



**REPORT ON THE  
*SUPPLEMENTARY ESTIMATES (A), 2016-17***  
**Standing Senate Committee on National Finance**

**SIXTH REPORT**

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## EXECUTIVE SUMMARY

### ***Supplementary Estimates (A), 2016–17***

As part of its oversight role, the Standing Senate Committee on National Finance ensures federal spending plans are reasonable, provide value-for-money and achieve their objectives.

As the main estimates did not contain all of the government's spending needs for the year, the government tabled the [Supplementary Estimates \(A\), 2016–17](#) in the Senate on 11 May 2016. These supplementary estimates request Parliament's approval for an additional \$6.98 billion in voted expenditures, which makes them **the largest supplementary estimates in years**.

In order to examine the *Supplementary Estimates (A), 2016–17*, the committee questioned representatives of ten organizations that are requesting total appropriations of approximately \$5.47 billion, which is 78% of the total amount requested.

The committee notes that infrastructure is a common theme in these supplementary estimates, with \$3.9 billion being requested by 27 organizations. Federal programs should be designed and delivered so they achieve their specific objectives. The committee is concerned that in some cases the emphasis appears to be on getting money out the door as quickly as possible. The committee's observations for each organization are summarized as follows:

1. While the Treasury Board of Canada Secretariat provided a table reconciling the spending forecasts included in the main estimates and the budget, **a single integrated budget would provide clearer information to Parliament and Canadians**. Also, as spending estimates and performance reporting are provided on an organizational basis, it can be difficult for parliamentarians to monitor overall spending and results achieved for horizontal initiatives (page 5).
2. Shared Services Canada is spending additional funds to maintain legacy information technology infrastructure longer than expected, leading to **serious concerns about its ability to carry out the proposed Transformation Plan** to modernize and consolidate the federal government's IT infrastructure by 2020. The Treasury Board of Canada Secretariat is conducting an external review of the Transformation Plan (page 6).
3. The Canadian Air Transport Security Authority faces challenges with respect to keeping up with the changing nature of security threats and maintaining screening service standards in Canada's major airports (page 8).
4. As it moves forward with Phase II of the government's overall \$120 billion infrastructure plan, Infrastructure Canada should allocate sufficient time in Phase I to reach agreements with provinces and territories and work with municipalities to identify priorities, plan infrastructure projects and begin construction (page 9).
5. Health Canada needs to provide more information about whether it is making adequate progress in addressing risks to health infrastructure, such as clinics and detox centres, on First Nations reserves, as well as its ability to recruit and retain nurses in remote and isolated First Nations communities (page 10).
6. As it is not clear what Indigenous and Northern Affairs Canada has achieved with the funds it spends for housing on First Nations reserves, in order to improve transparency and accountability it should develop a First Nations housing strategy that would specify annual objectives to address housing needs and issue a report card outlining its progress (page 12).
7. The Canada Mortgage and Housing Corporation is leading the federal government's efforts to improve access to affordable housing, but it is spending considerable funds prior to developing a

national housing strategy in the coming year, which may identify ways to reduce housing needs (page 13).

8. Employment and Social Development Canada should ensure that the doubling of its Canada Summer Jobs Program to 70,000 jobs for students is achieving value-for-money by monitoring whether its funding creates additional job opportunities and not just subsidies for current jobs (page 15).
9. Innovation, Science and Economic Development Canada's rapid launch of the Post-Secondary Institutions Strategic Investment Fund may affect the \$2 billion fund's ability to achieve its objective of fostering innovation and commercialization over the next three years by investing in infrastructure (page 17).
10. As it moves forward with efforts to repair, retrofit and modernize the federal government's infrastructure and technology, Public Services and Procurement Canada needs to conduct its operations in an economical and efficient manner (page 18).

## INTRODUCTION

The Standing Senate Committee on National Finance (the committee) has an important role to play on behalf of the Parliament and Canadians in examining the federal government's spending plans, as outlined in the main and supplementary estimates. The committee reviews and presents reports on the government's proposed spending in order to determine whether it is reasonable, takes into account value-for-money, and is effective in achieving the government's objectives.

As the main estimates, which are presented on or before 1 March, do not contain all of the government's spending needs for the year, the government also presents supplementary estimates to Parliament for approval, usually in the spring, fall and winter.

The *Supplementary Estimates (A), 2016–17* were tabled in the Senate on 11 May 2016. These supplementary estimates request Parliament's approval for an additional \$6.98 billion in voted expenditures, an increase of 7.8% over the *Main Estimates 2016–17*. The supplementary estimates also request approval of \$30.4 million in non-budgetary expenditures (loans, investments and advances).

Finally, the *Supplementary Estimates (A), 2016–17* provide updates to forecasts of statutory spending, which will be decreasing by \$5.7 billion, primarily due to a \$5.8 billion decrease in the Universal Child Care Benefit, which is being replaced by the Canada Child Benefit in July 2016.

