reported that, in addition to the funding allocated to the Department, Canadian Heritage's portfolio organizations should receive \$1.8 billion in 2015–2016. These organizations also generate revenues of approximately \$671 million, bringing their total resources to about \$2.5 billion.

In response to a question from the Committee, the officials clarified that the Canadian Museum of History, which is now responsible for the Virtual Museum of Canada, is one of the organizations in the Canadian Heritage Portfolio, which are independently managed.

2.5.3 150th Anniversary of Canada's Confederation Celebrations – Road to 2017

The officials said that, starting in 2015–2016, the 150th anniversary of Canada's Confederation celebrations – Road to 2017 would have a budget of \$210 million to support gatherings and celebrations across Canada.

The officials pointed out that this total does not include the \$16.0 million sought in these main estimates. The latter amount would instead fund various activities prior to the celebrations in 2017, such as the commemorations of the Fathers of Confederation and the anniversaries of various events in World War I and World War II, the 100th anniversary of Hockey Canada, the 50th anniversary of the Canadian flag and Sir Wilfred Laurier's birthday.

According to the officials, the \$210 million announced in Budget 2015 is not included in the *2015–16 Main Estimates*, but should be part of one of the supplementary estimates for fiscal year 2015–2016.

2.5.4 TV5Monde

In response to a Committee member's question, the officials confirmed that the annual budget for TV5 (which includes TV5Monde and TV5 Québec Canada) has declined by about \$2 million since 2013–2014, as part of this funding was temporary, to help the organization adapt to the new television environment and make the transition to high definition broadcasting. The officials said that the decrease particularly affected TV5 Québec Canada, which was aware that the funding was temporary.

The officials added that the federal government makes its annual contribution of about \$8 million to TV5 Monde in the form of a grant.

2.6 National Film Board of Canada

In their appearance before the Committee, officials from the National Film Board of Canada discussed their department's estimates, its advertising budget, audiovisual production, digitization, staff, the new headquarters and its board of directors.

2.6.1 Estimates

According to the *2015–16 Main Estimates*, expenditures of \$59.7 million are anticipated in 2015–2016 for the National Film Board of Canada, which is approximately the same amount of spending as in the *2014–15 Main Estimates*. Table 11 presents these budgetary forecasts.

**Table 11 – Main Estimates for the National Film Board of Canada
2015–2016 and 2014–2015 (\$)**

Vote		2015–2016	2014–2015	Difference (%)
1	Program expenditures	59,652,377	59,912,241	- 0.4
Total budgetary		59,652,377	59,912,241	- 0.4

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II-179.

According to the officials, the NFB's budget for 2015–2016 is \$66.0 million. However, part of this budget is funded by its commercial activities. The remaining \$59.7 million comes from appropriations.

According to the officials, audiovisual production expenses account for the majority (\$38 million) of the NFB's expenditures. Distribution, marketing and activities in the educational and institutional sectors account for the second largest expenditure category, with \$13.7 million. Internal services account for \$7.8 million, and conservation and preservation of its collection accounts for \$1.5 million.

2.6.2 Advertising Budget

In response to a question from a Committee member, the officials confirmed that the NFB has an advertising budget, but that it is limited because of legislative constraints requiring its advertising to focus on its films only. Nevertheless, the officials pointed out that nearly 30 million people have seen an NFB film this year.

2.6.3 Audiovisual Production

In response to a question from the Committee, the officials said that the NFB does not produce all its films itself. It often works directly with artists and creators or co-produces with production companies. Approximately 60% of the production budget is for English programming and 40% for French programming.

In response to a question from a Committee member, the officials said that the NFB places tremendous importance on Aboriginal creators, although it has no specific budget for Aboriginal productions. According to the officials, the NFB possesses the largest collection of Inuit films in the world. The officials said that they would provide the Committee with a summary of their activities on Aboriginals. This information had not been received at the time of writing.

2.6.4 Digitization

According to the officials, the transition to digital has doubly affected the NFB's bottom line. On the one hand, the NFB has had to invest more than \$15 million since 2009 to upgrade its infrastructure to meet digital needs. According to the officials, the NFB has developed a mobile application that allows people to access a collection of some 3,000 NFB films free of charge, and new films are frequently added.

On the other hand, the transition to digital has had an impact on the NFB's revenues, which have fallen by more than 50% over the last decade and by 38% over the last five years. According to the officials, almost all NFB films are now available free of charge to all Canadians, and the entire collection should be digitized by 2017.

The officials added that the NFB is currently implementing a new action plan to ensure the organization's financial stability for the next five years.

2.6.5 Staff

According to the officials, the NFB has made constant efforts to improve efficiency and reduced staff by 16% since 2009, which now totals 373 employees.

In response to a question from the Committee, the officials said that the majority of the NFB's workforce is in Montreal, but that there are also production centres in St. John's, Newfoundland and Labrador; Halifax, Nova Scotia; Moncton, New Brunswick; Winnipeg, Manitoba; Regina, Saskatchewan; Edmonton, Alberta; and Vancouver, British Columbia.

2.6.6 New Headquarters

According to the officials, the NFB will be moving its headquarters in 2017–2018 to a new building in Montreal's Quartier des spectacles district. The organization has obtained an interest-free loan of \$14.4 million from the Treasury Board of Canada Secretariat to pay for it. The organization will receive the bulk of the money in 2017–2018, the year of the move. After the move, the NFB will repay \$1.2 million a year for 12 years.

According to the officials, the move will mark the beginning of a federal presence in this district and help create a global centre of innovation and an excellence in emerging forms of expression. According to the officials, the new location will facilitate synergies and give the federal government a presence in the district. The new headquarters will have public areas where NFB works, artifacts and facilities will be accessible to people.

In response to a question from a Committee member, the officials said that the new building will be built by a Montreal real property company and that a 20-year lease agreement had already been reached.

The NFB's current headquarters are in a federal government building in an industrial area that it has leased since 1957. According to the officials, the current building requires extensive renovation.

2.6.7 Board of Directors

The officials confirmed that the NFB has a board of directors with members appointed by the Governor-in-Council. They added that the board has members from across the country and meets at least four

times a year. The board approves the NFB's strategic plan, reviews its quarterly reports, and ensures governance and oversight for all its activities.

2.7 Canadian Radio-television and Telecommunications Commission

In their appearance before the Committee, officials from the Canadian Radio-television and Telecommunications Commission (CRTC) discussed the organization's mandate, its estimates, consultations with Canadians, high-speed Internet access, 911 services, anti-spam legislation and the new voter contact registry.