In order to examine the *Supplementary Estimates (A), 2016–17*, the committee selected ten organizations requesting total appropriations of approximately \$5.47 billion, which is 78% of the \$6.98 billion requested by all federal organizations in these supplementary estimates.

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

On 19 May 2016:

- Treasury Board of Canada Secretariat

On 31 May 2016 (morning):

- Infrastructure Canada
- Innovation, Science and Economic Development Canada
- Canada Mortgage and Housing Corporation

On 31 May 2016 (afternoon):

- Canadian Air Transport Security Authority
- Public Services and Procurement Canada
- Shared Services Canada

On 1 June 2016:

- Employment and Social Development Canada
- Health Canada
- Indigenous and Northern Affairs Canada

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

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

## 1 TREASURY BOARD OF CANADA SECRETARIAT

The Treasury Board Secretariat prepares the estimates documents, which include information on horizontal initiatives.

### Committee Observations

As the committee has noted in the past the difficulty of comparing spending forecasts in the main estimates and the budget, it appreciates the Treasury Board of Canada Secretariat's inclusion of a reconciliation table in the Supplementary Estimates (A). However, the committee remains concerned by:

- the lack of detailed information; and
- the fact that a reconciliation table is required.

The committee continues to believe that a single integrated budget would provide clearer information to Parliament and Canadians.

Additionally, the committee would like to see greater attention provided to reporting on spending and results of horizontal initiatives.

### 1.1 Estimates Overview

In *Supplementary Estimates (A), 2016–17*, the Treasury Board of Canada Secretariat is requesting a total voted appropriation of \$45,281,000 to fund four items, which is an increase of 0.7% from its *Main Estimates 2016–17* total voted appropriation of \$6,099,785,836.

The Secretariat is also forecasting an increase in its statutory expenditures of \$305,599, which is related to contributions to employee benefit plans, for total budgetary expenditures of \$45,586,599 in these supplementary estimates and \$6,616,392,628 in total proposed authorities to date.

### 1.2 Spending Forecasts

The *Main Estimates 2016–17* forecasted federal expenditures would be \$251.4 billion in 2016–2017. Budget 2016, which came out four weeks later, forecasted federal spending for the year would be \$317.1 billion. The Treasury Board of Canada Secretariat included a reconciliation table in the *Supplementary Estimates (A), 2016–17* that explains the \$65.7 billion difference, which is due to several factors:

- items not included in the estimates (\$60.7 billion);
- differences in accounting basis (\$4.8 billion);
- Budget 2016 and other measures not yet approved by the Treasury Board (\$4.9 billion);
- assumed lapse of authorities (-\$6.1 billion); and
- other (\$1.4 billion).<sup>1</sup>

<sup>1</sup> Treasury Board of Canada Secretariat, *Supplementary Estimates (A), 2016–17*, Ottawa, 2016, pp. 1–5 and 1–6.

Officials told the committee that the table was developed in response to parliamentarians who noted the difficulties created due to accounting differences between total expenses on an accrual basis in the budget and cash numbers presented in the estimates.

### 1.3 Horizontal Initiatives

While the federal government is composed of distinct organizations, each with their own mandate, many of the government's initiatives involve multiple organizations; they are "horizontal".

For example, in Budget 2016, the federal government announced its overall **\$120 billion infrastructure initiative**, with \$11.8 billion to be spent over five years in Phase I. In order to identify infrastructure spending in the *Supplementary Estimates (A), 2016–17*, the Secretariat prepared an online annex entitled [Budget 2016 Infrastructure Spending](#). This annex identifies \$3.9 billion in proposed spending by 27 organizations in the current fiscal year.

Additionally, the federal government has committed to **bring 35,000 Syrian refugees to Canada**. Through the *Supplementary Estimates (B), 2015–16*, the *Supplementary Estimates (C), 2015–16*, the *Main Estimates 2016–17* and the *Supplementary Estimates (A), 2016–17*, the government has requested that Parliament approve \$773 million for five organizations for this initiative.

Lastly, responsibility for providing federal **support to First Nations, Metis and Inuit** lies primarily with Indigenous and Northern Affairs Canada, but Health Canada and Canada Mortgage and Housing Corporation also have important roles to play, as do approximately **30 other federal organizations**.

Some committee members noted that as spending estimates and performance reporting are provided on an organizational basis, it can be difficult for parliamentarians to monitor overall spending and results achieved for horizontal initiatives. Additionally, it is often not clear how organizations horizontally coordinate their activities, or are transparent and accountable to the Canadian taxpayer.

## 2 SHARED SERVICES CANADA

Shared Services Canada's objective is to improve the efficiency, reliability and security of the federal government's information technology (IT) infrastructure. It delivers email, data centre and telecommunication services to 43 federal departments and agencies.



### **Committee Observations**

As Shared Services Canada is spending additional funds to maintain legacy information technology (IT) infrastructure longer than expected, the committee is concerned about the Department's ability to carry out its proposed Transformation Plan to modernize and consolidate the federal government's IT infrastructure by 2020.