2.7.1 Mandate

According to the officials, the Canadian Radio-television and Telecommunications Commission is an administrative tribunal whose mandate is to regulate and supervise the industry so that Canadians have access to a world-class communications system. It also contributes to protecting Canadians' privacy and safety.

According to the officials, the CRTC does not have board of directors but a chairperson and CEO who is appointed by the Governor-in-Council.

2.7.2 Estimates

According to the *2015–16 Main Estimates*, \$12.3 million in budgetary expenditures are planned in 2015–2016 for the Canadian Radio-television and Telecommunications Commission, which is \$1.7 million (15.8%) more than the budgetary expenditures presented in the *2014–15 Main Estimates*. Table 12 sets out these budgetary forecasts, broken down by voted appropriations and statutory expenditures.

Table 12 – Main Estimates for the Canadian Radio-television and Telecommunications Commission, 2015–2016 and 2014–2015 (\$)

Vote		2015–2016	2014–2015	Difference (%)
1	Program expenditures	5,379,872	3,945,670	36.3
<i>Total statutory</i>		<i>6,877,018</i>	<i>6,641,029</i>	<i>3.6</i>
Total budgetary		12,256,890	10,586,699	15.8

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II-71.

According to the information in the *2015-16 Main Estimates*, this increase is due primarily to the following:

- An increase of \$0.7 million to implement and maintain the Voter Contact Registry and conduct communications, compliance and enforcement activities;
- An increase of \$0.7 million for the transfer of funds from Public Works and Government Services Canada for a reduction in accommodation requirements;
- An increase of \$0.2 million for employee benefits plans; and

- An increase of \$0.1 million to assist with the establishment and lawful operation of the Spam Reporting Centre.

According to the officials, the CRTC's budget for 2015–2016 is \$59.9 million. However, the vast majority of its budget, or \$47.6 million, comes from fees the CRTC imposes on the various organizations it regulates and supervises.

In response to a question from a Committee member whether the CRTC foresees a time when it would generate enough revenue to cover all its expenditures, the officials said that last year the CRTC generated \$166.6 million in revenues, more than double its expenditures, but that only some of this revenue can be kept.

2.7.3 Consultations with Canadians

According to the officials, the CRTC frequently seeks input from Canadians to make well-informed and evidence-based decisions.

For example, last year the CRTC launched *Let's Talk TV: A conversation with Canadians* to learn about what Canadians think of their television system and how they would like to see it changed. According to the officials, the multi-step initiative allowed Canadians to truly contribute, give their opinion and influence decisions.

2.7.4 High-speed Internet Access

According to the officials, offering high-speed Internet access to every household in the country is a key goal of the federal government and the CRTC is contributing to this by holding public hearings on the matter and working closely with other departments, including Industry Canada.

Ultimately, however, the service providers set their own priorities. The CRTC can only incent them.

2.7.5 911 Services

According to the officials, 911 services are now available almost everywhere in Canada, except for some areas in the North. Access is a priority for the CRTC, and it is working with municipalities and service providers to meet it.

2.7.6 Anti-spam Legislation

Responding to questions from Committee members, the officials said that the anti-spam legislation came into force on 1 July 2014 and that it has already had some success. According to the officials, fines under the legislation have been levied. Moreover, according to Cloudmark, an organization headquartered in San Francisco, U.S., spam originating from Canada has dropped 37% since 1 July 2014.

2.7.7 Voter Contact Registry

The funding requested by CRTC includes an amount to launch the new voter contact registry. According to the officials, all entities, including candidates and political parties, that want to contact voters during an election period must first register.

According to the CRTC's representatives, the project is still in development and adjustments and special rules are likely.

2.8 Telefilm Canada

During their appearance, representatives of Telefilm Canada discussed their organization's mandate, achievements and estimates; the 2015–2018 Strategic Plan; the Canada Media Fund; and the success index and tax incentives for film and video productions.

2.8.1 Mandate and Achievements

Telefilm Canada, which reports to Parliament through the Minister of Canadian Heritage and Official Languages, was created in 1967 pursuant to the *Telefilm Canada Act*.

According to the officials, Telefilm Canada's mandate is to foster and promote the development of the audiovisual industry in Canada. To this end, it provides financial and technical support to contribute to the industry's cultural, industrial and commercial success.

Last year, the organization supported the production and marketing of some 90 feature films and the development of more than 300 projects, while also helping promote Canadian talent in Canadian and international festivals.

In response to questions from the Committee, the officials clarified that Telefilm Canada oversees the development of the industry and the promotion of private-sector producers who produce content for broadcasters and cinemas, while the National Film Board of Canada is an audiovisual producer and the Canadian Broadcasting Corporation / Société Radio-Canada is a radio-television broadcaster. According to the officials, the three organizations work closely together and often share resources and facilities, especially in the regions.

2.8.2 Estimates

According to the *2015–2016 Main Estimates*, Telefilm Canada is planning expenditures of \$95.5 million in 2015–2016, which is approximately the same amount of spending as in the *2014–2015 Main Estimates*. Table 13 presents these budgetary forecasts.

**Table 13 – Main Estimates for Telefilm Canada,
2015–2016 and 2014–2015 (\$)**

Vote		2015–2016	2014–2015	Difference (%)
1	Payments to Telefilm Canada to be used for the purposes set out in the <i>Telefilm Canada Act</i>	95,453,551	95,363,072	0.1
Total budgetary		95,453,551	95,363,072	0.1

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II-263.

2.8.3 2015–2018 Strategic Plan

According to its representatives, Telefilm Canada has developed a strategic plan for 2015–2018 with the following six objectives:

- Promote the excellence of Canadian content by conducting effective promotion of the industry and its successes directly to Canadian consumers;
- Foster more ground-breaking marketing practices by connecting with a larger number of viewers;
- Take decisions supported by meaningful metrics;
- Diversify the industry’s sources of funding by attracting new funding partners, which is the main objective of the Talent Fund;
- Create an “ecosystem” of companies so as to be able to offer production companies that have achieved an outstanding level of performance access to a fast-track funding scheme; and
- Achieve organizational excellence.

In response to questions from Committee members, the officials said that one of Telefilm Canada’s strategies is to encourage producers and distributors to develop innovative marketing solutions that take advantage of new technologies, social media and new distribution platforms.

2.8.4 Canada Media Fund

Telefilm Canada also administers funding programs for the Canada Media Fund, which had a budget of \$354.5 million in 2013–2014. According to the witnesses, the fund’s administrative fees were \$10 million last year.

According to the officials, Telefilm Canada finances projects in all regions of the country and allocates funds in order to have a diversified portfolio that reflects Canada’s cultural diversity. The representatives of Telefilm Canada promised to provide more information on the allocation of funding among Canada’s regions. This information had not been received at the time of writing.