The committee believes Shared Services Canada needs to:

- complete in a timely manner, in coordination with the Treasury Board of Canada Secretariat, the comprehensive review of its Transformation Plan;
- report publicly the observations, conclusions and recommendations of the external review; and
- develop realistic budgets and timelines for the implementation of the Transformation Plan.

The committee will follow with interest the results of the external review.

## **2.1 Estimates Overview**

In *Supplementary Estimates (A), 2016–17*, Shared Services Canada is requesting a total voted appropriation of \$271,483,910 to fund four items, which is an increase of 18.6% from its *Main Estimates 2016–17* total voted appropriation of \$1,460,491,433.

Shared Services Canada is also forecasting an increase in its statutory expenditures of \$598,563, which is related to contributions to employee benefit plans, for total budgetary expenditures of \$272,082,473 in these supplementary estimates and \$1,821,937,174 of proposed authorities to date.

## **2.2 Mission Critical Information Technology**

Budget 2016 committed \$383.8 million over two years to Shared Services Canada to support the transformation of government IT systems, data centres and telecommunications networks.<sup>2</sup> In the *Supplementary Estimates (A), 2016–17*, Shared Services Canada is requesting \$232.5 million to maintain "Mission Critical Information Technology Infrastructure." The funds would be used to reduce the risk of breakdown of legacy IT infrastructure (such as the systems that run Employment Insurance and the Canada Pension Plan), reduce cybersecurity vulnerabilities and keep important government services reliable and secure.

When asked if this new funding would enable Shares Services Canada to meet its 2020 deadline as part of its Transformation Plan for modernizing and consolidating the federal government's IT infrastructure, officials replied that the request for additional funding was to maintain existing IT longer than expected, as Shared Services Canada has had to delay the implementation of the Plan.

The officials indicated that the Treasury Board of Canada Secretariat is currently undertaking a comprehensive third-party review of the Transformation Plan, including re-evaluating the Plan's

<sup>2</sup> Finance Canada, *Growing the Middle Class*, p. 212.

assumptions, scope and timelines. The review is expected to be completed by the fall of 2016. Shared Services Canada may need to request additional funding to continue its Transformation Plan.

### 3 CANADIAN AIR TRANSPORT SECURITY AUTHORITY

The Canadian Air Transport Security Authority conducts security screening of passengers, carry-on baggage, checked baggage, and non-passengers, and it administers access control to restricted areas at Canada's major airports.

#### Committee Observations

The Canadian Air Transport Security Authority ensures a consistent level of security at Canada's major airports by providing screening services. However, the committee is concerned it is requesting an increase of 22.8% from its *Main Estimates 2016–17* to address its challenges with respect to:

- keeping up with the changing nature of security threats;
- maintaining screening service standards; and
- providing an economical and efficient service.

#### 3.1 Estimates Overview

In *Supplementary Estimates (A), 2016–17* the Canadian Air Transport Security Authority is requesting a total voted appropriation of \$142,272,546 to fund two items, which is an increase of 22.8% from its *Main Estimates 2016–17* total voted appropriation of \$624,005,722. The Authority's total proposed authorities to date in 2016–2017 are \$766,278,268.

#### 3.2 Enhanced Non-passenger Screening

On 15 July 2013, an International Civil Aviation Organization enhanced standard came into effect requiring member countries to ensure that non-passengers, such as flight and cabin crews, airline customer service personnel, baggage handlers, and vendors, and their items are subject to screening and security controls prior to entering restricted areas.

In the *Supplementary Estimates (A), 2016–17*, the Canadian Air Transport Security Authority is requesting \$113 million in additional funding that was initially earmarked in Budget 2014 to continue to deliver enhanced non-passenger screening. Officials told the committee that the funding would allow the Authority to increase its screening coverage to 100% at designated access points, as well as introduce a screening program for non-passengers and their vehicles that have access to the wider commercial area in airports.

#### 3.3 Pre-board Screening

According to its 2014–15 to 2018–19 Corporate Plan, "the [Canadian Air Transport Security Authority] will face significant challenges in accommodating increases in screening contractors' billing rates and

rising passenger volumes. Without additional funding, these pressures will continue to compound over time and will lead to a significant increase in passenger wait times.”<sup>3</sup>

Last year, 85% of passengers were screened within 15 minutes or less at Canada’s eight largest airports. However, the number of passengers continues to increase at approximately 3.5% per year. The Authority is requesting an additional \$29 million in *Supplementary Estimates (A), 2016–17* in order to maintain its passenger screening service delivery standard. The funds would be used to purchase additional time, or hours, of screening officers at security checkpoints.

Officials informed the committee that as passenger traffic increases, the Authority may need additional resources to make sure passengers get screened in the same amount of time. Another challenge for the Authority is that its contracts with screening providers are up for renewal this year.

## 4 INFRASTRUCTURE CANADA

Infrastructure Canada supports the development of public infrastructure in Canada by providing federal assistance to provinces, territories and municipalities to fund their infrastructure priorities through a number of initiatives.