2.8.5 Success Index and Tax Incentives for Film and Video Productions

Lastly, in response to questions from Committee members, the officials sent the Committee a document explaining the concept and rationale for developing the new success index, the scoring system and usage, as well as opportunities for further development.

Moreover, the officials said that, like many countries that offer some form of fiscal advantage for audio-visual productions, the federal government created the [Film or Video Production Services Tax Credit](#) in 1997. This refundable tax credit, which is jointly administered by the Canadian Audio-Visual Certification Office and the Canada Revenue Agency, is equal to 16% of Canadian professional labour costs during the making of an accredited production.⁷ Moreover, many provincial governments have introduced similar tax incentive programs. According to the officials, all these fiscal incentives make Canada an attractive destination for foreign producers. They said that films made in Canada by foreign producers, or by Canadians working for foreign companies, grew from a \$768 million industry when the tax

⁷ The definition of an accredited production can be found here: [Regulation 9300 of the Income Tax Regulations](#).

incentive program was introduced to a \$1.8 billion industry in 2014–2015. According to the officials, these measures make Canada an attractive destination for foreign producers.

2.9 Canadian Museum of History

In their appearance before the Committee, officials from the Canadian Museum of History discussed their organization's mandate and estimates, the renovation of the Canadian History Hall, the Virtual Museum and Online Works of Reference and other projects and collaborations.

2.9.1 Mandate

The Canadian Museum of History, formerly the Canadian Museum of Civilization, is a Crown corporation established in 2013 under the [Museums Act](#). It is the first museum dedicated to the comprehensive story of the history of Canada and its people. It includes the museum in Gatineau, the Canadian War Museum in Ottawa, and the [Virtual Museum of New France](#) on the Internet. Its mandate is to increase Canadians' knowledge, understanding and appreciation of Canadian history and identity. The Canadian Museum of History reports to Parliament through the Minister of Canadian Heritage and Official Languages.

2.9.2 Estimates

According to the *2015–16 Main Estimates*, expenditures of \$83.4 million are anticipated in 2015–2016 for the Canadian Museum of History, which is \$19.9 million (31.4%) more than the spending presented in the *2014–15 Main Estimates*. Table 14 presents these budgetary forecasts.

**Table 14 – Main Estimates for the Canadian Museum of History,
2015–2016 and 2014–2015 (\$)**

Vote		2015–2016	2014–2015	Difference (%)
1	Payments to the Canadian Museum of History for operating and capital expenditures	83,369,477	63,430,033	31.4
Total budgetary		83,369,477	63,430,033	31.4

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II-58.

The \$19.9 million increase is due primarily to the following:

- \$11.5 million for the renovation of the Canadian History Hall;
- \$6.2 million for the Virtual Museum of Canada and \$2.1 million for the Online Works of Preference, two programs that were transferred from the Department of Canadian Heritage to the Canadian Museum of History.

2.9.3 Renovation of the Canadian History Hall

The renovation of the Canadian History Hall, announced in October 2012, will completely rebuild close to 40,000 square feet of gallery space, almost two entire floors of the museum, to create an entirely new exhibition. According to the officials, work is progressing according to schedule and the unveiling of the new exhibition hall is on track for 1 July 2017, the 150th anniversary of Confederation.

2.9.4 Virtual Museum and Online Works of Reference

The officials told the Committee that Canadian Heritage recently transferred responsibility for the administration of the Virtual Museum and the Online Works of Reference to the Canadian Museum of History.

According to the officials, the Virtual Museum is essentially an aggregator of digital information produced for public not-for-profit institutions throughout the country. It provides free access to hundreds of virtual exhibits as well as collections, videos, teaching resources and other materials relating to teaching and educational resources.

The Online Works of Reference program provides free access to *The Canadian Encyclopedia* and the *Dictionary of Canadian Biography*. The encyclopedia is published by Historica Canada, and the dictionary is produced through a partnership between the University of Toronto and Laval University.

2.9.5 Other Projects and Collaborations

The museum also administers the Virtual Exhibits Investment Program, which provides funding to promote the creation of new digital content.

According to the officials, the organization recognizes the importance of teaching Canadian history and works closely with teachers and educational associations across the country to promote Canadian history. Moreover, two years ago the Canadian Museum of History established a history museums network to collaborate, share more ideas and resources and form partnerships between like-minded museums and institutions.

2.10 Aboriginal Affairs and Northern Development Canada

During their appearance before the Committee, officials from Aboriginal Affairs and Northern Development Canada discussed their department's estimates, service delivery in the provinces and territories, quality of life improvements in First Nations communities, the Nutrition North Canada program and the elimination of two temporary initiatives to improve First Nations education.

2.10.1 Estimates

According to the *2015–16 Main Estimates*, Indian Affairs and Northern Development Canada is planning \$8.2 billion in budgetary expenditures for 2015–2016, \$133.4 million (1.7 %) more than the expenditures presented in the *2014–2015 Main Estimates*. Table 15 shows these estimates broken down into voted appropriations and statutory items.

Table 15 – Main Estimates for Indian Affairs and Northern Development, 2015–2016 and 2014–2015 (\$)

Voted		2015–2016	2014–2015	Difference (%)
1	Operating expenditures	1,069,154,628	1,215,376,476	(12.0)
5	Capital expenditures	35,946,145	5,695,536	531.1
10	Grants and contributions	6,936,151,589	6,654,152,734	4.2
Total voted		8,041,252,362	7,875,224,746	2.1
<i>Total statutory</i>		<i>146,165,506</i>	<i>178,750,659</i>	<i>(18.2)</i>
Total budgetary		8,187,417,868	8,053,975,405	1.7

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–2016 Estimates](#), p. II-140.

This net increase is due primarily to the following:

- An increase of \$137.3 million for the First Nations Water and Wastewater Action Plan;
- An increase of \$113.1 million for the assessment, management and remediation of federal contaminated sites;
- An increase of \$104.9 to meet increased demand for ongoing Indian and Inuit programs;
- A net increase of \$68.7 million in the cash flow for the negotiation, settlement and implementation of specific and comprehensive claims;
- An increase of \$46.2 million for the construction of the Canadian High Arctic Research Station and the implementation of the associated Science and Technology Program;
- An increase of \$32.3 million to advance a comprehensive and sustainable approach to Emergency Management on reserve;
- An increase of \$17.3 million for the facilitation of Aboriginal participation in West Coast energy development;
- An increase of \$15.0 million from the new Building Canada Fund to support investments through the First Nations Infrastructure Fund;
- An increase of \$14.6 million to help meet increasing demands of the Nutrition North Canada Program;
- A decrease of \$207.9 million for the Indian Residential Schools Settlement Agreement;
- A decrease of \$133.4 million primarily reflecting the sunset of targeted funding for initiatives to improve First Nations Education; and
- A decrease of \$33.4 million to meet the Government of Canada's obligations under the Northwest Territories Land and Resources Devolution Agreement.

2.10.2 Service Delivery in the Provinces and Territories

In response to questions from the Committee, the officials said that one of the department's main challenges in delivering services relates to the variability of provincial and territorial standards. According to the officials, the department is of the view that residents in different provinces and territories should be treated the same. Department officials therefore work with their provincial and territorial counterparts to ensure equitable delivery of programs to First Nations.

2.10.3 Quality of Life Improvements in First Nations Communities

The Committee expressed its frustration with the apparent lack of progress in improving the quality of life of First Nations communities, specifically with regard to housing and clean water.

In response to the Committee's questions, the officials said that a system allowing Aboriginals to own their own property so that they can have affordable housing is possible, but the implementation of this system varies and depends on the governance of each community that wants to participate in an ownership system and the availability of government funding.

In relation to clean water on reserve, the officials said that their department was counting on the implementation of Bill S-8, on clean drinking water for First Nations, which is currently at the regulatory development stage. They believe this could help integrate the various provincial standards and take into account conditions on reserve. According to the officials, the department is currently working with the provinces and territories, First Nations, and other federal departments to develop a delivery model adapted to the individual needs of each province and territory.

2.10.4 Nutrition North Canada Program

Some members of the Committee expressed concern with regard to the federal Nutrition North Canada program, which was launched on 1 April 2011 to provide Northerners in isolated communities with access to fresh, nutritious food throughout the year at the same price as in other major Canadian cities such as Halifax, Ottawa, Montreal and Vancouver.

According to the officials, the new program was designed to correct weaknesses in its predecessor, the Food Mail program. For example, funding is provided directly to eligible retailers and suppliers, who determine the most cost-effective way to get fresh, nutritious food to northern communities. The officials believe this approach eliminates the requirement to transport food through mandatory points of entry, which increased transportation costs.

In addition, the new program subsidizes perishable food only. Non-perishable food and other items are shipped through less costly means.

An advisory board was formed to ensure better communication between the department and beneficiaries and better program delivery. The department also closely monitors the program's performance. The board has developed performance measures and already undertaken an evaluation and audit of the program and sent its observations and findings to the Office of the Auditor General of Canada.

This office conducted its own audit on the program and tabled its report before Parliament in November 2014. According to the officials, the department has already implemented the Auditor General's recommendations, one of which was to change the contribution agreements to require retailers to provide the department with current and historical profit information to ensure that savings are passed on to consumers, the ultimate beneficiaries of the program.

One Committee member was nevertheless skeptical about the program's effectiveness and asked the department to provide a study comparing the Nutrition North Canada program and the former Food Mail program, including criteria and outcomes. The Committee also asked the department to provide an analysis of the Nutrition North Canada Program to measure its impact on the health and well-being of northern communities. These studies had not been received at the time of writing.

2.10.5 Elimination of Two Temporary Initiatives to Improve First Nations Education

The officials confirmed that two temporary initiatives to improve First Nations education would be progressively eliminated. However, they added that both these initiatives had already been replaced by similar initiatives. The officials said they would provide the Committee with the results of these initiatives. This information had not been received at the time of writing.

2.11 Public Works and Government Services Canada

During their testimony, the representatives of Public Works and Government Services Canada discussed a number of topics, including their department's estimates, the transfer of the former Enterprise Cape Breton Corporation, rehabilitation of the Parliament Buildings, savings generated from the Budget 2012 spending review, phase II of the engineering assets portfolio, and the Government of Canada's pay modernization project.

2.11.1 Estimates

According to the *2015–16 Main Estimates*, \$2.9 billion in budgetary expenditures are planned in 2015–2016 for Public Works and Government Services Canada, which is \$207,4 million (7.8%) more than the budgetary expenditures presented in the *2014–15 Main Estimates*. Table 16 sets out these budgetary forecasts, broken down by voted appropriations and statutory expenditures.

Table 16 – Main Estimates for Public Works and Government Services Canada, 2015–2016 and 2014–2015 (\$)

Vote		2015–2016	2014–2015	Difference (%)
1	Operating expenditures	1,651,054,220	1,786,071,771	(7.6)
5	Capital expenditures	1,099,063,968	759,963,628	44.6
Total voted		2,750,118,188	2,546,035,399	8.0
<i>Total statutory</i>		<i>121,407,408</i>	<i>118,088,514</i>	<i>2.8</i>
Total budgetary expenditures		2,871,525,596	2,664,123,913	7.8

Source: Table prepared using data from the Treasury Board of Canada Secretariat, [2015–16 Main Estimates](#), p. II–239.

Asked by the Committee, the officials from Public Works and Government Services Canada explained that the net increase of just over \$30 million compared with total expenditures to date for 2014–2015 (including supplementary estimates) is due primarily to the following:

- An increase of \$57.5 million to cover the planned program of work to be undertaken for the rehabilitation of the Parliament Buildings;
- An increase of \$34.2 million due to the transfer to Public Works and Government Services Canada of former Enterprise Cape Breton Corporation activities;
- A decrease of \$28.8 million due to savings generated from the Budget 2012 spending review;
- A decrease of \$18.2 million due to the completion of project stages under phase II of the engineering assets portfolio; and
- A decrease of \$10.3 million due to the completion of planned activities for the Pay Modernization Project.

2.11.2 Transfer of Former Enterprise Cape Breton Corporation

As of 19 June 2014, pursuant to the *Economic Action Plan 2014 Act, No. 1*, the activities of the former Enterprise Cape Breton Corporation have been transferred from the Atlantic Canada Opportunities Agency to Public Works and Government Services Canada.

Responding to questions from the Committee, the officials said that the department was asking for \$34.2 million in the *2015-16 Main Estimates* to integrate its new responsibilities. According to the officials, the department is now responsible for the following:

- A benefits program for former miners;
- Maintenance and monitoring plans for environmentally impacted lands; and
- Management of real estate portfolio encompassing over 800 properties.

2.11.3 Rehabilitation of the Parliament Buildings

During their appearance, the officials discussed the rehabilitation of the Parliament Buildings, for which the department requested \$57.5 million in the *2015–16 Main Estimates*. Asked by Committee members, the officials said that the department continues to develop and implement projects related to the long-term vision and plan to restore the Hill. In addition to the Parliament buildings, the restoration plan includes the Senate interim accommodation, the West Block and the visitor welcome centre. The officials said that the rehabilitation work is on time and on budget.