### Committee Observations

Infrastructure Canada is beginning Phase I of the federal government’s overall \$120 billion infrastructure plan.

As the government intends to announce Phase II of its infrastructure plan in the coming year, the committee is concerned that Infrastructure Canada may not have allocated sufficient time to:

- reach agreements with provinces and territories;
- work with municipalities to identify priorities, plan infrastructure projects and begin construction;
- collect data from and perform evaluations of previous infrastructure programs;
- incorporate lessons learned from previous infrastructure programs; and
- carefully design programs to ensure that their objectives are achieved, given its history of lapsing infrastructure funds.

### 4.1 Estimates Overview

In *Supplementary Estimates (A), 2016–17*, Infrastructure Canada is requesting a total voted appropriation of \$1,398,256,666 to fund contributions in Phase I, which is an increase of 78.0% from its *Main Estimates 2016–17* total voted appropriation of \$1,791,617,874.

<sup>3</sup> Canadian Air Transport Security Authority, [Summary of the 2014/15 – 2018/19 Corporate Plan](#), Ottawa, 2014, p. 15.

Infrastructure Canada is also forecasting an increase in its statutory expenditures of \$906,263, which is related to contributions to employee benefit plans, for total budgetary expenditures of \$1,399,162,929 in these supplementary estimates and \$5,268,672,186 of proposed authorities to date.

#### **4.2 New Infrastructure Plan: Phase I**

Budget 2016 announced \$11.8 billion dollars over five years for Phase I of the government's overall \$120 billion infrastructure plan, with \$3.4 billion to upgrade and improve public transit systems, \$5.0 billion for investments in water, wastewater and green infrastructure projects, and \$3.4 billion for social infrastructure.<sup>4</sup>

As part of Phase I, Infrastructure Canada is requesting in the *Supplementary Estimates (A)*, 2016–17 \$844.4 million for the Public Transit Infrastructure Fund, \$496.7 million for the Clean Water and Wastewater Fund, \$11.3 million for the Capacity Building for Climate Change Challenges Fund and \$7.5 million for the Asset Management Fund. The first two funds would support municipalities through provinces and territories and the latter two funds would be managed by the Federation of Canadian Municipalities.

In order to begin approving projects and providing funds to municipalities, Infrastructure Canada needs to develop agreements with provinces and territories and the Federation of Canadian Municipalities. However, officials informed the Committee that no agreements had yet been reached and thus no funds for Phase I of the infrastructure plan had been spent.

Some members asked why Infrastructure Canada regularly lapses funds for its infrastructure programs. Officials responded that factors outside of the control of funding recipients, such as weather, technical issues and construction related complexities, can result in lower spending than forecasted, as they delay project expenditures. However, the funds remain committed to infrastructure projects in the various jurisdictions.

#### **4.3 Oil Spill Response**

As the Government of British Columbia requested in 2012 that the federal government develop a world leading response to potential marine oil spills, some members inquired whether Infrastructure Canada would be allocating any funds in this area. Officials indicated that provinces set priorities for funding, and federal responsibility in this area would more likely come under the jurisdiction of Transport Canada, as it is the lead department in developing the National Oil Spill Preparedness and Response Regime, or the Canadian Coast Guard, as it is responsible for ensuring the cleanup of ship-sourced spills of oil and other pollutants into Canadian waters. The officials agreed to provide a list of federal departments and agencies responsible for cleanup of marine oil and gas spills.

### **5 HEALTH CANADA**

In addition to regulating specific products and controlled substances and helping Canadians maintain and improve their health, Health Canada provides basic primary care services and public health programs to First Nations individuals living in remote and isolated communities.<sup>5</sup>

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<sup>4</sup> Finance Canada, *Growing the Middle Class*, pp. 88-89.

<sup>5</sup> Health Canada, [2016–17 Report on Plans and Priorities](#), Ottawa, 2016, p. 4.

### **Committee Observations**

Building and maintaining health infrastructure, such as clinics and detox centres, for remote and isolated First Nations communities is an important step in working towards First Nations' control and delivery of health services.

However, the committee believes that parliamentarians need more information to assess whether Health Canada is making adequate progress through its investments in addressing its risks to health infrastructure on First Nations reserves, as well as its ability to recruit and retain nurses in remote and isolated First Nations communities.

## **5.1 Estimates Overview**

In *Supplementary Estimates (A), 2016–17*, Health Canada is requesting a total voted appropriation of \$161,501,016 to fund six items, which is an increase of 4.5% from its *Main Estimates 2016–17* total voted appropriation of \$3,579,694,337.

The Department is also forecasting an increase in its statutory expenditures of \$3,730,802 which is related to contributions to employee benefit plans, for total proposed budgetary authorities to date of \$3,921,836,755.

## **5.2 Health Infrastructure for First Nations Communities**

In past appearances, officials from Health Canada have informed the committee that the state of health infrastructure for First Nations in remote and isolated communities is one of their key risks.