2.11.4 Savings Generated from the Budget 2012 Spending Review

In response to questions from Committee members, the officials explained that the department anticipates cumulative savings of \$222 million in 2015–16, in line with its objective in the Budget 2012 spending review.

The officials added that the department is committed to delivering \$178 million in annual savings starting in 2018–2019 by offering best-value services.

2.11.5 Phase II of the Engineering Assets Portfolio

During their appearance, the officials discussed the decrease of \$18.2 million in funding for phase II of the engineering assets portfolio. This project focuses on the repair and rehabilitation of assets such as dams and roads under the responsibility of Public Works and Government Services Canada. The officials provided the following examples: the Alexandra Bridge, (National Capital Region), the Temiskaming Dam Complex (northeast of North Bay, on the border between Quebec and Ontario), the St. Andrews Lock and Dam (Manitoba), and the Alaska Highway.

In total, the department is responsible for 19 public infrastructure assets that provide key benefits to Canadian communities. According to the officials, the department has delivered several projects and expanded its understanding of this portfolio through a comprehensive and vigorous inspection regime. The decrease in funding reflects the wind-down of these projects.

2.11.6 Government of Canada Pay Modernization Project

Responding to questions from Committee members, the officials said that in the 2015–16 Main Estimates Public Works and Government Services Canada is requesting \$34.2 million, or \$10.3 million less than that in the previous year's estimates, for activities related to the federal government's pay modernization project. The officials said that, although the system will be fully operational in 2016, expenditures requiring variable cash flow are required in the initial steps to implement the system.

They added that the current pay administration system used by the government is 40 years old and will be replaced in 2016 by a modern, commercial system. The department forecasts that starting in 2016–2017 the new pay administration system will result in annual savings of \$78 million. Of that amount, \$67.3 million results from efficiency gains from new technologies while \$10.8 million results from consolidating the workforce in a single pay centre in Miramichi, New Brunswick. Once the modernization project is complete, the federal government will employ 550 people and administer the pay of 57 departments.

The officials could not tell the Committee whether the implementation of the new pay administration system would lead to job losses. They said that many variables remain unknown, such as the number of people retiring and the attrition rate. However, the officials said it was likely fewer people would be handling pay transactions once the new pay administration system was implemented and fully operational.

2.12 Agriculture and Agri-Food Canada

During their testimony, the Agricultural and Agri-Food officials discussed their department's estimates, the Canadian Wheat Board, savings generated from the Budget 2012 spending review, the AgriRisk Initiatives Program and the Growing Forward 2 policy framework.

2.12.1 Estimates

The *2015–16 Main Estimates* show forecast expenditures of \$2.3 billion in 2015–2016 for Agriculture and Agri-Food Canada, a slight increase of \$3.9 million (0.2%) over the budgetary expenditures set out in the *2014–15 Main Estimates*. Table 17 presents these estimates broken out into voted appropriations and statutory items.

Table 17 – Agriculture and Agri-Food Canada, Main Estimates, 2014–2015 and 2015–2016

Vote		2015–2016 (\$)	2014–2015 (\$)	Change (%)
1	Operating expenditures	548,177,880	544,949,432	0.6
5	Capital expenditures	27,872,294	27,872,294	0.0
10	Grants and contributions	367,238,619	365,352,000	0.5
Total voted		943,288,793	938,173,726	0.5
<i>Total statutory</i>		<i>1,313,799,267</i>	<i>1,315,023,086</i>	<i>-0.1</i>
Total budgetary		2,257,088,060	2,253,196,812	0.2

Source: Table prepared using data from Treasury Board Secretariat, [2015–16 Estimates](#), p. II-3.

2.12.2 Canadian Wheat Board

Responding to questions from Committee members, the officials said that in 2012–2013 the government announced a transition program worth \$349 million for the Canadian Wheat Board. The expectation was that costs related to the Canadian Wheat Board would gradually decrease, mainly due to the end in August 2012 of its monopoly on the sale of wheat and barley produced in western Canada. The officials said that the transition period is not over and that \$205 million has been spent since the transition program was announced. For 2015–2016, the department is requesting \$24.2 million, a reduction of \$5.9 million from the previous year.

In response to questions from Committee members, the officials said that removing the single desk has stimulated investment and entrepreneurship in the wheat and barley sector and created a more vibrant and competitive market. They added that in April 2015 the federal government announced a private investment of \$250 million to acquire the Canadian Wheat Board.

2.12.3 Savings Generated from the Budget 2012 Spending Review

A Committee member wanted to know the reason for the difference between real operating expenditures in 2013–2014 (\$703.0 million) and the operating expenditures forecast in the *2015–16 Main Estimates* (\$548.2 million) for Agriculture and Agri-Food Canada. The officials said that the reduction in operating expenditures of \$154.8 million between 2013–2014 and 2015–2016 was the result of the cost-cutting exercise in Budget 2012. According to the officials, the department laid off approximately 600 employees, which accounted for a large part of the expenditure reduction. The rest is tied, according to the officials, to the transfer of funds from Agriculture and Agri-Food Canada to various government departments and agencies, such as Public Works and Government Services Canada for the government's pay modernization project and the Administrative Tribunals Support Service of Canada for its support services.

2.12.4 AgriRisk Initiatives Program

Some Committee members asked the officials about the AgriRisk Initiatives Program, for which the department is requesting \$11.4 million in contributions in the *2015–16 Main Estimates*, an increase of \$5 million over that requested in the *2014–15 Main Estimates*. The officials explained that the AgriRisk Initiatives Program is now in its second year and that not a lot of money was allocated in its first year.

The officials noted that, under the AgriRisk Initiatives Program, two types of projects can receive funding:

- **Research and development:** The AgriRisk Initiatives Program supports research and development by providing federal-only, time-limited financial assistance to project proponents to undertake research and development activities related to the development of new risk management tools.
- **Administrative capacity-building:** The AgriRisk Initiatives Program supports, in a cost-shared program with the provinces, the administration of pilots during the early years of delivering new risk management tools.

As an example, the officials referred to the Western Livestock Price Insurance Pilot Program. This program, a collaboration between Ottawa and the western provinces, aims to protect livestock producers against unexpected price declines by allowing them to purchase livestock price insurance from among

various coverage levels. The premiums are fully funded by producers. According to the officials, this new insurance tool has been welcomed by the entire industry and livestock producers in western Canada.

2.12.5 Growing Forward 2 Policy Framework

Growing Forward 2 is a five-year policy framework (2013–2018) for the agricultural and agri-food sector across the country. This policy framework is the foundation for government agricultural programs and services. Growing Forward 2 is a \$3 billion investment by federal, territorial and provincial governments. Of this amount, \$2 billion is allocated to programs whose costs are shared between the federal (60%) and provincial/territorial (40%) governments. The remaining \$1 billion is for strategic initiatives delivered exclusively by the federal government.

Responding to questions from Committee members, the officials said that the Growing Forward 2 programs and services focus on innovation, competition and market development so that Canadian agricultural farmers and processors have the tools and resources they need to innovate and capture new markets.

Responding to a question from a Committee member regarding the AgrilInnovation Program under the Growing Forward 2 policy framework for which the department is requesting a \$5.7 billion increase in the *2015–16 Main Estimates*, the officials said that all provinces and territories are involved in that program. They said that the federal government allocates funding to each province and territory based on the percentage of the national farm-gate cash receipts that exist in a given province or territory. The officials added that the formula was negotiated with the provinces and territories and still applies today.

2.13 Administrative Tribunals Support Service of Canada

During their appearance, the officials from the Administrative Tribunals Support Service of Canada discussed their organization's creation and mandate, the tribunals that are supported, initial funding, their organization's estimates, and the authority to make recoverable expenditures on behalf of the Canada Pension Plan and the Employment Insurance Operating Account.

2.13.1 Creation and Mandate

According to the officials, the Administrative Tribunals Support Service of Canada was established on 1 November 2014 with the coming into force of the *Administrative Tribunals Support Service of Canada Act*. According to them, the government's goal was to improve the effectiveness and efficiency of its tribunals' administration and operations. The Minister of Justice is responsible for this organization.

According to the officials, the Administrative Tribunals Support Service of Canada is responsible for providing support services to 11 federal administrative tribunals through a single integrated organization. They said that the organization would strengthen capacity and modernize operations, while enabling it to better serve the needs of the administrative tribunals, thereby improving access to justice for Canadians. According to the officials, the Administrative Tribunals Support Service of Canada has about 400 employees, who are basically the former employees of the 11 tribunals the organization serves.

When asked about the services the organization provides, the officials said that it provides comprehensive support services and facilities for the tribunals to meet their statutory obligations. These

services include human resources management, finance, IT, communications, registry services, research and analysis, and legal support.

2.13.2 The Tribunals

When asked by the Committee about the tribunals the organization supports, the officials named the following 11 administrative tribunals:

- Canadian Cultural Property Export Review Board;
- Canada Agricultural Review Tribunal;
- Public Service Labour Relations and Employment Board;
- Canada Industrial Relations Board;
- Canadian Human Rights Tribunal;
- Canadian International Trade Tribunal;
- Transportation Appeal Tribunal of Canada;
- Competition Tribunal;
- Public Servants Disclosure Protection Tribunal;
- Social Security Tribunal; and
- Specific Claims Tribunal Canada.

2.13.3 Initial Funding

Responding to questions from the Committee, the officials said that the *Administrative Tribunals Support Service of Canada Act* provided that the appropriations for the 11 tribunals supported by the organization be deemed to have been transferred to the Administrative Tribunals Support Service of Canada on 1 November 2014. The creation of the Administrative Tribunals Support Service of Canada did not therefore result in an increase in the funding required for 2014–2015.

2.13.4 Estimates

According to the *2015-16 Main Estimates*, the Administrative Tribunals Support Service of Canada is planning \$60.9 million in budgetary expenditures. This is the first year the organization is making a budget request in the estimates. Table 18 shows these estimates broken down into voted appropriations and statutory items.

Table 18 – Main Estimates for Administrative Tribunals Support Service of Canada, 2015–2016 (\$)

Vote		2015–2016
1	Program expenditures	52,297,037
Total voted		52,297,037
<i>Total statutory</i>		8,598,993
Total budgetary		60,896,030

Source: Table prepared using data from Treasury Board Secretariat, [2015–16 Estimates](#), p. II-1.

When asked by the Committee, the officials said that 89% of the funds requested would be used to cover operating expenditures such as salaries, professional services and transportation and the remaining 11% would be used to cover statutory expenditures such as employee benefit plans. They also said that \$14.9 million would be allotted to the organization's internal services, the key ones being translation, procurement, finance, human resources and communications.

2.13.5 Authority to Make Recoverable Expenditures on behalf of the Canada Pension Plan and the Employment Insurance Operating Account

Responding to the Committee's questions, the officials said that the organization's total planned expenditures were \$78.6 million. They added that, in addition to the \$60.9 million requested as appropriations in the *2015–16 Main Estimates*, an additional \$17.7 million is requested under vote 1, which gives the organization the authority to make expenditures on behalf of the Canada Pension Plan and the Employment Insurance plan, up to a maximum of \$17.7 million. According to the officials, the organization's operations regarding the Social Security Tribunal are funded out of the Canada Pension Plan and the Employment Insurance Operating Account.

3 FEDERAL GRANTING AGENCIES

Canada has three federal granting agencies that support fundamental, applied and experimental research in the country's post-secondary institutions: the Canadian Institutes of Health Research of Canada, the Natural Sciences and Engineering Research Council of Canada and the Social Sciences and Humanities Research Council of Canada. These agencies were created by acts of Parliament that set out the research areas that each supports.

These three agencies fund and promote research in many fields and disciplines and support 12 Networks of Centres of Excellence, 11 Centres of Excellence for Commercialization and Research, and 4 Business-Led Networks of Centres of Excellence. For this study, the Committee heard from the Natural Sciences and Engineering Research Council of Canada and the Social Sciences and Humanities Research Council of Canada. The Canadian Institutes of Health Research of Canada appeared before the Committee during its final study of the *2014–15 Main Estimates*.

3.1 Natural Sciences and Engineering Research Council of Canada

During their testimony, the officials from the Natural Sciences and Engineering Research Council of Canada discussed their organization's mandate, achievements and estimates, university research and the forest industry, and innovation.

3.1.1 Mandate and Achievements

Established in 1978 pursuant to the [Natural Sciences and Engineering Research Council Act](#), the Natural Sciences and Engineering Research Council of Canada reports to Parliament through the Minister of Industry. By supporting post-secondary students and post-doctoral fellows in their advanced studies, the agency funds discovery research and encourages Canadian businesses to participate and invest in research and training at post-secondary institutions in order to foster innovation.

The Natural Sciences and Engineering Research Council of Canada primarily funds research programs whose main goal is to advance knowledge in the natural sciences and engineering.

The officials reported that, in carrying out its mandate, the agency provides financial support for the research of 11,300 professors working in every natural science and engineering field. This support mobilizes a world-class workforce that constantly makes discoveries. In addition, the officials said that this funding supports over 30,000 post-secondary students and interns who make up the next generation of discoverers and innovators.