The Department supports approximately 500 health facilities on reserve, including 300 health centres and 45 detox treatment centres. Officials informed the committee that many of these facilities are in need of renovations or repairs. Some of the facilities are 40 to 50 years old; other facilities cannot meet increased demand; and in other cases, there have been changes to services provided.

Health Canada has spent \$30 million annually in the past few years on repairs and renovations, allowing the Department to replace one facility every two years. The *Supplementary Estimates (A), 2016–17* proposes \$82.1 million to fund major repairs, renovations and replacement of health facilities. Over the next two years, the Department plans to undertake 41 major capital projects that it deemed to be critical. However, the Department has a list of further needs for future infrastructure investments.

Health Canada is also responsible for 300 sites supporting its Aboriginal Head Start Program, which provides pre-school education, outreach and home visits to support early learning and developmental needs of children living in First Nations. According to officials, these facilities have not received sufficient investment over the years to upgrade them and deal with a growing population and increased demand. The *Supplementary Estimates (A), 2016–17* proposes \$12.8 million to support the construction of 13 replacement facilities, major repairs to two facilities, minor repairs to six facilities, and planning and design for eight projects to begin construction in 2017–2018.

## 6 INDIGENOUS AND NORTHERN AFFAIRS CANADA<sup>6</sup>

Indigenous and Northern Affairs Canada's objective is to support Indigenous people (First Nations, Inuit and Métis) and Northerners in their efforts to:

- improve social well-being and economic prosperity;
- develop healthier, more sustainable communities; and
- participate more fully in Canada's political, social and economic development.

### Committee Observations

Indigenous and Northern Affairs Canada provides funding to First Nations to support housing on reserves.

However, it is not clear what the Department has achieved with the funds it spends for housing on reserves. The committee believes that Indigenous and Northern Affairs Canada needs to develop a First Nations housing strategy that:

- outlines the current need for housing on reserves,
- specifies annual objectives to address housing needs;
- ensures that houses are built and maintained according to the appropriate building code, as adapted to the local climatic and topographical conditions;
- reports progress on addressing housing needs; and
- clarifies the roles and responsibilities and coordination of federal organizations.

### 6.1 Estimates Overview

In the *Supplementary Estimates (A), 2016 – 2017*, Indigenous Northern Affairs Canada is requesting votes totalling \$1,199,896,294 to fund 13 initiatives, including:

- funding for short-term investments in public transit, green infrastructure and existing programs (\$309 million);
- funding for affordable housing and social infrastructure projects (\$241 million);
- funding related to the assessment, management and remediation of federal contaminated sites (\$200 million)
- funding to support First Nation communities in the construction of public infrastructure on reserve through the First Nations Infrastructure Fund; (\$104 million)
- funding to support the First Nations Enhanced Education Infrastructure Fund (\$96 million).

This funding represents an increase of 16.3% over the \$7,352,398,685 requested by Indigenous and Northern Affairs Canada in the *Main Estimates 2016–17*.

<sup>6</sup> While the department is now called Indigenous and Northern Affairs Canada, its legal name remains Indian Affairs and Northern Development.

The Department is also forecasting an increase in its statutory expenditures of \$6,424,073 which is related to contributions to employee benefit plans, for total proposed budgetary authorities to date of \$8,711,872,507.

## **6.2 First Nations Housing**

Indigenous and Northern Affairs Canada provides funding to First Nations to plan and manage housing needs; design, construct and acquire new housing units; as well as renovate existing housing units. In the *Supplementary Estimates (A), 2016–17*, the Department is requesting \$241 million for affordable housing and social infrastructure projects. Of this funding, \$206.6 million would provide for the construction of 150 new housing units, the renovation of 1,400 housing units and the servicing of 340 lots on reserve. The remaining \$34.4 million would provide funding to address infrastructure gaps in regard to cultural and recreational facilities on reserve.

When asked what steps the Department takes to ensure that housing on reserves is built according to the appropriate building code, officials responded that housing is either individually owned or is owned by the band council, and thus either the individual owner or the band chief and council are responsible for construction on reserves. Renovations or construction that is funded from own-source revenues are not always constructed according to building codes.

The officials observed that the Department does not have sufficient funding to resolve the problem of housing on reserves. One of the solutions to the quality of on reserve housing is to develop a sense of ownership. It also depends upon governance and management capacity.

## **6.3 Coordination with Other Federal Organizations**

Officials informed the committee that over 30 federal departments and agencies are involved in Aboriginal programming, according to the mandate of each organization. Aboriginal engagement is a whole-of-government responsibility and is mentioned in every minister's mandate letter. Horizontal coordination is achieved through inter-organizational frameworks on strategic policy, as well as regular consultation and engagement among organizations.

However, officials were not able to distinguish the roles and responsibilities of Canada Mortgage and Housing Corporation and the Department with respect to federal support for housing on First Nations reserves, but they committed to providing a table that would clarify the roles of each organization.