They also stated that the agency's partnership programs led over 3,000 businesses to establish post-secondary research partnerships in 2014–2015.

3.1.2 Estimates

The *2015–16 Main Estimates* show that the Natural Sciences and Engineering Research Council of Canada will receive a little over \$23 million more than in the *2014–15 Main Estimates*. This increase is primarily the result of the following changes:

- An increase of \$15.0 million in support for advanced research in the natural sciences and engineering;
- An increase of \$6.9 million to support the Canada Excellence Research Chairs program to attract and retain the world's most accomplished and promising minds;
- An increase of \$3.3 million for the Centres of Excellence for Commercialization and Research program;
- An increase of \$0.5 million resulting from the end of a transfer to the International Development Research Centre for the International Initiative on Adaptation to Climate Change;
- A decrease of \$1.5 million for the Canadian Light Source initiative owing to a reduction in the amount transferred from the National Research Council; and
- A decrease of \$1.1 million following the end of transfer agreements with other federal government departments.

3.1.3 University Research and the Forest Industry

Some Committee members wanted to know more about the Natural Sciences and Engineering Research Council of Canada's role in research and innovation in the forest industry. The Committee members pointed out that a number of countries, such as Norway and the United Kingdom, frequently use wood to build multi-floor buildings. Yet none of the engineering faculties at major Canadian universities studies the use of wood in building these kinds of buildings, despite the importance of the forest industry to Canada's economy.

According to the officials, the agency works closely with FPInnovations, a business that operates a wood products centre. The officials added that the forestry sector has various facets, from forest management to the manufacture of final wood products, and the agency works with stakeholders in all these areas. They indicated that the agency's annual investments in forestry, pulp and paper, and wood products increased from \$19 million to \$27 million over the past seven years.

Regarding the use of wood in the construction industry, the officials said that their organization supports upstream work such as product development in universities and colleges. However, such products need to be validated to ensure their long-term safety before they are put to use. This validation is done by

standards committees. According to the officials, a lot of awareness work with these committees needs to be done.

The officials also explained that the Natural Sciences and Engineering Research Council of Canada funds the best research projects identified through a national competition. In addition, part of the agency's budget is devoted to strategic partnerships, consistent with the new Strategy for Science, Technology and Innovation. All the funding awarded by the agency goes toward research conducted at Canada's universities and colleges, not within businesses.

However, the officials clarified that the government guides the agency's decisions to fund certain sectors. For example, in Budget 2008, the government asked the agency to invest in the fisheries, forestry, manufacturing and automotive sectors. The officials noted that the forestry investments led to the creation of the five active forestry networks. The goal is to align research with industry needs.

3.1.4 Innovation

Asked about the measures taken by the Natural Sciences and Engineering Research Council of Canada to ensure that the research it funds does lead to business opportunities, the officials explained that one third of its budget – \$370 million – is allocated to supporting research that involves businesses and researchers at universities.

According to the officials, this kind of partnership strengthens the research community's understanding of the business world and orients researchers toward problems that are relevant to businesses. Such partnerships also help businesses by increasing their experience and expertise. The officials said that encouraging these partnerships leads industry to do longer-term planning.

During their testimony, the officials stated that the Canadian economy relies a great deal on small businesses, which poses a challenge for their organization since small businesses are often preoccupied with short-term problems and tend to invest less in research. The officials explained that, as part of its partnership strategy, the Natural Sciences and Engineering Research Council of Canada has established a series of grants that make it easier for small businesses to tap into expertise in Canada's colleges and universities. They said the two sectors can be connected quickly, without placing a large administrative burden on businesses. The agency's regional offices host numerous events to foster a dialogue between students, researchers and the local business community in order to generate innovative ideas that can be commercialized. The officials concluded their appearance by noting that businesses create the wealth that enables our economy to fund research.

3.2 Social Sciences and Humanities Research Council of Canada

During their appearance, the officials from the Social Sciences and Humanities Research Council of Canada discussed their organization's mandate and estimates, the Centres of Excellence for Commercialization and Research, and the distribution of funding among the provinces and territories.

3.2.1 Mandate

Established in 1977 pursuant to the [Social Sciences and Humanities Research Council Act](#), the Social Sciences and Humanities Research Council of Canada reports to Parliament through the Minister of Industry.

The agency funds research programs – primarily in the social sciences and humanities – whose goal is to improve understanding and knowledge of individuals, groups and societies, in other words, the way humans think, live and interact with each other and with their environment.

3.2.2 Estimates

In response to questions from the Committee, the Social Sciences and Humanities Research Council of Canada officials explained that these main estimates provide the agency with a little over \$25 million more in funding than the previous main estimates. The increase is mainly due to the following changes:

- An increase of \$9.0 million in the Research Support Fund to ensure that federally funded research projects are conducted in world-class facilities with the best equipment and administrative support available;
- An increase of \$7.0 million in the Grants and Scholarships program to support advanced research in the social sciences and humanities;
- An increase of \$5.0 million for a pilot initiative to support social innovation research projects at colleges and polytechnics as provided in Budget 2014; and
- An increase of \$4.0 million for the Centres of Excellence for Commercialization and Research, an initiative of all three federal granting agencies to create a more effective and efficient way to identify commercialization opportunities.

3.2.3 Centres of Excellence for Commercialization and Research

Following questions from Committee members, the officials indicated that the Centres of Excellence for Commercialization and Research initiative, for which their organization is seeking \$5.8 million in the *2015–16 Main Estimates*, is a joint initiative of the three federal granting agencies: the Canadian Institutes of Health Research of Canada, the Natural Sciences and Engineering Research Council of Canada and the Social Sciences and Humanities Research Council of Canada.

According to the officials, the program is managed by a secretariat at the Natural Sciences and Engineering Research Council of Canada, but all three agencies cover its costs. The officials went on to note that this management model is also used for the Canada Research Chairs and the Vanier and Banting scholarships, which are awarded to highly qualified doctoral students and top-tier post-doctoral candidates respectively.

3.2.4 Distribution of Funding Among the Provinces and Territories

Responding to questions from the Committee, the officials first explained that the Social Sciences and Humanities Research Council of Canada awards grants and contributions based on the merit of the projects submitted, with no regard to the province or territory of origin.

The officials reported that small institutions sometimes have more difficulty making their mark and obtaining funding for their projects. However, the agency assigns a representative to each university who communicates relevant information and is available to answer questions and help institutions successfully navigate the process.

The officials concluded their testimony by clarifying that the distribution of grants and contributions varies with the number and size of the educational institutions in each province and territory. They said that the success rate for any given institution changes very little from year to year.

4 FOLLOW-UP ON OUTSTANDING ISSUES FROM THE INTERIM REPORT ON THE 2015–16 MAIN ESTIMATES

The Committee received additional information on a number of outstanding issues from the interim report on the *2015–16 Main Estimates*. This information relates to Treasury Board of Canada votes 5 and 10, the Investment in Affordable Housing initiative, non-budgetary repayments and the gas tax fund indexation.

4.1 Treasury Board of Canada Vote 5

During their appearance before the Committee, the officials from the Treasury Board of Canada Secretariat explained that vote 5, government contingencies, aims to provide sufficient flexibility to the federal government to respond to urgencies or unforeseen circumstances. Basically, vote 5 is used by a department, with the approval of the Treasury Board Secretariat, when facing an unexpected situation and lacking the necessary funds.

Advances under vote 5 will be considered temporary advances to be covered by items included in the next supplementary estimates of that fiscal year and reimbursed when the associated appropriation act is passed. However, exceptions are made for requirements that arise after final supplementary estimates for the fiscal year, in which case it would not be possible for such advances to be reimbursed. The organization requesting funds under this vote must justify its request by presenting a cash flow analysis.

In 2015–2016, vote 5 has already been used twice to increase the votes of the Office of Infrastructure of Canada. The office received \$9.3 million for operational requirements and \$8.5 million for the construction of a new bridge for the St. Lawrence.

The officials said that ultimately Parliament approves the funds spent by the departments, since vote 5 is approved by Parliament in the main estimates. In 2015–2016, \$750 million was requested by the Treasury Board Secretariat for this purpose. Unused amounts are returned to the government's Consolidated Revenue Fund and a new amount is requested the following year.

4.2 Treasury Board of Canada Vote 10

The Treasury Board of Canada Secretariat officials also agreed to provide a list of how vote 10, government-wide initiatives, has been used over the past five years. This vote was used four times over the past five years to increase other votes that fund the implementation of strategic management initiatives in Canada's public service.

In 2014–2015, the Treasury Board of Canada Secretariat used vote 10 to cover its program expenditures for the Web Renewal initiative. It received \$3.1 million in part to procure the new Web platform and the Hosted Social Media Account Management Service.

In 2012–2013 and 2013–2014, Public Works and Government Services Canada received operating appropriations of \$1.1 million under vote 10 to photocopy copyright-protected material.

Finally, in 2011–2012, Public Works and Government Services Canada obtained operating appropriations of some \$2.5 million to cover part of the costs of the Ministers' Regional Offices program.

This program provides shared secured office accommodation and administrative support to federal Cabinet ministers and their staff when they are conducting government business outside the National Capital Region.

4.3 Investment in Affordable Housing

On 11 March 2015, the Committee asked the officials from the Canada Mortgage and Housing Corporation to provide a breakdown of the funding granted by province under the Investment in Affordable Housing initiative and further information about this initiative. On 1 April 2015, the Committee received a written response from the Corporation indicating that between 2011 and 2019 the federal government will invest nearly \$2 billion to reduce the number of Canadians in need of housing. In addition, the provinces and territories will match the federal government's contribution. Table 22 shows the distribution of federal funding by province and territory. This distribution is based on the funding provided under the previous programs: the Affordable Housing Initiative⁸ and renovation assistance programs.⁹

Table 22 – Distribution of Federal Funding Under the Investment in Affordable Housing Initiative by Province and Territory, 2011 to 2019 (\$ millions)

Province / Territory	2011–2019
Newfoundland and Labrador	54.48
Prince Edward Island	11.84
Nova Scotia	81.64
New Brunswick	62.40
Quebec ^a	173.06
Ontario	641.04
Manitoba	82.80

⁸ Annual funding for the provinces and territories under the Affordable Housing Initiative was based on the size of their population and an adjustment for their total remote, off-reserve population using data from the 1996 Census of Population and Statistics Canada population data from 2000.

⁹ Annual funding for the provinces and territories under the off-reserve renovation assistance programs was based on historical funding levels.

Province / Territory	2011–2019
Saskatchewan	73.52
Alberta	161.52
British Columbia	240.16
Northwest Territories	14.72
Yukon	12.60
Nunavut	11.72

Note: a: The amount indicated is for the period 2011–2014.

Source: Table prepared using data obtained from the Canada Mortgage and Housing Corporation on 1 April 2015.

As of 31 December 2014, a total of 114 households, or about 1.3% of Nunavut households, had received funding under the Affordable Housing Initiative. According to the data collected in the 2011 National Household Survey, nearly 3,400 households were living in core housing need in Nunavut in 2011.¹⁰ Households in Nunavut in 2011 consisted on average of 3.7 persons.

4.4 Non-budgetary Repayments

During their testimony before the Committee, the officials from the Canada Mortgage and Housing Corporation agreed to provide additional information on the non-budgetary repayments described in the Corporation's main estimates for 2015–2016. The Committee learned that non-budgetary expenditures represent advances provided by the Government of Canada and repayments of loans made in previous fiscal years. Therefore, the Corporation reports negative non-budgetary expenditures when repayments to the government exceed the amount borrowed from the government in a given fiscal year. Under the current programs, the Corporation expects repayments to exceed advances over the next five years.

4.5 Gas Tax Fund Indexation

The Gas Tax Fund currently provides \$2 billion per year to municipalities for local projects. Since April 2014, the Gas Tax Fund has been indexed at 2% per year, as announced in Budget 2013. However, the increases resulting from this indexation will be applied only in \$100-million increments. This means that a number of years may pass before a \$100-million increase takes effect, as shown in Table 23.

Table 23 – Gas Tax Fund, Fiscal Years 2014–2015 to 2023–2024 (\$)

Fiscal Year	Progressive 2% Increases	Increases by \$100-million Increment
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¹⁰ A household is said to be in core housing need if its housing falls below at least one of the three housing standards – adequacy, affordability or suitability – and it does not have enough income to afford acceptable local housing.

Fiscal Year	Progressive 2% Increases	Increases by \$100-million Increment
2014–2015	2,040,000,000	2,000,000,000
2015–2016	2,080,800,000	2,000,000,000
2016–2017	2,122,416,000	2,100,000,000
2017–2018	2,164,864,320	2,100,000,000
2018–2019	2,208,161,606	2,200,000,000
2019–2020	2,252,324,839	2,200,000,000
2020–2021	2,297,371,335	2,200,000,000
2021–2022	2,343,318,762	2,300,000,000
2022–2023	2,390,185,137	2,300,000,000
2023–2024	2,437,988,840	2,400,000,000

Source: Table prepared using data obtained from the Office of Infrastructure of Canada on 30 March 2015.