## **7 CANADA MORTGAGE AND HOUSING CORPORATION**

The Canada Mortgage and Housing Corporation provides support for Canadians in housing need and offers objective research and advice to governments, consumers and the housing industry.

## Committee Observations

The Canada Mortgage and Housing Corporation is leading the federal government's efforts to improve access to affordable housing.

However, the committee is concerned that the Corporation is spending considerable funds prior to developing a national housing strategy over the coming year, which may identify ways to reduce housing need. Without a strategy in place, the committee believes that the Corporation's programs may not:

- be coordinated with other federal organizations, provincial and territorial governments, First Nations, and non-governmental organizations;
- target the areas of greatest need; and
- achieve the objective of reducing housing need.

## 7.1 Estimates Overview

In *Supplementary Estimates (A), 2016–17*, the Canada Mortgage and Housing Corporation is requesting total voted appropriations of \$1,069,800,000 to fund affordable housing and social infrastructure projects. This funding, which was announced in Budget 2016, represents an increase of 52.7% over the \$2,027,901,048 requested by the Canada Mortgage and Housing Corporation in *Main Estimates 2016–17*.

## 7.2 Access to Affordable Housing

Budget 2016 committed \$2.3 billion over two years to improve access to affordable housing, much of which will be delivered by the Canada Mortgage and Housing Corporation.<sup>7</sup> In the *Supplementary Estimates (A), 2016–17*, the Corporation is requesting \$1.07 billion to:

- provide rent supplements and support housing affordability;
- build or renovate affordable housing for low-income seniors;
- build or renovate shelter spaces for victims of domestic violence;
- improve the energy and water efficiency of existing social housing units;
- address the unique housing challenges in the North and Inuit communities; and
- support the renovation and retrofit of existing housing on First Nations reserves.

Given the variety of programs involved, members asked how funding would be allocated to various jurisdictions, especially the North, which has unique housing needs. While officials were able to provide spending amounts for each territory, they were not able to specify how many new units of social housing would be created as provinces and territories design and deliver the programs according to their priorities.

## 7.3 National Housing Strategy

As announced in Budget 2016, the Canada Mortgage and Housing Corporation will be working with other federal departments to develop a national housing strategy over the coming year to support

<sup>7</sup> Finance Canada, *Growing the Middle Class*, p. 97.



affordable housing.<sup>8</sup> It is planning extensive consultations with provincial and territorial governments, indigenous and other communities, and other key stakeholders to develop a strategy to reduce housing need.

Some members suggested that when developing the new national housing strategy, the government could consider introducing innovative methods of promoting homeownership on First Nations reserves through alternative forms of housing tenure and building assisted housing units to meet condominium standards of construction as an incentive to encourage the participation of private developers in expanding the supply of affordable housing.

#### 7.4 Compliance with Building Codes

Some members asked how the Canada Mortgage and Housing Corporation ensures that newly constructed, repaired or renovated housing complies with building codes.

Officials indicated that the Corporation works closely with the provincial and territorial housing agencies that are responsible for ensuring that housing construction is in conformity with municipal building code requirements. For on-reserve housing, it is the First Nations themselves that are responsible for ensuring that housing is in compliance with Part IX (Housing and Small Buildings) of the [National Building Code](#).<sup>9</sup> As part of its funding requirements, the federal government requires certification by a professional engineer or inspector at three stages: when the basement is put in, when the walls are up and prior to final occupancy.

The Canada Mortgage and Housing Corporation works closely with 380 First Nations to develop the capacity and procedures to manage their housing portfolio. However, compliance to the National Building Code can be problematic for certain First Nations, as some of these remote communities may not possess the resources or capacity to enforce compliance with building codes.

### 8 EMPLOYMENT AND SOCIAL DEVELOPMENT CANADA

Employment and Social Development Canada delivers a range of programs and services to Canadians, including helping students finance their post-secondary education and assisting parents who are raising young children.

#### Committee Observations

The committee supports Employment and Social Development Canada's goal of providing 70,000 job opportunities for students, as it can help them gain valuable work experience.

However, it believes that the Department needs to ensure that its Canada Summer Jobs Program is achieving value-for-money by monitoring whether its funding creates additional job opportunities and not just subsidies for current jobs.

<sup>8</sup> Finance Canada, *Growing the Middle Class*, p. 98.

<sup>9</sup> The National Building Code of Canada is the model building code that forms the basis of provincial and territorial building codes. For most construction under Federal jurisdiction, the National Building Code is the applicable code. First nations may choose to adopt National Building Code through Band Resolution or bylaw, but these are not legally enforceable.

## 8.1 Estimates Overview

In *Supplementary Estimates (A), 2016–17*, Employment and Social Development Canada is requesting a total voted appropriation of \$292,646,625 to fund five items, which is an increase of 12.7% from its *Main Estimates 2016–17* total voted appropriation of \$2,300,443,404.

The Department is also forecasting a decrease in its statutory expenditures of \$5,770,328,695, which is primarily related to the replacement of the Universal Child Care Benefit and the Canada Child Tax Benefit by the Canada Child Benefit in July 2016, for total proposed budgetary authorities to date of \$56,190,199,738.

## 8.2 Canada Summer Jobs Program

Through the Canada Summer Jobs Program, Employment and Social Development Canada provides funding to help employers create summer job opportunities for students. Under the program, the Department pays employers minimum wage for students hired in the not-for-profit sector, and half of minimum wage for students hired in the private and public sectors.

The Department works with Members of Parliament to identify local priorities for summer employment opportunities in constituencies across the country, and the Minister set three national priorities: supporting refugees, Aboriginal organizations and small businesses. The Department also looks at whether employers are willing to top-up the wages for students.

The government is investing \$339 million over three years, starting in 2016–2017, to create up to 35,000 additional jobs in each of the next three years, which will more than double the number of jobs supported by the program. Through the *Supplementary Estimates (A), 2016–17*, Employment and Social Development Canada is requesting \$112.2 million for the program.

When asked about the results of the program, officials informed the committee that the benefit of the program for students is that it helps them save for their education, as well as giving them valuable work experience. The Department will be using the opportunity to help students make educational choices by providing them a career choice tool.

## 8.3 Repairing Infrastructure

Through the First Nations and Inuit Child Care Initiative, Employment and Social Development Canada supports over 7,000 child care spaces for First Nations and Inuit children between the ages of 0 and 12. This initiative is governed by 84 agreements with First Nations and is delivered through 463 child-care centres. Since 1999, \$55 million flows annually to this initiative.

The Department is requesting \$16 million in the *Supplementary Estimates (A), 2016-17* to address health and safety concerns, as well as conduct renovations and upgrades at 120 child-care centres on reserves.

The Department is also allocating \$4 million over two years to its Enabling Accessibility Fund program, which will support approximately 80 construction and renovation projects to improve physical accessibility and safety for people with disabilities.

## 9 INNOVATION, SCIENCE AND ECONOMIC DEVELOPMENT CANADA<sup>10</sup>

Among other matters, Innovation, Science and Economic Development Canada works in all areas of the economy to improve conditions for investment and enhance Canada's innovation performance.

### Committee Observations

While the committee supports increased innovation and research capacity at Canadian universities and colleges, it is concerned that Innovation, Science and Economic Development Canada's rapid launch of the Post-Secondary Institutions Strategic Investment Fund may:

- only support post-secondary institutions that have the capacity to quickly prepare applications;
- favour larger post-secondary institutions that have access to matching funds; and
- fund projects that were already planned.

Thus, the \$2 billion fund may have difficulty achieving its objective of fostering innovation and commercialization over the next three years.

### 9.1 Estimates Overview

In *Supplementary Estimates (A), 2016–17*, Innovation, Science and Economic Development Canada is requesting an overall increase to its voted appropriation of \$603,642,954, which is composed of \$538,884,194 to fund eight items and two transfers totalling \$64,758,760. This leads to an overall increase of 56.2% from its *Main Estimates 2016–17* total voted appropriation of \$1,074,686,605.

The Department is also forecasting an increase in its statutory expenditures of \$451,349 which is related to contributions to employee benefit plans, for total proposed budgetary authorities to date of \$1,901,168,973.

### 9.2 Post-Secondary Investment

Budget 2016 committed \$2 billion over three years for a new Post-Secondary Institutions Strategic Investment Fund.<sup>11</sup> In *Supplementary Estimates (A), 2016–17*, Innovation, Science and Economic Development Canada is requesting \$499 million for this fund in 2016–2017, which will support projects to improve facilities for research and innovation, including commercialization spaces, and facilities for specialized training at colleges, as well as the environmental sustainability of research and innovation-related infrastructure.

Officials told the committee that the program was launched in late March, after the tabling of the budget. There was a single intake process with a deadline of May 9, and over 600 applications for projects totalling \$4.2 billion were received. The federal government will fund 50% of approved proposals and the

<sup>10</sup> While the department is now called Innovation, Science and Economic Development Canada, its legal name is Industry.

<sup>11</sup> Finance Canada, *Growing the Middle Class*, Ottawa, 2016, p. 112.

other 50% will need to come from provincial governments or other sources. Projects will be assessed against a variety of criteria, including:

- the scale and quality of innovation and research capacity;
- the amount of industry relevant training space;
- environmental sustainability objectives;
- the extent to which Aboriginal Canadians will benefit; and
- readiness to begin construction.

The decision of which projects to fund will be made by the Minister, in consultation with provinces and territories. The Department's intention is to begin signing contribution agreements for approved projects in June 2016, with construction taking place over the next three years.

## 10 PUBLIC SERVICES AND PROCUREMENT CANADA<sup>12</sup>

Public Services and Procurement Canada is the federal government's real property manager, central purchasing agent, linguistic authority, treasurer, accountant, and pay and pension administrator.

### Committee Observations

Public Services and Procurement Canada directly manages about 30% of the federal government's buildings and infrastructure across Canada, as well as the assets of other departments and agencies on a cost-recovery basis.

As it moves forward with efforts to repair, retrofit and modernize the federal government's infrastructure, the committee believes that Public Services and Procurement Canada needs to:

- achieve its expected operating cost savings of up to 20%;
- ensure horizontal coordination among federal organizations;
- maintain its capacity to innovate and adapt to changing needs; and
- improve its transparency and accountability.

### 10.1 Estimates Overview

In *Supplementary Estimates (A), 2016–17*, Public Services and Procurement Canada is requesting a total voted appropriation of \$351,302,623 to fund four items, which is an increase of 12.8% from its *Main Estimates 2016–17* total voted appropriation of \$2,747,090,129.

The Department is also forecasting an increase in its statutory expenditures of \$304,209, which is related to contributions to employee benefit plans, for total budgetary expenditures of \$351,606,832 in these supplementary estimates and \$3,222,066,230 of proposed authorities to date.

<sup>12</sup> While the department is now called Public Services and Procurement Canada, its legal name is Public Works and Government Services.

## 10.2 Maintaining and Repairing Federal Buildings

Budget 2016 provided \$2.1 billion to Public Services and Procurement Canada to conduct repairs to its portfolio of properties and to green government operations.<sup>13</sup> Of this amount, \$1.2 billion has been allocated to upgrade the systems that heat and cool over 100 buildings in the National Capital Region, such as the Cliff Street plant near the Supreme Court building that uses technology from the 1930s.

According to departmental officials, these funds will be spent over approximately 39 years of operations, with \$13.5 million being spent this fiscal year. Officials noted that investing in modern technologies will reduce greenhouse gas emissions from heating and cooling systems by almost one-third and reduce annual operating costs by up to 20%, as well as result in a safer and more reliable system. When asked about job creation, officials indicated that jobs would be created through construction and the utilization of innovative technology.

Additionally, in *Supplementary Estimates (A), 2016–17*, the Department is requesting \$277.8 million for the recapitalization of engineering assets, such as the Timiskaming Dam and the Alexandra Bridge, as well as repairs to federal buildings, such as the Canada Four Corners, Lester B. Pearson and Postal Station B buildings in Ottawa, Ontario. The Department is also requesting \$54.5 million to maintain and upgrade federal infrastructure assets, such as the Alaska Highway in northern British Columbia, the Rideau Falls East Dam in Ottawa, Ontario, and the remediation of various contaminated sites.

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<sup>13</sup> Finance Canada, *Growing the Middle Class*, p. 106.

## **APPENDIX – WITNESSES WHO APPEARED BEFORE THE COMMITTEE**

### **Canada Mortgage and Housing Corporation**

Charles MacArthur, Senior Vice President, Regional Operations and Assisted Housing  
 Laura Smith, Director, Finance - Assisted Housing  
 (2016-05-31)

### **Canadian Air Transport Authority**

Omar Rashed, Acting Chief Financial Officer  
 John Stroud, Vice President, Corporate Services and Corporate Secretary  
 (2016-05-31)

### **Employment and Social Development Canada**

John Atherton, Director General, Employment Programs and Partnerships Directorate, Skills and Employment Branch  
 Damon Rourke, Director, Aboriginal Program Operations, Program Operations Branch  
 Alain P. Séguin, Chief Financial Officer, Chief Financial Officer Branch  
 Jason Won, Deputy Chief Financial Officer, Chief Financial Officer Branch  
 (2016-06-01)

### **Health Canada**

Sony Perron, Senior Assistant Deputy Minister, First Nations and Inuit Health Branch  
 Jamie Tibbetts, Assistant Deputy Minister and Chief Financial Officer  
 (2016-06-01)

### **Indigenous and Northern Affairs Canada**

Daniel Leclair, Director General, Community Infrastructure Branch, Regional Operations  
 Paul Thoppil, Chief Financial Officer, Chief Financial Sector  
 (2016-06-01)

### **Industry Canada**

David Enns, Chief Financial Officer, Corporate Management Sector  
 Lawrence Hanson, Assistant Deputy Minister, Science and Innovation Sector  
 (2016-05-31)

### **Infrastructure Canada**

Darlene Boileau, Assistant Deputy Minister, Corporate Services  
 Marc Fortin, Assistant Deputy Minister, Program Operations  
 (2016-05-31)

### **Public Services and Procurement Canada**

Julie Charron, Chief Financial Officer  
 Kevin Radford, Assistant Deputy Minister, Real Property  
 (2016-05-31)

### **Shared Services Canada**

Graham Barr, Director General, Strategic Policy, Planning and Reporting  
 Manon Fillion, Director General and Deputy Chief Financial Officer, Corporate Services  
 (2016-05-31)

**Treasury Board of Canada Secretariat**

Renée LaFontaine, Assistant Secretary and Chief Financial Officer, Corporate Services Sector

Brian Pagan, Assistant Secretary, Expenditure Management Sector

Marcia Santiago, Executive Director, Expenditure Management Sector

(2016-05-19)